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2 IN THE UNITED STATES DISTRICT COURT
3 DISTRICT OF NEW JERSEY

4 Civ. No. 04-3749 (JAP)
(Consolidated Cases)

5 Hon. Joel A. Pisano

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7 IN RE ROYAL DUTCH/SHELL TRANSPORT
8 SECURITIES LITIGATION

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9

November 16, 2006

10

10:04 a.m.

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12 Videotaped deposition of JOHN C.
13 DARLEY, taken by the Lead Plaintiff and
14 the Class, at the offices of LeBoeuf,
15 Lamb, Greene & MacRae LLP, 125 West 55th
16 Street, New York, New York, before Gail
17 F. Schorr, a Certified Shorthand
18 Reporter, Certified Realtime Reporter and
19 Notary Public within and for the State of
20 New York.

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2 A P P E A R A N C E S:
3 BERNSTEIN, LIEBHARD & LIFSHITZ, LLP
4 Attorneys for the Lead Plaintiff and the
5 Class

6 10 East 40th Street
7 New York, New York 10016

8 BY: TIMOTHY J. MacFALL, ESQ.
9 JEFFREY M. HABER, ESQ.

7 STEVEN J. PEITLER, ESQ.

-and-

8 LAURA HUGHES, ESQ.

9

10 LEBOEUF, LAMB, GREENE & MACRAE, LLP

Attorneys for Royal Dutch/Shell

11 1875 Connecticut Avenue, Northwest

Suite 1200

12 Washington, D.C. 20009

13 BY: RALPH C. FERRARA, ESQ.

14

15 CHARLES F. PLATT, ESQ.

Senior Legal Counsel

16 Shell International B.V.

Legal Services LSEP-C

17 Volmerlaan 7

P.O. Box 60

18 2280 AB Rijswijk-ZH

19

20 DEBEVOISE & PLIMPTON, LLP

Attorneys for Royal Dutch/Shell

21 555 13th Street, Northwest

Washington, D.C. 20004

22

BY: JONATHAN R. TUTTLE, ESQ.

23

-and-

LORI A. WAGNER, ESQ.

24

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2 A P P E A R A N C E S (Continued):

3 HUGHES, HUBBARD & REED, LLP

Attorneys for Pricewaterhousecoopers LLP

4 One Battery Park Plaza

New York, New York 10004-1482

5

BY: SAVVAS A. FOUKAS, ESQ.

6

7

HOGAN & HARTSON, LLP

8 Attorneys for KPMG Accountants N.V.

875 Third Avenue

9 New York, New York 10022
10 BY: NICHOLAS W. C. CORSON, ESQ.
11
12 FOLEY & LARDNER, LLP
Attorneys for Judith Boynton
13 777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5306

14
15 BY: REBECCA E. WICKHEM, ESQ.

16
17 MAYER, BROWN, ROWE & MAW, LLP
Attorneys for Sir Philip Watts
1909 K Street, Northwest
18 Washington, D.C. 20006-1101

19 BY: ADRIAEN M. MORSE, JR., ESQ.
-and-

20 SHARAN E. LIEBERMAN, ESQ.

21 ALSO PRESENT:

22 NICO MINERVA
Grant & Eisenhofer

23
24 DAVID PELOZA, Video Operator
Action Legal Video, Inc.

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2 THE VIDEO OPERATOR: This is
3 the video operator speaking, David Peloza
4 from LegaLink Action Video. Today's
5 date's November 16th, 2006. The time is
6 10:04. We're here for the deposition of
7 Mr. John C. Darley in the matter Royal
8 Dutch/Shell Transport Securities
9 Litigation.

10 I'd like the attorneys to
11 introduce themselves beginning with Mr.
12 MacFall.

13 MR. MacFALL: Timothy
14 MacFall, Bernstein Liebhard & Lifshitz,
15 on behalf of plaintiffs and the class.

16 MS. HUGHES: Laura Hughes
17 from Bernstein, Liebhard & Lifshitz, on

18 behalf of the class.

19 MR. PEITLER: Steve Peitler,
20 Bernstein, Liebhard & Lifshitz, on
21 behalf of the lead plaintiff.

22 MR. HABER: Jeffrey Haber,
23 Bernstein, Liebhard & Lifshitz, on
24 behalf of the lead plaintiff, Peter M.
25 Wood, and the class.

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2 MR. FOUKAS: Savvas Foukas,
3 Hughes Hubbard & Reed, for
4 PricewaterhouseCoopers LLP.

5 MR. CORSON: Nicholas
6 Corson, Hogan & Hartson, for KPMG
7 Accountants N.V.

8 MS. WICKHEM: Rebecca
9 Wickhem on behalf of Judith Boynton.

10 MS. WAGNER: Lori Wagner,
11 Debevoise & Plimpton, on behalf of the
12 corporate defendants and the witness
13 here.

14 MR. TUTTLE: Jonathan
15 Tuttle, Debevoise & Plimpton LLP, on
16 behalf of the corporate defendants and
17 the witness today.

18 MR. PLATT: Charles Platt,
19 Shell International B.V. on behalf of
20 the Shell corporate defendants.

21 MS. LIEBERMAN: Sharan
22 Lieberman, Mayer, Brown, Rowe & Maw
23 LLP, on behalf of Sir Philip Watts.

24 MR. MORSE: Adriaen Morse,
25 Mayer Brown, on behalf of Sir Philip

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2 Watts.

3 THE VIDEO OPERATOR: You may
4 now swear the witness.

5 JOHN C. DARLEY,
6 residing at 23, Beaufort Gardens,
7 Ascot, Berks SL 5 8PG, UK, having been
8 first duly sworn by the Notary Public

9 (Gail F. Schorr), was examined and
10 testified as follows:

11 EXAMINATION BY MR. MacFALL:

12 Q. Good morning, Mr. Darley.

13 We met a few moments ago. My name is
14 Tim MacFall. I'm going to be asking
15 you some questions today and tomorrow
16 in connection with the litigation with
17 regard to Royal Dutch/Shell. I know
18 you've given one deposition in this
19 matter already, so I guess the process
20 isn't going to be too unfamiliar, but
21 just to cover some groundrules again
22 just to remind you in case you've
23 forgotten.

24 If at any point I ask a
25 question that's unclear or you'd like

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1 JOHN C. DARLEY

2 month clarify it or restate just
3 indicate and I'll attempt to
4 accommodate you. If at any point you'd
5 like to take a break or speak with your
6 counsel, please indicate that and
7 again, we'll attempt to accommodate
8 you. The one thing I would ask, if a
9 question is pending though, if you can
10 answer the question before we take a
11 break.

12 Because you've been deposed
13 before in connection with this matter,
14 I will -- I realize that you gave a lot
15 of testimony previously and I will do
16 my best not to cover ground that you've
17 already covered. I think there will
18 necessarily be some overlaps. I
19 apologize in advance, but I'll try and
20 keep it to a minimum.

21 Mr. Darley, directing your
22 attention to the time frame 2001, at
23 that time you became the head of EP
24 technology, correct?

25 A. That's correct.

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1 JOHN C. DARLEY

2 Q. Okay. And do you recall
3 what month you became head of EP
4 technology?

5 A. Yes, I recall the day,
6 February 26th. It was my wedding
7 anniversary, that's why I recall the
8 date.

9 Q. Okay, very good. Could you
10 please briefly describe for me first
11 the structure of Shell EP and then
12 we'll talk about EP technology a little
13 bit.

14 A. Shell EP in February 2001,
15 which is where we are, was a global
16 organization, the EP business of Shell,
17 with operating units working in various
18 countries around the world. The
19 structure around the operating units
20 was that of what we call regional
21 directorates at that time. There were
22 five regional directorates covering the
23 major geographic divisions. Within
24 each of those geographic divisions then
25 were individual operating units dealing

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1 JOHN C. DARLEY

2 with the matters of the day of the
3 production of oil and gas, exploration,
4 production and development of oil and
5 gas.

6 Supporting the operating
7 units and the activities of the
8 business were a number of corporate
9 organizations, so finance organization,
10 HR organization, and EP technology, the
11 organization which -- of which I became
12 director.

13 The structure of EP
14 technology at that time, the second
15 part of your question, comprised a
16 number of individual groups. The main

17 groups were the research and
18 applications group. It was called
19 SEPTAR at that time. There was a group
20 looking at IT. There was a group
21 looking at deepwater development, Shell
22 Deepwater Services. There was, and I'm
23 trying to remember now because some of
24 those -- some of the units changed over
25 time.

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1 JOHN C. DARLEY

2 I think those were the main
3 units, but I may have forgotten one or
4 two as of February 2001. Oh, there was
5 a group called Shell Technology
6 Ventures which was a venture capital
7 group looking at new investments.

8 Q. Okay. Now, with respect to
9 the first organization that you
10 mentioned, SEPTAR, do you recall
11 approximately how many individuals or
12 employees were in that organization?

13 A. I think in the order of, I'm
14 guessing seven, 800, something of that
15 nature.

16 Q. Do you recall where those
17 individuals maintained offices during
18 2001?

19 A. Mm-hmm. The offices of
20 SEPTAR were divided in 2001 between
21 Rijswijk in the Netherlands, and
22 Bellaire Technology Center in Houston.

23 Q. Do you recall approximately
24 the number of employees at Rijswijk,
25 SEPTAR employees?

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1 JOHN C. DARLEY

2 A. Yes. I don't to be quite
3 honest. My recollection is that there
4 was roughly a 50/50 split.

5 Q. Now I believe you indicated
6 that this was, SEPTAR was a research
7 and applications organization; is that

8 correct, sir?

9 A. That's the way it was set up
10 at that time, yes.

11 Q. Could you describe for me a
12 little more specifically what kind of
13 work SEPTAR did in 2001?

14 A. SEPTAR had come together over
15 the previous few years since the
16 mid-nineties and formed by 2001 something
17 of a conglomerate of activities. Those
18 activities comprised research into EP
19 technologies, so the normal research
20 process of developing new ideas,
21 experimentation and developing out of
22 those experiments then technologies which
23 would be applicable to Shell's operating
24 business around the world.

25 In addition to the research,

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1 JOHN C. DARLEY

2 there was a service component of SEPTAR,
3 so some groups in SEPTAR would undertake
4 investigative work into the specific
5 aspects of the oil and gas business, such
6 as the properties of the rocks, measuring
7 particularly the porosity of the rock,
8 the characteristics of the rock; not so
9 much on a routine basis because that work
10 could be done by conventional
11 laboratories, but in the areas where
12 there was specific or leading edge
13 capability required and the service work
14 was focused in those areas.

15 SEPTAR also had an area of
16 work on fluid analysis, so analysis of
17 hydrocarbon fluids and associated
18 fluids, gases and oils.

19 And there was a large group
20 looking at consultancy work, so work on
21 behalf of operating units around the
22 world to undertake development studies
23 which we are called. Development
24 studies would comprise looking at an

25 oil and gas accumulation and defining

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1 JOHN C. DARLEY

2 the optimum way that the oil and gas
3 could be developed. And as a result of
4 those studies, then making
5 recommendations as to development plans
6 and development investments.

7 There were groups which I
8 think looked at well technology, so the
9 drilling of wells and how they could
10 best be accomplished. And I've
11 probably forgotten one or two other
12 areas of SEPTAR, but those are the ones
13 as I recall them, the main ones.

14 Q. Now, with respect to the
15 operations at Rijswijk and BTC, was
16 there a division between those two
17 locations along operational lines?

18 A. Not so much a division on
19 operational lines. More division along
20 areas of expertise.

21 Q. Do you recall in 2001 the
22 areas of expertise that were centered
23 at Rijswijk?

24 A. I'm afraid I don't recall
25 any in detail, no.

0014

1 JOHN C. DARLEY

2 Q. How about with respect to
3 the Bellaire Technology Center?

4 A. Each of the groups had --
5 between Bellaire and Rijswijk, specific
6 areas of expertise, so if you take that
7 area of special core analysis that I
8 mentioned, so analyzing rocks and so
9 on, there would be individuals in
10 Bellaire who had certain knowledge
11 perhaps of carbonate rocks and there
12 would be individuals in other parts of
13 the organization that had knowledge of
14 sandstone rocks, and I just for the
15 moment I can't remember where those

16 expertise areas lie. But that's
17 roughly where there was.

18 So a given team, the team
19 that looked at rock and fluid analysis
20 would have individuals in the
21 respective locations.

22 Q. With respect to the studies
23 that were conducted on behalf of the
24 various OUs within Shell, could you
25 describe the process by which the OU

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1 JOHN C. DARLEY

2 would -- well withdrawn. Could you
3 describe the process by which the study
4 would be initiated by SEPTAR?

5 A. Yes. An operating unit
6 would identify the need for support or
7 advice in terms of a particular -- a
8 particular area of development. So
9 perhaps the most simple example would
10 be the discovery of a new field, a new
11 oil and gas field and the need to
12 prepare a development plan for that
13 field.

14 Many operating units
15 undertook those exercises themselves.
16 They had the necessary capability, they
17 had the necessary strength and
18 expertise.

19 In some parts of the
20 organization, there were more fields
21 discovered and more opportunities than
22 the local operating unit had capability
23 or capacity to handle, and those
24 studies were then requested from
25 SEPTAR. So that's one example.

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1 JOHN C. DARLEY

2 Another example may be that a
3 particular oil or gas field had specific
4 areas of difficulty or technical
5 challenge, if you like, and in those
6 cases again, since the expertise was

7 vested in SEPTAR, it may be that those
8 studies were also undertaken by SEPTAR.

9 And it may be that an
10 operating unit was undertaking a
11 development plan itself, but certain
12 aspects of that plan would require
13 advice or expertise from SEPTAR. So
14 the whole study may not be requested,
15 but simply a piece of work to
16 understand the drilling of the well, to
17 understand the nature of the rock, they
18 may be requested from SEPTAR.

19 Q. How would the request from an
20 OU for a SEPTAR study be communicated to
21 SEPTAR?

22 A. I think in the initial phase
23 of that -- that request there would be
24 an informal dialogue as to whether or
25 not SEPTAR had resources and capability

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1 JOHN C. DARLEY

2 available. Individual -- the study
3 groups in SEPTAR had individual
4 managers, and those managers had
5 responsibility for various geographic
6 locations, so the operating unit in
7 certain part of the world, for example,
8 the Middle East, would communicate with
9 the respective manager who was looking
10 after the Middle Eastern portfolio of
11 studies, and they would discuss the
12 possibility to undertake the study.

13 And then I -- the next step
14 would be to formalize that in what was
15 called a cost, time and resources
16 agreement. So the operating unit would
17 agree that the study would be done and
18 it would cost so much and it would take
19 so long and these would be the
20 resources that would be assigned to do
21 that work.

22 Q. Am I correct that the OUs,
23 based on your testimony, paid SEPTAR

24 for the study work that they performed
25 in their behalf?

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1 JOHN C. DARLEY

2 A. Yes, they paid for it. It
3 was on a cost recovery basis, so there
4 was no profit element. It was simply a
5 model whereby the cost of the SEPTAR
6 organization was shared between the
7 Shell operating units on a -- on an
8 annual basis.

9 Q. One of the other
10 organizations that you mentioned in EPT
11 was Shell Deepwater Services, or SDS,
12 correct?

13 A. That's correct.

14 Q. Okay. Do you recall
15 approximately how many employees SDS
16 had during 2001?

17 MR. TUTTLE: I'm just going
18 to object at this point. Now we spent
19 a lot of time the first time going
20 through SDS. I appreciate that there's
21 some need to kind of refresh things
22 today and so I'm not going to -- but I
23 just want to get on the record that we
24 did spend a lot of time going through
25 SDS. I don't think at this stage it's

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1 JOHN C. DARLEY

2 appropriate to plow a lot of that
3 ground again, so I wanted to get up
4 front that that is going to be an issue
5 and I think that's something that we
6 ought to keep in mind, so. With that
7 go ahead.

8 MR. MacFALL: I'll try to be
9 cognizant of that and will certainly
10 appreciate a reminder if I'm wandering
11 into an area that's been covered
12 before.

13 A. Okay. It's quite awhile
14 since February 2001. My recollection

15 was that there was a similar number of
16 staff working in SDS as were working in
17 SEPTAR, but the numbers were
18 fluctuating quite a bit in both
19 organizations at that time. So if I'm
20 saying six or 700 people, that's a
21 rough guess.

22 Q. I appreciate that. And I
23 know this was gone through, but I'll
24 ask just again for a clarification.
25 SDS was located in Houston in the

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1 JOHN C. DARLEY

2 United States; is that correct?

3 A. In Houston and in New
4 Orleans.

5 Q. Okay. I believe you had
6 previously testified that Shell
7 Deepwater Services had the deepwater
8 expertise within Shell and worked on
9 various deepwater projects. But let me
10 ask, did SDS ever work on shallow water
11 projects during your tenure at EPT?

12 A. Not to my knowledge.

13 Q. How about SEPTAR, do you
14 recall if SEPTAR ever worked on shallow
15 water projects during your tenure at
16 EPT?

17 A. In all fairness, I can't
18 recall every project that SEPTAR
19 undertook and therefore, I don't think
20 I can --

21 Q. I appreciate that.

22 A. -- I can give you an
23 assurance one way or the other.

24 Q. As we go through this we're
25 going to be looking at various documents

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1 JOHN C. DARLEY

2 that discuss various projects and fields,
3 but do you recall any of the -- any large
4 projects -- withdrawn.

5 Are there any projects for

6 non-US based OUs that you can recall
7 SEPTAR having performed work for during
8 the time period 2001 through 2004?

9 A. Just let me understand the
10 question correctly. Are there any
11 non-US based OUs?

12 Q. Right.

13 A. Yes?

14 Q. Yes.

15 A. For whom SEPTAR has
16 undertaken work over that period?

17 Q. That's correct.

18 A. And the answer is yes, there
19 are.

20 Q. Do you recall any of the
21 specific OUs that SEPTAR did work for
22 during that period?

23 A. Well, a significant piece of
24 work was done for the Nigerian
25 operating company, SPDC. Work was done

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1 JOHN C. DARLEY

2 on behalf of Oman. But work would also
3 have been done for a large number of
4 companies on the basis that I described
5 earlier on solicitation of those
6 companies.

7 MR. TUTTLE: Just to be
8 clear, you're talking SEPTAR overall
9 now, right?

10 MR. MacFALL: Yes.

11 Q. With respect to the work
12 that was done on behalf of SPDC, do you
13 recall generally what that work was?

14 A. Yes, the work for SPDC was
15 largely in the area of development
16 study planning.

17 Q. Do you recall when that work
18 was first begun on behalf of SPDC?

19 A. No.

20 Q. Do you remember if it was in
21 process when you arrived at EPT?

22 A. I believe it was.

23 Q. Do you recall which SEPTAR
24 office was involved in those development
25 studies? And by that I mean was it

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1 JOHN C. DARLEY

2 Rijswijk versus Houston?

3 A. The Nigerian work was
4 undertaken in Rijswijk. For SPDC.

5 Q. Now when you say development
6 work, could you be a little bit more
7 specific as to what work was being done
8 for SPDC?

9 A. So field development planning
10 is the work that was being undertaken.
11 Field development planning comprises in
12 the first instance defining the nature of
13 the hydrocarbon accumulation. So the
14 nature of the geological conditions, the
15 fluid content, understanding the
16 properties of the reservoir. And that
17 requires such input as geological,
18 petrophysical, reservoir engineering
19 input.

20 On the basis of the
21 understanding of the reservoir, the
22 second stage in the development study
23 would be to assess the opportunities to
24 develop those hydrocarbons, to produce
25 the hydrocarbons, in other words, so

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1 JOHN C. DARLEY

2 the number of wells that would be
3 required, where the wells would be
4 located, whether it would be necessary
5 to inject water, what kind of
6 production methods would be used, would
7 the hydrocarbons need to be pumped, for
8 example. Those are the aspects then
9 which define the development plan.

10 Based on that would come
11 then what kind of facilities would be
12 needed in terms of the flow stations,
13 the gathering facilities, the export

14 pipelines and so on. That last aspect
15 was not -- was not done in SEPTAR
16 itself, but it was done by a group
17 called Shell Global Solutions which is
18 a sort of similar organization working
19 on surface facilities as opposed to the
20 subsurface facilities.

21 So those are the nature of
22 development studies.

23 Q. With respect to the entity
24 you just mentioned, Shell Global
25 Solutions, was that organization also

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1 JOHN C. DARLEY

2 part of EPT?

3 A. No.

4 Q. Okay. Do you recall
5 organizationally where SGS fit in? Do
6 you understand the question? What
7 business they were a part of?

8 A. Yes, it was part of the --

9 MR. TUTTLE: Objection to
10 form. Go ahead.

11 THE WITNESS: Sorry?

12 MR. TUTTLE: I just object
13 to the form but you can go ahead and
14 answer.

15 A. It was part of the
16 downstream organization in Shell.

17 Q. With respect to the work
18 performed for SPDC, do you recall
19 approximately how many people at SEPTAR
20 were working on that project during
21 2001?

22 A. I'm sorry, I don't.

23 Q. Now I believe you also
24 mentioned work in Oman, correct?

25 A. Yes.

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1 JOHN C. DARLEY

2 Q. Are you familiar with an
3 entity in Oman, the acronym for which
4 is PDO?

5 A. Yes.

6 Q. And could you please explain
7 for me your understanding of what PDO
8 is?

9 A. PDO stands for Petroleum
10 Development Oman, which is the
11 operating unit responsible for the
12 major concession in Oman. It is a unit
13 which I think has a Shell shareholding
14 of some 34 percent, the balance being
15 held largely by the Government of Oman,
16 with an additional shareholding held by
17 other private entities.

18 Q. Could you describe for me
19 the nature of the work done in PDO by
20 SEPTAR?

21 A. I think you need to define,
22 you know, which period because we
23 started off in 2001. My recollection
24 could be wrong, is that there was not
25 much work being done for PDO in 2001.

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1 JOHN C. DARLEY

2 You asked how much work was being --
3 which countries had been covered over
4 the period 2001 to 2004, I then
5 included Oman, but the Oman work I
6 believe came later in the period, so
7 perhaps you could define, yes.

8 Q. Okay. If we can,
9 referencing that same period, 2001 to
10 2004, could you describe what work, if
11 any, was done by SEPTAR at PDO?

12 A. Similar work to that done
13 for -- for Nigeria, so looking at field
14 development opportunities. In the case
15 of Oman, there were a number of
16 individual studies that were being done
17 by teams in SEPTAR, particularly
18 because some of the Oman reservoirs are
19 technically difficult and require
20 leading edge capabilities, and some of
21 that work was being done then in the

22 SEPTAR organization.

23 Q. Do you recall which office
24 within SEPTAR, either Rijswijk or
25 Houston, was primarily responsible for
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1 JOHN C. DARLEY

2 the work in Oman?

3 A. Mm-hmm. Most of the work
4 that was done for Oman was undertaken
5 in Rijswijk, but I am aware that one
6 study at least was undertaken in
7 Houston, and that is a study on the
8 field which was called Lekhwair.

9 Q. Do you recall if SEPTAR did
10 work at Shell's OU in Brazil during
11 that same period, 2001-2004?

12 A. I don't recall. I don't
13 recall. I'm not aware if work was
14 done.

15 Q. Switching organizations with
16 respect to SDS, and I believe you did
17 testify last time about some of the
18 work that SDS performed at various OUs,
19 am I correct that SDS performed work in
20 connection with the SNEPCO OU in Bonga
21 during that period 2001-2004?

22 A. That is correct.

23 Q. Do you know if SDS performed
24 any work in connection with the EA
25 Field, shallow water field for SPDC
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1 JOHN C. DARLEY

2 during that same time period?

3 A. I'm sorry, I don't recall.

4 Q. Besides Bonga, SNEPCO, and
5 the Gulf of Mexico, do you recall any
6 other operating units that SDS did work
7 for during the period 2001-2004?

8 MR. TUTTLE: Objection;
9 asked and answered in prior deposition.

10 A. I recall that work was done
11 for the Malampaya Field in the
12 Philippines, which was a deepwater

13 field and SDS did work on that field.

14 Q. Can you describe for me the
15 work that SDS did in connection with
16 Malampaya?

17 MR. TUTTLE: Same objection.

18 A. I seem to recall that it
19 was, at least when I was associated
20 with it, it was to do with the
21 development of the oil rim. Malampaya
22 is a gas field. And underlying the gas
23 reservoir is a column of oil and it is
24 always challenging to recover a column
25 of oil which is overlain by a large gas

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1 JOHN C. DARLEY

2 accumulation. And some of the work
3 then done by SDS was to assess the
4 opportunity to develop that oil. I
5 certainly recall that aspect of the
6 work. There may have been other
7 aspects of the work that I don't
8 recall.

9 Q. Did there come a time during
10 your tenure at EPT when you became a
11 member of the EP executive committee or
12 ExCom?

13 A. Yes, when I joined EPT I
14 became a member of the ExCom.

15 Q. In that position as a member
16 of ExCom were you aware of production
17 difficulties arising at various OUs?

18 MR. TUTTLE: Objection to
19 form.

20 A. I became aware of production
21 difficulties, not necessarily as a
22 member of ExCom, but also as a director
23 of EPT.

24 Q. Do you recall if during that
25 period SPDC was experiencing --

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1 JOHN C. DARLEY

2 withdrawn.

3 Do you recall during that

4 period SPDC was failing to meet its
5 production targets?

6 MR. TUTTLE: Objection to
7 form.

8 A. No, I don't recall
9 discussions on SPDC.

10 Q. How about with respect to
11 PDO, do you recall any issues arising
12 in connection with PDO's inability to
13 meet its production targets?

14 A. Yes, I do.

15 Q. The work that was done by
16 SEPTAR in connection with PDO, was that
17 related to PDO's production issues?

18 A. It was related to a number
19 of -- a number of questions. Initially
20 the work was done looking for
21 opportunities in the area of what were
22 called enhanced oil recovery, EOR, and
23 those are typically longer term
24 studies, so an EOR project may take
25 five to ten years in its period of

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1 JOHN C. DARLEY

2 gestation before it even comes into --
3 into development. So some of the work
4 in SEPTAR was of an experimental nature
5 looking at the way that difficult
6 hydrocarbons could be recovered.

7 Other aspects may be looking
8 at development opportunities in the
9 shorter term. Other elements of the
10 work would be looking at particular
11 drilling problems or problems of
12 production. So there were a whole
13 range of areas of studies which were
14 undertaken by -- by SEPTAR on behalf of
15 Oman.

16 (Darley Exhibit 1 for
17 identification, email from Ms. VanBaren
18 to distribution.)

19 Q. Mr. Darley, you've just been
20 handed a document marked as Darley 1

21 for identification. I ask you to take
22 a look at the document, sir, and tell
23 me if you recognize it.

24 A. Yes, I recognize the
25 document.

0033

1 JOHN C. DARLEY

2 Q. For the record, the document
3 is an email with an attachment. The
4 email is from Desiree D. VanBaren to
5 various individuals including yourself.
6 The subject is ExCom EPT highlights May
7 2001.

8 Could you identify Ms.
9 VanBaren for me, please.

10 A. I think she was a secretary
11 of Dominique Gardy, and Dominique at that
12 time I believe had the responsibility to
13 manage the agendas of the EP ExCom.

14 Q. The attachment is a document
15 entitled EPT highlights May 2001. Do
16 you know why this document was
17 prepared, sir?

18 A. Yes. The highlights from
19 each of the directorates in the EP
20 organization were prepared and
21 circulated amongst ExCom members on a
22 regular basis to share developments and
23 information.

24 Q. Do you know who prepared
25 this document?

0034

1 JOHN C. DARLEY

2 A. No, I don't know
3 specifically who prepared the document.

4 Q. Going through -- directing
5 your attention specifically to the
6 first page of that document under EPT-A
7 there's a caption "Process highlights."
8 Do you see that, sir?

9 A. Yes.

10 Q. The first entry there is
11 "Ahead of the bit," and it talks about

12 utilizing seismic wave-field -- I'm
13 sorry -- yes, utilizing seismic
14 wave-field modeling and real-time VSP
15 for rock sequence prediction. Do you
16 recall -- well, withdrawn.

17 The text that appears
18 underneath the bolded material
19 references something called OKIOC. Do
20 you see that, sir?

21 A. Yes, I see it.

22 Q. Do you know what that is?

23 A. I'm trying to recall. I
24 would have known at the time, but I'm
25 sorry I can't recall what the initials

0035

1 JOHN C. DARLEY

2 stand for now.

3 Q. Okay. I actually see if you
4 go down to I guess the second sentence,
5 it describes it as a well in the
6 northeast of the Caspian Sea. Does
7 that refresh your recollection as to --

8 A. Yes, I thought it was
9 something to do with Khazakstan, but I
10 can't remember exactly what the
11 initials stand for.

12 Q. The work that's referenced
13 there, was that work that was performed
14 by SEPTAR?

15 A. I think it was because it's
16 under the SEPTAR highlight section.

17 Q. And is that the reference to
18 EPT-A, is that a reference --

19 A. Yes, I believe that was a
20 reference that was used at that time.

21 Q. I realize this is some time
22 ago. Do you have any recollection as
23 to whether or not this was the Rijswijk
24 or Houston office that had performed
25 that work in the Caspian?

0036

1 JOHN C. DARLEY

2 A. I'm sorry, I don't know.

3 Q. The next highlight that's
4 shown is "New EPT-AGI focused study
5 process delivers integrated solution,"
6 and it references a bid submitted to
7 the Egyptian government. Do you see
8 that, sir?

9 A. Yes.

10 Q. Do you recall that specific
11 bid that was submitted to the Egyptian
12 government?

13 A. No, I don't recall.

14 Q. Do you recall anything about
15 that particular highlight that's
16 referenced there?

17 A. I -- no, I don't recall
18 anything.

19 Q. Okay, that's fine. The next
20 highlight shown references a SEPTAR
21 special core analysis. Do you see
22 that, sir?

23 A. Yes.

24 Q. And that references
25 specifically a project in Angola with

0037

1 JOHN C. DARLEY

2 BP, which I take it is British
3 Petroleum; is that correct?

4 A. That's what I would assume.

5 Q. Do you recall that project,
6 sir?

7 A. No.

8 Q. I take it then that you
9 don't recall which office within SEPTAR
10 performed that work?

11 A. No, I'm sorry, I don't, no.

12 Q. If you go down a little bit,
13 the last bold -- I'm sorry, the next to
14 last bolded entry at the bottom third
15 of the page is Shell oil/SEPTAR fluids
16 team. Do you see that, sir?

17 A. Yes.

18 Q. Okay. Just take some time
19 and glance through that.

20 A. Okay. Yes.

21 Q. Do you recall anything about
22 what's referenced in that paragraph,
23 sir?

24 A. I'm sorry, I don't.

25 Q. That's fine. I realize this

0038

1 JOHN C. DARLEY

2 is a few years back.

3 If you would turn the page,
4 sir, directing your attention
5 specifically to Page 2 of the document,
6 about a quarter of the way down the
7 page there is a caption "Technology
8 highlights." Do you see that, sir?

9 A. Mm-hmm.

10 Q. The first entry is "Cauldron
11 3D modeling impacts Woodside's
12 Mauritania exploration effort."

13 A. Yes.

14 Q. Could you tell me what a
15 Cauldron 3D modeling, or what that
16 reference is?

17 A. Cauldron 3D modeling was a
18 technique used in exploration to look
19 at I believe migration paths. So first
20 of all, the formation of hydrocarbons
21 in the subsurface and then the
22 migration of hydrocarbons to potential
23 areas of entrapment was a modeling tool
24 that was used then as a support to
25 exploration efforts.

0039

1 JOHN C. DARLEY

2 Q. Now it says the modeling
3 simulation here was made by Woodside
4 and peer reviewed by SEPTAR. Do you
5 know what the reference is to Woodside,
6 sir?

7 A. I assume the reference is to
8 the operating company Woodside, which
9 is an Australian company.

10 Q. Do you recall, again,

11 anything about this particular

12 highlight?

13 A. No, I'm sorry.

14 Q. I take it then you have no
15 recollection as to which SEPTAR office
16 performed the work referenced there?

17 A. No, I don't.

18 Q. Okay. The next highlight
19 referenced is "Fahud asset study
20 achievements." And it actually
21 indicates, as you go through -- do you
22 see that, sir, I'm sorry?

23 A. Yes.

24 Q. It actually indicates that
25 Fahud, a Fahud asset study was closed

0040

1 JOHN C. DARLEY

2 out and then it continues on. Do you
3 recall anything about that study, sir?

4 A. Not at this time. Fahud is
5 one of those reservoirs I mentioned
6 earlier in Oman has been quite
7 difficult, requiring leading edge
8 capabilities, and a number of studies
9 would have been done over a number of
10 time frames on Fahud. I don't recall
11 the specific aspect of it.

12 Q. I take it then you don't
13 recall which SEPTAR office was
14 responsible for the conclusion of the
15 study?

16 A. No, I'm sorry, I don't.

17 Q. The next entry states "Big
18 win for both SEPTAR, BSP." Do you see
19 that, sir?

20 A. Yes.

21 Q. Do you know what BSP refers
22 to?

23 A. That's the operating company
24 in Brunei Darusalam, Brunei Shell
25 Petroleum.

0041

1 JOHN C. DARLEY

2 Q. The text that appears
3 beneath that discusses a seven well
4 horizontal well completion campaign and
5 then continues. Do you have any
6 recollection of that specific project,
7 sir?

8 A. I have a recollection from
9 my time in Brunei because prior to my
10 time as director of EPT I was a
11 managing director of Brunei Shell, and
12 I do recall that we were looking at
13 horizontal well completion technologies
14 at that time.

15 Q. Based on your position at
16 BSP prior to coming to EP, do you have
17 any knowledge as to which SEPTAR office
18 was involved in that work?

19 A. No, I don't have knowledge.
20 But based on later understanding of the
21 work that was being done on horizontal
22 well completions, I believe there was a
23 joint effort between Rijswijk and
24 Houston to come to a better
25 understanding of these aspects of

0042

1 JOHN C. DARLEY

2 technology.

3 Q. Do you know how that work
4 was -- withdrawn.

5 Do you recall how the
6 Rijswijk and Houston offices of SEPTAR
7 worked on horizontal well studies?
8 What I'm trying to ask is was there a
9 topical division of labor?

10 MR. TUTTLE: Object to form.

11 A. No, I don't recall exactly.
12 As I mentioned, in a given team, I
13 mentioned earlier when I described
14 SEPTAR I think, a given team would have
15 members both in Houston as well as in
16 Rijswijk and depending on the specific
17 aspects of the -- of the technical
18 issue, consultation or support would be

19 given by one or the other members of
20 that team, or experimental work would
21 be done in one or the other of those
22 locations.

23 Q. And I believe you mentioned
24 earlier that that would depend on the
25 area of expertise that was required for

0043

1 JOHN C. DARLEY

2 a specific project; is that correct?

3 A. That is correct, yes.

4 Q. If I could direct your
5 attention now to Page 3 of this
6 document, sir. Do you see at the top
7 third of the page there's a reference
8 to EPT-D, and could you tell me what
9 that references?

10 A. I think that references the
11 deepwater, the SDS organization within
12 EPT.

13 Q. If you go down to the bottom
14 quarter of the page, there's a caption
15 volume to value, and it references the
16 Bonga Field in Nigeria. Do you see
17 that, sir?

18 A. Yes.

19 Q. And it discusses some of the
20 work specifically done there. Now you
21 had mentioned Bonga earlier, but do you
22 remember this specific highlight that's
23 shown here?

24 A. No, I'm sorry, I don't.

25 Q. Beneath that is a reference

0044

1 JOHN C. DARLEY

2 to Bonga Southwest Nigeria. Was that
3 also a project in the SNEPCO OU?

4 A. Yes.

5 Q. Okay. Do you recall the
6 reference to the work done by SDS in
7 connection with Bonga Southwest that's
8 referenced in this document?

9 A. I don't recall the reference

10 in this document. I do recall a team
11 being put together to work on Bonga
12 Southwest.

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

15 A. No, I'm sorry.

16 Q. Do you recall the
17 approximate size of the team?

18 A. The team would have changed
19 in size over the period of the study.
20 It would have started quite small and
21 then depending on the workload and --
22 the effort would have changed. I
23 really don't recall at any given moment
24 what the size would be.

25 Q. If I could ask you to turn

0045

1 JOHN C. DARLEY

2 to the next page, sir, Page 4. The top
3 quarter of the page you'll see some
4 bolded reference to Erha Nigeria. Do
5 you see that, sir?

6 A. Yes.

7 Q. And it discussions a joint
8 Exxon/Shell review. Do you recall the
9 work that was done in connection with
10 Erha Nigeria that's referenced here?

11 A. No, I don't.

12 Q. The next bolded caption
13 beneath that is deepwater knowledge
14 sharing. You see that? And it
15 references several workshops that were
16 conducted by SDS.

17 A. Yes.

18 Q. Okay. What was the purpose
19 of those workshops if you can recall?

20 A. I don't recall these, these
21 specific workshops.

22 Q. Was there an initiative
23 during your tenure at EPT to share the
24 deepwater expertise that had been
25 accumulated by SDS with other operating

0046

1 JOHN C. DARLEY

2 units throughout Shell?

3 MR. TUTTLE: Object to form.

4 A. There was as part of the
5 learning process, which we promote in
6 the company, there was an attempt
7 indeed to share expertise or knowledge
8 gained in certain parts of the world in
9 other parts of the world, so it would
10 not be a one-way sharing, it would be a
11 two-way sharing of knowledge between
12 practitioners in these areas.

13 Q. If you go to the first
14 bullet point under deepwater knowledge
15 sharing, it references the Pan Atlantic
16 cretaceous workshop. I do understand
17 that you don't remember that specific
18 workshop, but it discusses activity in
19 the Canada, Norway, Morocco, Gulf of
20 Mexico, Brazil, Gabon, Nigeria, Angola
21 and the white zone. Now we've
22 discussed some of these but some we
23 have not. Do you remember the SDS work
24 that was being done in connection with
25 -- or withdrawn. Do you recall any SDS

0047
1 JOHN C. DARLEY

2 activity in Norway during 2001?

3 A. No.

4 Q. How about Morocco?

5 A. I recall work being done in
6 Morocco or for Morocco. I'm not -- it
7 must have been in 2001, yes.

8 Q. Do you recall generally what
9 kind of work was being done by SDS in
10 connection with Morocco?

11 MR. TUTTLE: Objection to
12 the extent it repeats testimony from
13 the prior deposition. You can answer.

14 A. The work was -- was in
15 connection with an exploration program
16 in Morocco, deepwater exploration.

17 Q. Now we'd mentioned Brazil

18 also and I don't recall whether or not
19 you'd indicated you recalled any of the
20 work done in connection with Brazil.
21 Do you recall any of the SDS activities
22 done in Brazil?

23 MR. TUTTLE: Objection to
24 form and asked and answered from the
25 prior deposition, but you can answer

0048

1 JOHN C. DARLEY

2 again.

3 A. Again, in terms of -- I
4 think it was exploration opportunities
5 at this time were being evaluated, yes.

6 Q. How about Gabon?

7 A. Gabon I don't recall what
8 the work would have been in 2001.

9 Q. Do you recall what work was
10 being -- what activities were being
11 done by SDS in connection with Angola
12 in about that time?

13 MR. TUTTLE: Same objection,
14 and the character -- asked and answered
15 from the prior deposition, excuse me.

16 A. Work was being done at the
17 request of the operating unit I think
18 in Angola, Shell Development Angola, in
19 support of their participation in the
20 BP joint venture.

21 Q. Do you recall which --
22 withdrawn.

23 The work that was being done
24 in connection with Angola, was that
25 being done out of Rijswijk or Houston,

0049

1 JOHN C. DARLEY

2 do you recall?

3 A. Well, this is the deepwater
4 group that we're talking about.

5 Q. Oh, I'm sorry.

6 A. So this work was being done
7 from Houston.

8 Q. Thank you. I apologize for

9 that.

10 There's a reference there to
11 white zone in quotes. Do you see that?

12 A. Yes.

13 Q. Do you know what that refers
14 to, sir?

15 A. I'm sorry, I don't.

16 Q. If you go down the bottom
17 third of the page there's a reference
18 to EPT-V. Do you see that, sir?

19 A. Yes.

20 Q. And could you tell me what
21 that refers to?

22 A. That was the group that I
23 mentioned earlier, the Shell Technology
24 Ventures group, so the venture capital
25 investment group that invested in

0050

1 JOHN C. DARLEY

2 developing new technology.

3 Q. If I could direct your
4 attention to the following page, sir.

5 The second line down there's a bolded
6 caption STV/STIP review.

7 A. Yes.

8 Q. I was just hoping that you
9 could identify, help me identify some
10 of the organizations that are
11 referenced there. We've discussed STV?

12 A. Yes.

13 Q. The next one is STIP. Do
14 you know what that refers to?

15 A. That was I think Shell
16 Technology Investment Partners.

17 Q. Was that part of EP? I'm
18 sorry, was that part of EP?

19 A. I'm not sure, to be quite
20 honest. I can't recall exactly the
21 corporate structure around STIP.

22 Q. How about STEP LT?

23 A. That was the leadership team
24 of the EPT organization.

25 Q. A little above the halfway

0051

1 JOHN C. DARLEY

2 point in that page is a reference to
3 EPT-C. Do you see that, sir?

4 A. Yes.

5 Q. Can you tell me what
6 organization that refers to?

7 A. That was the commercial
8 group that supported the EPT business.

9 Q. Okay. Can you tell me where
10 that group is located?

11 A. Again, that was, as part of
12 EPT, located between Houston and
13 Rijswijk. The manager of that group
14 reported to me in Rijswijk at that
15 time, but he had staff also in Houston.

16 Q. Actually, that raises a
17 question. Your offices were maintained
18 in Rijswijk at that time?

19 A. Rijswijk, yes.

20 Q. Was that true throughout
21 your tenure at EPT?

22 A. Yes.

23 Q. You can put that aside, sir.

24 A. Thank you.

25 (Darley Exhibit 2 for

0052

1 JOHN C. DARLEY

2 identification, Bates stamped Darley
3 0020 through 0031.)

4 Q. Mr. Darley, you've just been
5 handed a document marked as Darley
6 Exhibit 2 for identification. I'd ask
7 you to take a look at that, sir, and
8 let me know if you recognize it.

9 A. No, I don't recall seeing
10 this before. I see that it was emailed
11 to me, so I certainly will have seen
12 it, but I don't recall it.

13 Q. Okay. For the record, the
14 document is an email with a series of
15 attachments, the cover email is from
16 Jim Rambousek to Mr. Darley. The

17 subject is forward, realizing the
18 limit.

19 Directing your attention to
20 the second page of that document, sir,
21 one of the attachments is captioned
22 realizing the limit and then it's
23 followed by four subsections. Was
24 realizing the limit, did that refer to
25 an initiative that was begun in EP at
0053

1 JOHN C. DARLEY

2 or about this time?

3 A. Yes, I think somewhat
4 earlier, but I -- it was already well
5 underway when I joined EPT.

6 Q. And just generally, and I'm
7 not asking you to read the material
8 here, but could you describe what that
9 initiative, or what the purpose of that
10 initiative was.

11 A. So the realizing the limit
12 program started with an initiative
13 which was called drilling the limit.
14 And drilling the limit was a process
15 improvement project which looked at
16 opportunities to improve the efficiency
17 of the well drilling process.

18 So in drilling a well there
19 are a number of sequential steps that
20 are taken as the hole is drilled,
21 casing is run into the hole, the casing
22 is cemented, etcetera.

23 It was recognized I think in
24 the mid-nineties that by running
25 parallel processes for some of these
0054

1 JOHN C. DARLEY

2 activities it would be possible to
3 improve the efficiency of the drilling
4 process. And that was called drilling
5 the limit. It proved successful, was
6 used in a number of companies around
7 the world, both within Shell, but also

8 similar programs were being run in the
9 industry.

10 On the basis of the success
11 of drilling the limits, then similar
12 approaches were adopted for the
13 production process and for looking at
14 the investment process and looking at
15 the volumes process, so asking the
16 question are there ways in which we can
17 improve the process by which we
18 estimate volumes or invest in our
19 capital or produce our hydrocarbons,
20 and that came then under the umbrella
21 of realizing the limit.

22 The way it worked was that we
23 had a number of experts, practitioners,
24 consultants, as you would like to call
25 them, in each of these areas, and they

0055

1 JOHN C. DARLEY

2 would hold workshops with operating units
3 to cover one or the other, or sometimes
4 an integration of these individual
5 improvement projects, and identify
6 opportunities in the business to adopt
7 this approach.

8 Q. If I could direct your
9 attention to the material here
10 underneath the caption "Producing the
11 limit," and specifically to the last
12 sentence in that short paragraph, it
13 says "The main areas to be benefitted
14 will be Nigeria, Oman, and SEPCO." We
15 talked about Oman a little bit. And I
16 believe you had previously indicated
17 that you didn't recall there being
18 production issues necessarily in
19 Nigeria, correct?

20 A. That's correct.

21 Q. Okay. Do you have any
22 recollection of why this document
23 specifically refers to Nigeria as being
24 one of the areas that would benefit

25 from the PTL teamwork?

0056

1 JOHN C. DARLEY

2 MR. TUTTLE: Object to form.

3 MR. MORSE: Object to form.

4 A. The PTL work identifies
5 opportunities to improve. What I take
6 from this summary is that there have
7 been identified opportunities to
8 improve production in these three
9 companies.

10 Q. Do you have any specific
11 recollection of that though separate
12 and apart from this document?

13 A. No.

14 Q. Mr. Darley, if you could
15 turn now to the next page, sir. The
16 next page is an email from Ad A.
17 VanderSchoot to various individuals
18 including yourself. The subject is
19 visit report Oman. The email is dated
20 October 19th, 2001. Could you identify
21 Mr. or Mrs. VanderSchoot for me?

22 MR. TUTTLE: I'm going to
23 object. It may have been produced to
24 you this way, I have no idea, but I'm
25 not sure that we should assume that

0057

1 JOHN C. DARLEY

2 it's a single document. Perhaps if you
3 want to -- it doesn't seem to be
4 otherwise referenced in the first
5 email, so.

6 Q. With that caveat, I don't
7 know if it was a single document. It
8 was in fact produced this way. There
9 are consecutive Bates numbers. I don't
10 know if the real world what that means
11 the format of this was.

12 MR. TUTTLE: I just don't
13 want the witness to be confused in
14 terms of his recollection.

15 MR. MacFALL: That's fine.

16 MR. TUTTLE: You've asked
17 him separately if he recognizes this
18 email, so.

19 MR. MacFALL: That's fine.
20 Why don't we go through it as if it
21 were a separate document, because it
22 may well be.

23 Q. Your counsel raises a good
24 point. Separate and apart from the
25 material that precedes it, do you

0058

1 JOHN C. DARLEY
2 recognize this document?

3 A. No. No, I don't.

4 Q. Do you know who Mr. or Mrs.
5 VanderSchoot is?

6 A. Yes, Ad VanderSchoot is --
7 was a realizing the limit consultant,
8 one of those consultants that I
9 mentioned to you earlier.

10 Q. Do you recall that he --
11 withdrawn.

12 A. Excuse me, at that time Ad
13 VanderSchoot may not have been in the
14 role as a consultant for the realizing
15 the limit. He may have been in a
16 separate role which was also in EPT
17 where he was the business interface
18 manager responsible for the Middle East
19 and I believe at this time and in this
20 context that's probably why he was
21 sending this email.

22 Q. Thank you.

23 A. Later he became a realizing
24 the limit consultant.

25 Q. Mr. Darley, if you look at

0059

1 JOHN C. DARLEY
2 the first paragraph of the email, it
3 discusses a visit to Oman and various
4 asset team individuals who were met.
5 The last sentence in that paragraph
6 states, "I sensed a strong commitment

7 from PDO at all levels and a high
8 expectation that SEPTAR will deliver."

9 Do you recall what it was that or what
10 it is that this references?

11 A. No, not without delving into
12 the document, I wouldn't know.

13 Q. Okay, that's fair. If you
14 go down a little bit there's a bold
15 portion that says "Visit report Oman."
16 Then it says "Purpose, selection," and
17 it says "scooping of projects that
18 SEPTAR will execute jointly with PDO."
19 Beneath that it identifies various
20 individuals from SEPTAR who attended or
21 participated in that visit. Do you
22 recognize the individuals who are shown
23 here, sir?

24 A. Some of them, not all.

25 Q. Okay. Could you tell me,

0060

1 JOHN C. DARLEY

2 identify those individuals who you do
3 recognize from that list.

4 A. Piet Ruijtenberg, Stuart
5 Evans, Rob Willis. Tom Hyde I didn't
6 know at that time, I know now. Francis
7 Clayton, equally I didn't know at that
8 time, I know now. Rick Carter
9 similarly. Phil Tudhope I didn't know
10 in that context. Mark Tavener I don't
11 know. And Ad VanderSchoot we
12 mentioned.

13 Q. And actually, after Mr.
14 VanderSchoot there is a parenthetical
15 BIM reference which is what I believe
16 you indicated previously, correct?

17 A. Yes, I hadn't noticed, but
18 indeed it confirms that he was the
19 business interface manager at that
20 time.

21 Q. The individuals that you
22 just identified that you know, I won't
23 go through all of their names again,

24 were they -- withdrawn.

25 Do you recall what offices,

0061

1 JOHN C. DARLEY

2 either Rijswijk or Houston, those
3 individuals worked out of?

4 MR. TUTTLE: Objection to
5 form.

6 A. I'm pretty sure that they
7 worked out of Rijswijk, but the ones
8 that I don't know and didn't know then
9 may not have. But the ones that I did
10 know then were working out of Rijswijk.

11 Q. Okay, thank you. If you
12 could turn -- I'm sorry. Go back two
13 pages. I'm sorry, forward two pages.

14 A. Okay.

15 Q. You'll see there's an
16 attachment there, they're a series of
17 PowerPoints or viewgraphs. Do you
18 recall if -- do you recall seeing these
19 materials?

20 A. No.

21 Q. On that first page, the
22 third bullet point down it says "SEPTAR
23 committed 10 people, possibly
24 increasing to 25." Do you recall if
25 that actually happened or did the

0062

1 JOHN C. DARLEY

2 number of people working with PDO vary
3 throughout 2001-2004?

4 MR. TUTTLE: Objection to
5 form.

6 A. The number of people working
7 with PDO certainly varied over that
8 period.

9 Q. Do you recall at its height
10 the maximum of SEPTAR employees or
11 individuals that were working in
12 connection with PDO?

13 MR. TUTTLE: Objection to
14 form.

15 A. I believe we at the height
16 would have approached 80, perhaps even
17 a hundred people.

18 Q. Were those people out of
19 both Houston and Rijswijk, do you
20 recall?

21 A. As I mentioned earlier, most
22 of that work was done out of Rijswijk
23 for Oman. But there was one study, I
24 mentioned that study earlier that was
25 being done out of Houston.

0063

1 JOHN C. DARLEY

2 Q. You can put that aside, sir.

3 A. Thank you.

4 MR. TUTTLE: Is this a good
5 time to take a couple of minutes, we've
6 been going about an hour?

7 MR. MacFALL: Yes, that's
8 fine.

9 THE VIDEO OPERATOR: We'll
10 go off the record. It's 11:10, tape 1.

11 (A recess was taken.)

12 THE VIDEO OPERATOR: We're
13 back on the record, it's 11:27, tape 1.

14 Q. Mr. Darley, I have a few
15 followup questions based on some of the
16 things we discussed a little bit earlier.

17 A. Yes, sir.

18 Q. With respect to the division
19 of expertise between Rijswijk and
20 Houston, was there any system
21 underlying that division of expertise?
22 In other words, who went to Rijswijk,
23 who went to Houston? Do you understand
24 the question?

25 MR. TUTTLE: Object to form.

0064

1 JOHN C. DARLEY

2 You can answer.

3 A. I understand the question.

4 The nature of SEPTAR was such that it
5 had come together from preexisting

6 centers of technology based
7 respectively in Houston and Rijswijk.
8 So historically certain areas of the
9 business had been undertaken in one or
10 the other of those locations. As the
11 two locations came together in one
12 organization, that historical
13 capability, if you like, initially was
14 held, and over time individuals were
15 moved from one side to the other to
16 share that technology between the
17 respective groups.

18 Q. I believe you indicated that
19 there were certain circumstances under
20 which teams would be comprised of
21 people from both Rijswijk and Houston;
22 is that correct?

23 A. Rarely. Most of the teams
24 were based -- I'm sorry, I'm confused
25 now. Or I'm potentially going to

0065

1 JOHN C. DARLEY

2 confuse you when I talk about teams. A
3 given team indeed, a team looking at
4 experimental research, for example,
5 could comprise individuals on both
6 sides. A study team that was looking
7 at a given reservoir development plan
8 would usually be comprised of
9 individuals in one location. Those
10 study teams were not usually split.

11 Q. Would assignment of a
12 particular reservoir to either a study
13 team in Houston or Rijswijk depend on
14 the area of expertise that was
15 necessary to conduct the study?

16 A. Only on an exceptional
17 basis.

18 Q. Could you explain for me
19 what it is that you mean by that, sir?

20 A. Yes. So I explained earlier
21 I think that much of the work was
22 directed geographically, so the work

23 for SPDC Nigeria was done in Rijswijk,
24 for example. And the work for PDO in
25 Oman was done in Rijswijk.

0066

1 JOHN C. DARLEY

2 Exceptionally, and that's

3 why I made that distinction, there may
4 be a specific reservoir which required
5 expertise from a center of excellence
6 that was vested in one or the other of
7 those locations and on that basis there
8 may be one study that was then directed
9 to one of those locations.

10 Q. I believe you specifically
11 stated that the Lekhwair project in
12 Oman was worked on by a team from
13 SEPTAR Houston, correct?

14 MR. TUTTLE: Objection to
15 form; characterization.

16 A. Yes, I'm -- I'm hesitating
17 here because EPT over time evolved.
18 When I -- when I first came into that
19 position, as I described earlier,
20 SEPTAR was something of a conglomerate
21 of activities. So one of the changes
22 that we made was to split out the study
23 team work from that conglomerate of
24 SEPTAR and form a different group. So
25 that we then had a group which was the

0067

1 JOHN C. DARLEY

2 R&D organization in EPT which was no
3 longer called SEPTAR, it was EP R&D.
4 And then we had a group called EPT
5 Solutions which was the consultancy
6 services which then looked at the study
7 work.

8 And my feeling is the
9 Lekhwair work was undertaken by EPT
10 Solutions as that group had evolved to
11 and not by SEPTAR, so that -- that's
12 the reason for my comment here.

13 Q. Was EPT Solutions based out

14 of Houston?

15 A. It was a group that was
16 based out of Rijswijk and Houston.

17 Q. At the time of that further
18 division when EPT Solutions came into
19 existence, was there still a division
20 along areas of expertise between
21 Rijswijk and Houston?

22 MR. TUTTLE: Objection to
23 the form.

24 A. Yes, the main change into
25 EPT Solutions was to take out from

0068

1 JOHN C. DARLEY
2 SEPTAR the study groups, but the
3 division between Houston and Rijswijk
4 largely remained as it had been
5 earlier.

6 Q. Do you recall -- withdrawn.
7 Do you know why it is that
8 EPT Solutions group out of Houston did
9 work on Lekhwair?

10 A. No, I'm sorry, I don't.

11 Q. When did that change occur,
12 taking out the study group from the
13 consultancy?

14 A. In the second half of 2003.

15 Q. You also mentioned an
16 organization earlier called SGS, Shell
17 Global Solutions, correct?

18 A. Yes.

19 Q. I believe you indicated that
20 they did surface work in SPDC; is that
21 correct, sir?

22 A. Yes, they worked in
23 connection with SEPTAR at that stage
24 and subsequently with EPT Solutions in
25 connection with the field development

0069

1 JOHN C. DARLEY
2 plan studies.

3 Q. Do you recall specifically
4 what it was that SGS did in connection

5 with the field development plans at
6 SPDC?

7 A. I don't -- you ask if I
8 recall specifically and I don't
9 specifically, but in general terms,
10 they undertook the work that was
11 related to surface facilities. So
12 pipelines, separator facilities,
13 gathering station facilities, that was
14 their area of expertise.

15 Q. Do you know where SGS was
16 located or based out of during that
17 time period?

18 A. Yes, it was based out of
19 Rijswijk and out of Houston.

20 Q. With respect to the work
21 that was done at SPDC, do you know
22 which office of SGS was involved?

23 A. I believe that was the
24 Rijswijk office.

25 Q. Mr. Darley, we've discussed,

0070

1 JOHN C. DARLEY

2 and certainly some of the documents
3 have indicated various OUs at SEPTAR
4 and SDS did work for or in connection
5 with. Are you aware of any documents
6 or any compilations which showed on
7 either an annual basis or regular basis
8 all of the OUs that were -- withdrawn,
9 I'm going to try that again.

10 Was there any central
11 database or document that listed all of
12 the OUs that SEPTAR and SDS were
13 performing work in connection with?

14 A. There were annual -- annual
15 reports prepared in a summary format
16 which would -- but I'm trying to
17 remember whether or not they existed in
18 the period that we're speaking about
19 here, 2001 to 2004. They certainly
20 when we formed the new group which was
21 in the second half of 2003, so

22 therefore into 2004, then we had such
23 -- such annual reports.

24 Q. But you're not sure about
25 the period prior to that; is that

0071

1 JOHN C. DARLEY

2 correct?

3 A. No, I'm not sure. I don't
4 think we had such things at that time.

5 Q. How is it then that --
6 withdrawn.

7 Did you find it necessary to
8 keep, as head of EPT, track of the
9 various projects being performed on
10 behalf of the OUs each year?

11 MR. TUTTLE: Mr. Darley
12 personally? You said you?

13 Q. Yes. I'm sorry, yes.

14 A. I took the question to be me
15 personally. I didn't find it necessary
16 to track every -- every study that was
17 being undertaken by all the study
18 teams, no.

19 Q. Do you know why that summary
20 document was created, assuming that it
21 did not exist prior to the second half
22 of 2003 showing the work done on behalf
23 of all the OUs?

24 MR. TUTTLE: Objection to
25 form.

0072

1 JOHN C. DARLEY

2 A. What -- what we had in 2001
3 to 2004 period were more informal kind
4 of reports. What I described was an
5 annual report. So there would be in
6 each of those constituent parts of EPT
7 planning groups who were planning the
8 work and allocating the resources of
9 their individual groups. We also had
10 financial control systems which looked
11 at the total spend of each of those
12 groups and the total remittances that

13 came back from our client operating
14 units. So those data were always
15 captured because otherwise we couldn't
16 run the business of EPT.

17 I think the concept of
18 annual report was one which brought
19 together all that data in perhaps a
20 more digestible form.

21 Q. Are you familiar with the
22 term VAR, or value assurance review?

23 A. Yes, I am.

24 Q. During your tenure at EPT --
25 withdrawn.

0073

1 JOHN C. DARLEY

2 During the time period
3 2001-2004, were members of SEPTAR
4 involved in the value assurance review
5 process?

6 MR. TUTTLE: Objection to
7 the form.

8 A. Initially when I -- when I
9 joined EPT, I think I recall that the
10 value assurance group, or team, which
11 were a number of consultants, were
12 indeed part of SEPTAR. When we made
13 that reorganizational change that I
14 mentioned to you, we made the
15 separation so they were no longer part
16 of SEPTAR and became a separate unit.

17 Q. And that change was in the
18 second half of 2003?

19 A. I think that particular
20 change with regard to the value
21 assurance review group may have even
22 been earlier because we formed a new
23 organizational unit comprising the
24 value assurance review groups. I don't
25 remember the exact date of that

0074

1 JOHN C. DARLEY

2 formation.

3 Q. A little bit earlier today

4 you also discussed field development
5 plans, field development studies. I'd
6 like to ask could you just give me an
7 overall description of where in the
8 process of moving hydrocarbons from
9 scope for recovery to proved reserves
10 or produced oil the FDP fits in?

11 MR. TUTTLE: Objection to
12 form. Objection; asked and answered in
13 the prior deposition, but he can answer
14 it again.

15 A. I described earlier how the
16 process works overall. So a field
17 development plan will look at the
18 description of the way the accumulation
19 is to be developed and it comes roughly
20 midway in that process, if you like, so
21 after the initial definition of the
22 size of the reservoir and the
23 opportunities for development, a range
24 of opportunities may be identified.
25 They are then narrowed down to select

0075

1 JOHN C. DARLEY
2 the optimum means to develop a
3 reservoir. And that optimum
4 opportunity is described in the field
5 development plan.

6 Q. Does the field development
7 plan typically contain production
8 models?

9 A. Yes.

10 Q. Based on your prior
11 experience and experience prior to the
12 time you got to EPT, were field
13 development plans used to calculate the
14 amount of proved reserves at a
15 particular field?

16 MR. TUTTLE: Objection;
17 asked and answered in the prior
18 deposition. You can answer again.

19 A. Well certainly one -- one of
20 the tools that would be used in the

21 estimation of proved reserves would be
22 the field development plan, but it may
23 not be the unique definition of the
24 proved reserve. Other criteria would
25 play a role in the definition.

0076

1 JOHN C. DARLEY

2 Q. Would the field development
3 plan consider -- withdrawn.

4 Would the field development
5 plan take into consideration commercial
6 aspects of developing a particular
7 field?

8 A. The field plan -- the field
9 development plan would look at the
10 commercial evaluation, if you like, so
11 the economic viability or profitability
12 of the development. But that may not
13 be the commercial, as you called it,
14 aspect. Since it will have been
15 delivered prior to the actual
16 investment being accomplished, if you
17 like. So prior to the contracts being
18 let, prior to bid rounds being
19 completed, and it's only at that stage
20 then that the final investment decision
21 can be made which defines the final
22 commerciality. So the field
23 development plan itself will give
24 economic indicators, but will not be
25 the final commercial evaluation.

0077

1 JOHN C. DARLEY

2 Q. Thank you. Just to go back
3 for a second to the VAR teams. You had
4 mentioned that SEPTAR prior to
5 subsequent reorganization participated.
6 Were members of SDS, did they also
7 participate as part of the value
8 assurance review group?

9 MR. TUTTLE: Objection to
10 form, the characterization. You can
11 answer.

12 A. No, the value assurance
13 teams comprise consultants themselves,
14 who would undertake the analysis, and
15 joining those value assurance review
16 teams would be representatives from all
17 over the world. So it may be that
18 operating unit representatives,
19 representatives from different
20 organizations would join a given team.

21 Q. I take it by that that it's
22 possible that a member of SDS could?

23 A. It is possible.

24 Q. Okay, thank you.

25 (Darley Exhibit 3 for

0078

1 JOHN C. DARLEY
2 identification, Bates stamped RJW
3 00221173 through 221180.)

4 Q. Mr. Darley, you've just been
5 handed a document marked as Darley
6 Exhibit 3 for identification. I ask
7 you to take a look at that, sir, and
8 tell me if you recognize it.

9 A. Mm-hmm.

10 Q. Do you recognize this
11 document, sir?

12 A. Yes, I recognize it.

13 Q. Okay. What is it?

14 A. It's a proposal to our term
15 of reference as it's stated here in the
16 second page, for a project to improve
17 the delivery of projects in EP.

18 Q. With respect to the second
19 page which I believe you were looking
20 at which is the email, could you
21 identify Mahdi Hasan for me, please?

22 A. Yes, Mahdi Hasan was the
23 manager of the engineering group in
24 Shell Deepwater Services.

25 Q. Now you used both the terms

0079

1 JOHN C. DARLEY
2 terms of reference and proposal. Would

3 those -- is a term of reference
4 essentially a proposal for a new
5 project?

6 MR. TUTTLE: Objection to
7 form.

8 A. Not necessarily. I think
9 when I -- when you're asking me what it
10 was I think I started by saying it was
11 a project proposal and then I
12 recognized that it was in fact a term
13 of reference. What this is is the term
14 of reference to undertake this study,
15 defines the scope of the study and the
16 resources, etcetera, that would be --
17 would be needed.

18 Q. Now, the purpose of the
19 study is indicated on the top of the
20 third page of that document, do you see
21 that, sir?

22 A. Yes, indeed.

23 Q. And that indicates the
24 study's purpose is to respond to the
25 question, and this is in quotes, "What

0080

1 JOHN C. DARLEY
2 will it take to achieve a consistent
3 and improving project delivery
4 performance right across EP that is
5 similar to the record achieved in
6 deepwater projects by SDS?"

7 Can I take it from that that
8 -- can I take it from that language
9 that SDS was successful in project
10 delivery performance?

11 MR. TUTTLE: Objection to
12 form.

13 A. What you -- what you see
14 here is a note which was drafted by the
15 engineering manager of SDS who I think
16 the way he has drafted his proposal was
17 indeed to promote, if you like, an
18 impression that deepwater projects in
19 SDS were extremely successful.

20 Having said that, I think

21 there were lessons to be learned from
22 the SDS approach to project delivery,
23 and that's why we undertook this study
24 in the way we did.

25 Q. Do you recall if this study

0081

1 JOHN C. DARLEY

2 resulted in various SDS approaches
3 being utilized by other business
4 organizations?

5 A. I don't recall, to be quite
6 honest, the detailed take-up from this
7 study.

8 Q. You characterized or
9 indicated that this comment had been
10 drafted by the person who was the head
11 of SDS and therefore suggested that it
12 might be less than objective. Was it
13 your understanding that -- withdrawn.

14 Was Shell's deepwater
15 expertise something that was
16 underscored for the investment
17 community during this time period?

18 MR. TUTTLE: Objection to
19 form.

20 A. Shell Deepwater Services
21 during the decade of the nineties had
22 successfully implemented projects in
23 the Gulf of Mexico, a number of
24 projects which had used the technology
25 called tension leg platforms, these are

0082

1 JOHN C. DARLEY

2 floating structures in the Gulf of
3 Mexico which are used to develop
4 fields. Something like five or six
5 individual projects had been delivered
6 successfully and with marked
7 improvement on cost and schedule in
8 each of those projects.

9 That was indeed something
10 that reflected well on Shell's ability

11 to deliver deepwater projects in the
12 Gulf of Mexico and as such, was indeed
13 represented as a -- as an achievement
14 of the company.

15 Q. Okay, thank you. If I could
16 ask you, Mr. Darley, to turn three
17 pages in, to the page ending in Bates
18 number 178, you'll see a graph there
19 that says "Key projects." Do you have
20 that, sir?

21 A. Yes, sir.

22 Q. That's broken out by
23 category. One is post-FID, pre-FID,
24 etcetera, and it identifies various
25 projects. The first one shown is AOSP.

0083

1 JOHN C. DARLEY

2 Do you see that, sir?

3 A. Yes, I do.

4 Q. Do you know what project
5 that refers to?

6 A. That is the Athabasca Oil
7 Sands project.

8 Q. Do you recall that work was
9 done on that project by SDS?

10 A. Not to my knowledge.

11 Q. The second one shown is 90
12 EA. Do you see that, sir?

13 A. Yes, I see it.

14 Q. Do you know what project
15 that's referring to?

16 A. The EA project was the
17 shallow water offshore Nigeria. I
18 don't know what the reference 90 refers
19 to here.

20 Q. Do you recall SDS performing
21 work in connection with that field?

22 A. No, I don't.

23 Q. The next one shown is Bonga.
24 Do you see that, sir?

25 A. The next one is Nakika.

0084

1 JOHN C. DARLEY

2 Q. I'm sorry, Nakika Base, I
3 skipped over that. Do you recall that
4 project, sir?

5 A. Yes, I do.

6 Q. Where was that located?

7 A. That's the Gulf of Mexico
8 project.

9 Q. Do you recall SDS working on
10 that project?

11 A. Yes, indeed.

12 Q. The next one is Bonga.

13 A. Yes.

14 Q. Okay. And I think we
15 discussed previously that SDS did in
16 fact work on that, correct?

17 A. That's correct.

18 Q. The next one under the
19 category of pre-FID -- and just for
20 clarification, FID refers to final
21 investment decision, correct?

22 A. Correct.

23 Q. Okay. The first one is 49
24 Ughelli.

25 A. Yes.

0085

1 JOHN C. DARLEY

2 Q. Could you tell me what that
3 reference is?

4 A. The Ughelli Field is in
5 onshore Nigeria. I don't know what the
6 reference to 49 reflects.

7 Q. Do you recall SDS doing work
8 there?

9 A. No.

10 Q. The next one is Erha?

11 A. Yes.

12 Q. Are you familiar with that
13 project, sir?

14 A. Erha is the joint Shell/
15 Exxon field in the deepwater off of
16 Nigeria.

17 Q. Do you recall SDS doing work
18 at that field?

19 A. I recall SDS working as a --
20 in support of SNEPCO as SNEPCO is the
21 partner in Erha.

22 Q. The next one is Holstein
23 phase 1. Do you see that, sir?

24 A. Yes.

25 Q. Do you know what that refers

0086

1 JOHN C. DARLEY

2 to?

3 A. Holstein is a field in the
4 Gulf of Mexico. BP is the operator of
5 the field.

6 Q. Do you recall SDS working in
7 connection with that field?

8 A. Again, SDS did work on
9 behalf of SEPCO I think who was the
10 Shell Oil partner in that field in
11 support of their investment decisions.

12 Q. The next category says big
13 tick. Do you know if that refers to
14 big ticket or something else?

15 A. That's what I would assume.

16 Q. The first field, or first
17 project shown there is Nigeria train
18 4/5. Do you see that, sir?

19 A. Yes.

20 Q. Do you recall SDS doing work
21 in connection with Nigeria train 4 and
22 5?

23 A. Nigeria train 4 and 5 refers
24 to the LNG projects in Nigeria. SDS
25 did not do work on trains 4 and 5.

0087

1 JOHN C. DARLEY

2 Q. Just so -- withdrawn.

3 This is captioned "Key
4 project." Are these key green-field
5 projects going forward that -- well
6 withdrawn.

7 Do you know what that refers
8 to?

9 A. No, I don't.

10 Q. Okay. How about Sakhalin,
11 do you see that, sir?

12 A. Yes.

13 Q. Are you familiar with that
14 project?

15 A. I am.

16 Q. Okay. And could you tell me
17 what that was?

18 A. Sakhalin project is the
19 development of an offshore field off
20 Sakhalin Island in Russia, and the
21 transportation of the gas to gas
22 liquefaction plant and the subsequent
23 on-transportation of the LNG to
24 markets.

25 Q. Do you recall if SDS did

0088

1 JOHN C. DARLEY

2 work at Sakhalin?

3 A. To my knowledge, SDS did not
4 do work on Sakhalin.

5 Q. How about the next one is,
6 well the next category is E&A followup.
7 Do you see that, sir?

8 A. Yes sir.

9 Q. Do you know what E&A
10 followup refers to?

11 A. Exploration and appraisal
12 followup.

13 Q. And the first project shown
14 there is Angola. Do you see that?

15 A. Yes.

16 Q. Do you recall if SDS did
17 work in Angola?

18 A. Yes, we said earlier SDS did
19 work on Angola. I'm not quite sure --
20 Angola itself was not a project so I
21 find it a little confusing that it's
22 listed here as a project because there
23 were a number of activities in Angola.

24 Q. Beneath Angola there is what
25 is a project, Bonga Southwest?

0089

1 JOHN C. DARLEY

2 A. That's correct.

3 Q. Then it shows -- and we
4 discussed that earlier, that SDS did
5 work there?

6 A. Yes.

7 Q. Brazil, which again is not a
8 project per se?

9 A. No.

10 Q. Do you recall, and I believe
11 you did indicate that SDS did work
12 there. How about --

13 MR. TUTTLE: Objection to
14 form; characterization.

15 Q. Did SDS do work at Brazil,
16 sir?

17 A. I think I asked earlier in
18 which time frame we're speaking about.
19 When Shell acquired the Enterprise
20 company, then certainly SDS commenced
21 work on the Bijupira and Salema fields
22 in Brazil. Prior to that, I'm not
23 familiar. I think I said I was not
24 familiar with work that was done by SDS
25 in Brazil. No, sorry, I think I said

0090

1 JOHN C. DARLEY

2 it was exploration work being done at
3 that time, but not development work.

4 Q. And that exploration work
5 was done by SDS?

6 A. By SDS, correct.

7 Q. How about Kashagan, are you
8 familiar with that, sir?

9 A. Yes.

10 Q. Can you describe that for
11 me, please?

12 A. Kashagan is a large, very
13 large accumulation in Khazakstan which
14 has been operated by a joint venture,
15 a joint venture of a number of industry
16 players of which Shell is one.

17 Q. Do you recall if SDS did

18 work in Kashagan?

19 A. Not to my knowledge.

20 Q. Do you know what Rhino
21 refers to, sir?

22 A. I don't.

23 Q. SPDC we discussed earlier is
24 an operating unit in Nigeria, correct?

25 A. Yes.

0091

1 JOHN C. DARLEY

2 Q. And then USA is obviously
3 not an operating unit?

4 A. Right.

5 Q. The next category is STR.
6 OP., do you see that, sir?

7 A. Yes, I do.

8 Q. Do you know what that refers
9 to?

10 A. No, I'm sorry, I don't.

11 Q. Do you know what the
12 reference to Kudu is?

13 A. Kudu is a field offshore
14 Namibia.

15 Q. Do you know if SDS did work
16 in Kudu?

17 A. I don't believe so.

18 Q. With respect to the projects
19 identified on that page, do you recall
20 if SEPTAR did work at any of those
21 projects?

22 A. I think we've spoken about
23 the work that SEPTAR did on the SPDC
24 fields. I seem to recall that SEPTAR
25 did work on Ughelli. A special team

0092

1 JOHN C. DARLEY

2 was formed to work on Kudu. That's
3 probably what I recall from that.

4 Q. With regard to the work done
5 in connection with Ughelli by SEPTAR,
6 could you please describe that for me?

7 A. As I recall, that was field
8 development plan type studies.

9 Q. Do you recall which office,
10 Rijswijk or Houston, did work on
11 Ughelli?

12 A. That would have been the
13 Rijswijk office.

14 Q. How about Kudu?

15 A. Kudu was a special team that
16 was formed in The Hague.

17 Q. And that was -- I'm sorry,
18 when you say special team, was it
19 comprised of members of SEPTAR?

20 A. Some members of SEPTAR plus
21 some other staff.

22 Q. And the SEPTAR members of
23 that team, do you recall what office
24 they were from?

25 A. They would have primarily

0093

1 JOHN C. DARLEY

2 been from the Rijswijk office, but I
3 don't recall every individual team
4 member, so.

5 Q. Do you recall what the
6 purpose of formation of that special
7 team was?

8 A. It was to look at the
9 development opportunity in Kudu, and an
10 integrated study approach.

11 Q. Do you recall the
12 approximate size of that team?

13 A. No, I'm sorry, I don't.

14 Q. Do you recall how many
15 SEPTAR members were on the team?

16 A. No.

17 Q. You can put that aside, sir.

18 Mr. Darley, I'm sorry. With
19 respect to the Kudu team besides those
20 individuals from SEPTAR, do you know
21 who the other members of the team were?

22 A. There were members from
23 Shell Global Solutions, SGS, which we
24 spoke about. Apart from that, I
25 wouldn't be able to identify, no. I

0094

1 JOHN C. DARLEY

2 can't recall.

3 Q. Do you recall which office
4 of SGS those individuals worked out of?

5 A. No.

6 MR. MacFALL: Can I have
7 that marked, please.

8 (Darley Exhibit 4 for
9 identification, Bates stamped RJW
10 00650711 through 650720.)

11 Q. Mr. Darley, you've just been
12 handed a document marked as Darley
13 Exhibit 4 for identification. I ask
14 you to look at that, sir, and tell me
15 if you recognize it.

16 A. Yes, I recognize what it is,
17 yes.

18 Q. What is it, sir?

19 A. It is the record of a
20 meeting of the steering -- of the
21 Deepwater Steering Council.

22 Q. Could you please tell me
23 what the Deepwater Steering Council is
24 or was at that time?

25 A. At that time it was a group

0095

1 JOHN C. DARLEY

2 of individuals named here, so Lorin
3 Brass who was the director in charge of
4 planning for the EP business, Heinz
5 Rothermund was the director for Africa
6 at that time, and myself together with
7 Matthias Bichsel who was head of Shell
8 Deepwater Services, and Fran Lohr who
9 worked for Lorin Brass as a development
10 analyst in deepwater. This was a group
11 that came together to review Shell's
12 deepwater activity.

13 Q. What was the purpose of --
14 withdrawn.

15 What was the purpose of that
16 review?

17 A. The purpose of the review
18 was to look at the overall strategy for
19 deepwater, to assess whether resources
20 were being used effectively in terms of
21 deepwater development, whether
22 investment acquisition and development
23 type of decisions and opportunities
24 were being brought to the attention of
25 the executive groups.

0096

1 JOHN C. DARLEY

2 Q. How often did that council
3 meet?

4 A. I seem to recall about three
5 to four times per year perhaps.

6 Q. Do you recall where those
7 meetings occurred? Were they in
8 Rijswijk or in the United States, or
9 somewhere else?

10 A. Either I think. And quite
11 often linked by teleconference or
12 simply video conference.

13 Q. With participants both in
14 the United States and in Europe?

15 A. Or elsewhere.

16 Q. Thank you. Mr. Darley, if I
17 could ask you to turn to Page 3 of that
18 document, ending in Bates number 713.
19 You'll see on the side of the page is
20 captioned "Resourcing 2002 deepwater
21 activities." Do you see that, sir?

22 A. Yes, I do.

23 Q. If you go down to the --
24 well, withdrawn.

25 Underneath that it says "SDS

0097

1 JOHN C. DARLEY

2 resourcing models." Do you see that?

3 A. Yes.

4 Q. Okay. Could you explain for
5 me what that means?

6 A. What I take this to mean is
7 that these are the numbers of staff who

8 would be working in 2001 and proposed
9 in 2002 in the areas of subsurface well
10 engineering and engineering activity in
11 SDS.

12 Q. If you look toward the
13 bottom of the page, there are various
14 projects, some of which we saw earlier
15 in other documents, but some of which
16 are a little more specific, contain a
17 little bit more information. For
18 example, in the left column under
19 "requires regrets examples indicative,"
20 the first bullet point is Bonga, the
21 second one is Angola Block 34. Do you
22 recall with regard to that specific
23 project on Angola if SDS did work?

24 A. I don't recall this specific
25 project, to be quite honest.

0098

1 JOHN C. DARLEY

2 Q. The next one is Brazil
3 BS/4/BC/2. Do you see that, sir?

4 A. Yes.

5 Q. Do you know what that
6 reference is?

7 A. I think these are
8 exploration blocks in Brazil. BS-4 may
9 be Bijupira Salema, particular field.
10 But I'm doubtful because I don't think
11 at that time we were involved. So
12 otherwise it would be exploration
13 blocks in Brazil.

14 Q. Do you know if SDS was
15 involved in work in Brazil in
16 connection with those exploration
17 blocks?

18 A. With these specific ones, I
19 don't recall. I think we've spoken
20 earlier that SDS was involved in Brazil
21 exploration.

22 Q. The next one is Morocco
23 Rimella. Do you see that?

24 A. Yes, I do.

25 Q. Could you please describe

0099

1 JOHN C. DARLEY

2 that project for me?

3 A. Rimella as I recall it was
4 an exploration opportunity in Morocco.

5 Q. Do you recall that SDS did
6 work there?

7 A. Yes, they did.

8 Q. The next bullet point is
9 regional studies, we can skip.

10 The last bullet point is
11 Angola/Congo UUD. Do you know what
12 that refers to, sir?

13 A. UUD would be I think ultra
14 deepwater. But I don't -- I can't
15 quite make sense of the UUD, but ultra
16 deepwater will usually be the deeper
17 water areas.

18 Q. Do you recall if SDS did
19 ultra deepwater work at Angola/Congo
20 during this time period, 2002?

21 A. I don't recall.

22 Q. Now going back up to that
23 bullet point, regional studies, do you
24 know what that refers to?

25 A. I take it to refer to

0100

1 JOHN C. DARLEY

2 regional studies.

3 Q. Okay. Performed by SDS?

4 A. Yes, I believe this -- being
5 in this list of SDS resourcing then it
6 would be performed by SDS.

7 Q. What would the purpose of
8 such studies be?

9 A. They would be looking at
10 opportunities for exploration in
11 deepwater.

12 Q. Were those studies --
13 withdrawn.

14 Once the study was
15 concluded, was it forwarded to an

16 operating unit or at least some --
17 withdrawn.

18 Once a study was concluded
19 by SDS regarding such opportunities,
20 was it reviewed within EP?

21 A. Depends. It was reviewed
22 within EP, yes. Providing that the
23 study looked worthwhile. We didn't
24 review studies that showed that there
25 were no opportunities.

0101

1 JOHN C. DARLEY

2 Q. Understood. If such a study
3 showed there was an opportunity, were
4 they typically discussed at ExCom
5 meetings?

6 A. Again, it would depend on
7 the size of the opportunity, the
8 confidence in the study, etcetera. Not
9 every study would have gone to ExCom,
10 no?

11 Q. If you go over now to the
12 extreme right column on that same page,
13 you'll see a column that's -- the top
14 of which appears "Allows optional
15 projects (unfirm and SDS plan)." And
16 it gives examples. The first bullet
17 point is, I believe that's a reference
18 to Gulf of Mexico region; is that
19 correct?

20 A. Yes.

21 Q. The second bullet point is
22 "Great White followup." Do you know
23 what that is, sir?

24 A. Great White was an
25 exploration discovery in the Gulf of

0102

1 JOHN C. DARLEY

2 Mexico.

3 Q. How about the next bullet
4 point, OPL 219?

5 A. OPL 219 refers to an
6 offshore exploration block in deepwater

7 Nigeria.

8 Q. I take it then that SDS
9 performed work there; is that correct,
10 sir?

11 A. I don't recall.

12 MR. TUTTLE: Objection to
13 form.

14 A. I don't recall.

15 Q. Rhino I believe you
16 indicated earlier you weren't sure?

17 A. That's correct.

18 Q. And the next bullet point is
19 Brunei EEZ. Do you see that, sir?

20 A. Yes, I do.

21 Q. Can you tell me what this
22 reference is?

23 A. This refers to the Brunei
24 and deepwater area.

25 Q. And SDS did work in the

0103

1 JOHN C. DARLEY

2 Brunei deepwater area?

3 MR. TUTTLE: Objection to
4 form.

5 A. SDS were asked by Brunei
6 Shell at that time to support their
7 work, the work of Brunei Shell in
8 looking for opportunities in the
9 deepwater.

10 Q. Do you recall that SDS did
11 too?

12 A. Yes, they did.

13 Q. SDS identify any deepwater
14 opportunities in Brunei?

15 A. Yes, I believe they did.

16 Q. Do you recall approximately
17 when this was?

18 A. No, that's why I hesitated
19 on the last question. I couldn't
20 recall whether it was in this time
21 frame or somewhat later. Certainly in
22 the period 2003/four opportunities were
23 identified.

24 Q. Just so I'm clear, those
25 opportunities were identified by SDS;
0104

1 JOHN C. DARLEY

2 is that correct?

3 A. They would have been
4 identified probably jointly between SDS
5 and staff in Brunei Shell, and I don't
6 recall the detail now of -- of the
7 respective contributions, but
8 exploration professionals in Brunei
9 would have also been working on these
10 activities.

11 Q. Okay. Mr. Darley, if I
12 could ask you now to turn to page
13 ending in Bates number 715, it's a few
14 pages in. At the top of the page
15 appears the title "Project 'Seahorse'
16 renewal." Do you see that, sir?

17 A. I see that.

18 Q. Do you know what that refers
19 to?

20 A. No. I have an idea, but I
21 don't think it would be useful to
22 speculate.

23 Q. Okay. Beneath that appears
24 the caption traditional operator/
25 nonoperator enhancements followed by a

0105

1 JOHN C. DARLEY

2 series of bullet points, the first of
3 which references something called
4 BC-10. Do you see that, sir?

5 A. Yes.

6 Q. Do you know what that's
7 referring to?

8 A. BC-10 is one of the
9 exploration blocks in Brazil deepwater.

10 Q. And we discussed the work
11 that SDS did in Brazil generally. Do
12 you recall if they did work
13 specifically in connection with BC-10?

14 A. I don't recall.

15 Q. Before we go further, I'm
16 sorry, you see there are handwritten
17 notations on this page. Do you
18 recognize that handwriting?

19 A. I don't think so, no. I
20 wondered if some of it was mine, but I
21 don't recognize all of it, no, so I
22 don't recognize it.

23 Q. With regard to what --
24 withdrawn.

25 Directing your attention now

0106

1 JOHN C. DARLEY
2 to the second bullet point, "Unlocking
3 oil and monetizing gas in West Africa."
4 Do you see that, sir?

5 A. Yes, I do.

6 Q. It references utilizing
7 FONG/FLNG. Okay. Do you know what
8 those are, sir?

9 A. Yes, I do.

10 Q. And could you describe those
11 for me?

12 A. Yes. The F in this
13 terminology refers to floating. So
14 floating LNG, floating oil and natural
15 gas developments. What this is is the
16 technology which would take an LNG
17 plant and locate it on an offshore
18 floating structure.

19 Q. Did that fall within --
20 withdrawn.

21 Was SEPTAR involved in FONGs
22 or FLNGs?

23 A. No, I don't think so.

24 Q. How about SDS?

25 A. No, I don't -- I don't think

0107

1 JOHN C. DARLEY
2 so. I think that work was done by
3 Shell Global Solutions.

4 Q. Okay. And when you say that
5 work, are you referring to the work

6 specifically in Nigeria, sir, or the
7 work here? There are several
8 references, one is to West Africa, one
9 is to Nigeria, one is to Namibia.

10 A. Yes.

11 Q. I just want to try and pin
12 it down, when you say you think SDS did
13 that work, is there a specific project
14 or projects identified there that
15 you're talking about?

16 MR. TUTTLE: Objection to
17 form.

18 A. What I -- what I should have
19 clarified is the work on the new -- the
20 new technology, which would have been
21 new technology of floating LNG, was
22 generic, so a floating LNG system or
23 structure was a piece of leading edge
24 technology which would then enable
25 offshore gas accumulations to be

0108

1 JOHN C. DARLEY

2 developed with a floating capability.

3 That generic work I believe
4 was done in SGS, that was my answer.
5 And then the application of that
6 technology to a particular field would
7 be taken up by one of the various study
8 teams.

9 Q. And that would be one of the
10 various study teams out of SEPTAR?

11 A. No, if it was deepwater it
12 would be a deepwater study team.

13 Q. I'm sorry, it would be SDS
14 then, correct?

15 A. Yes.

16 Q. Okay.

17 MR. MacFALL: Why don't we
18 go off the record.

19 THE VIDEO OPERATOR: We'll
20 go off the record, it's 12:17, this is
21 the end of tape number 1.

22 (A recess was taken.)

23 THE VIDEO OPERATOR: Back on

24 the record, it's 12:27, this is tape 2.

25 Q. Mr. Darley, if I could ask

0109

1 JOHN C. DARLEY

2 you to turn your attention now, sir, to

3 the page ending in Bates number 718.

4 A. Yes, I have it.

5 Q. At the top of the page is a

6 caption "2001 deepwater business plan

7 projects for 2002." Do you see that,

8 sir?

9 A. Yes.

10 Q. Were you involved in the

11 creation of the deepwater business plan

12 during that same time period, 2001?

13 A. I was not involved directly

14 in the creation of the plan, no.

15 Q. Were you involved

16 indirectly?

17 A. I was involved in reviewing

18 the plan.

19 Q. Who prepared the deepwater

20 business plan?

21 A. The deepwater business

22 organization.

23 Q. Was that within SDS?

24 A. That's correct.

25 Q. Beneath that caption appears

0110

1 JOHN C. DARLEY

2 two categories, base and option. Do

3 you see that those, sir?

4 A. I do.

5 Q. Okay. Can you describe for

6 me the difference between those two?

7 A. I simply have to assume that

8 base is a base project and option is an

9 optional project.

10 Q. Under the base projects the

11 first country shown is Angola and there

12 are specific projects that are listed

13 beneath that. The first one is Block

14 18 development, greater Plutonio area.

15 Do you see that, sir?

16 A. I do.

17 Q. Do you recall that project?

18 A. Yes, I do.

19 Q. It's also shown as under the
20 category of option. Do you see that,
21 sir?

22 A. Yes, I do.

23 Q. Do you know why it would be
24 shown in both places?

25 A. Well, under the Angola it's

0111

1 JOHN C. DARLEY

2 shown as Block 18 development.

3 Q. I see.

4 A. Under the option it's shown
5 as Block 18 outside the greater
6 Plutonio area.

7 Q. Thank you. The next one for
8 Angola is Block 34. Okay, and again,
9 it's shown in both places. And as an
10 option under the category options. Do
11 you recall the Block 34 project?

12 A. Not in any detail, no.

13 Q. Do you recall it generally?

14 A. It was one of the deepwater
15 blocks in Angola.

16 Q. So I take it then that you
17 don't have any further information
18 about those two listings?

19 A. No, I'm sorry.

20 Q. Okay. Brazil, slowly but
21 surely we're getting through the
22 various projects, I believe we talked
23 about BC-10. The first one shown under
24 Brazil however is BC-2. Do you see
25 that, sir?

0112

1 JOHN C. DARLEY

2 A. Yes, I do.

3 Q. Do you recall that being a
4 SDS project? Withdrawn.

5 Do you recall that being a

6 project in Brazil that SDS worked on?

7 A. I don't recall --

8 MR. TUTTLE: Objection to
9 form.

10 A. Sorry. I don't recall the
11 specifics of the project, no.

12 Q. Do you recall the project
13 generally?

14 A. That there were a number of
15 blocks as I've mentioned earlier in the
16 Brazil deepwater of which SDS worked on
17 the exploration opportunities in those
18 blocks. I can take it that this was
19 one of them, but I don't remember the
20 specifics of this -- of this block.

21 Q. And instead of going through
22 each of them separately, is your answer
23 with respect to the remaining blocks in
24 Brazil the same as it would have been
25 BC-2 -- the same as it was for BC-2,

0113

1 JOHN C. DARLEY

2 I'm sorry?

3 A. Again, I don't recall what
4 each of these blocks are, particularly
5 the Cousteau High, it doesn't ring a
6 bell at all. And SBEP corporate, I'm
7 not sure what that would cover, whether
8 there are particular blocks that would
9 be blocks in the Brazilian offshore in
10 the deepwater, those would have been
11 worked by SDS.

12 Q. The next country shown is
13 Egypt and it says NEMED Firm. Do you
14 see that, sir?

15 A. I do.

16 Q. Do you recall that project?

17 A. Yes, I recall the project.

18 Q. Do you recall that SDS
19 worked on that project?

20 A. Yes, SDS worked on the NEMED
21 project.

22 Q. Could you describe for me
23 the work that SDS did in connection
24 with the NEMED project?

25 A. This is 2001-2002. At that
0114

1 JOHN C. DARLEY

2 time the project was in the exploration
3 phase, so the work of SDS would have
4 been identifying opportunities,
5 locations to drill exploration wells.

6 Q. Do you recall if there was
7 any production subsequently out of the
8 NEMED field?

9 A. No, there is no production
10 as yet from NEMED, to my knowledge.

11 Q. The next country shown is
12 Gabon and it shows several different
13 projects. The first one is AM2000 UCF.
14 Do you see that, sir?

15 A. I do.

16 Q. Do you recall that project?

17 A. I'm sorry, I don't recall
18 any of those Gabon projects.

19 Q. Fair enough. Next country
20 shown is Malaysia and the various
21 projects shown beneath there, one of
22 which is Rhino. The first one is Block
23 G: Limbayong. Do you see that?

24 A. I do.

25 Q. Do you recall SDS working on

0115

1 JOHN C. DARLEY

2 that project, sir?

3 A. No.

4 Q. How about the next one,
5 Block G: Morongo?

6 A. No.

7 Q. We talked about Rhino a
8 little bit earlier and I take it you
9 have no recollection of that?

10 A. No.

11 Q. The next one is Morocco
12 Rimella which we talked about a little

13 bit.

14 A. Mm-hmm.

15 Q. Do you recall if reserves
16 were ultimately booked in Rimella?

17 A. No, they were not, because
18 the exploration wells did not find
19 hydrocarbons, or did not find
20 commercial hydrocarbons.

21 Q. The next country beneath
22 Morocco is Nigeria, specifically
23 SNEPCO, which is one of the two OUs in
24 Nigeria, correct?

25 A. Yes.

0116

1 JOHN C. DARLEY

2 Q. We've talked about most of
3 these projects, but there are a few,
4 which I don't believe we have.

5 A. Right.

6 Q. First there's a distinction
7 here between Erha Deep and Erha South.
8 Do you see that, sir?

9 A. I do.

10 Q. Were those two separate
11 fields or projects?

12 A. I believe they were separate
13 fields, yes.

14 Q. Do you recall the work that
15 SDS did on those fields?

16 A. I think as I mentioned
17 earlier, SDS would do work in support
18 of SNEPCO as the operator to allow
19 SNEPCO to exercise its joint venture
20 activities in the Erha joint venture.

21 Q. How about Oberan?

22 A. Oberan I don't recall.

23 Q. And ultra deepwater block
24 OPL245?

25 A. I do recall there was a

0117

1 JOHN C. DARLEY

2 block in the Nigerian deepwater OPL245,
3 yes.

4 Q. Do you recall the work that
5 SDS did in connection with that block
6 -- with that project, I'm sorry?

7 A. No.

8 Q. The next listing is
9 unallocated overheads. Do you see
10 that, sir?

11 A. I do.

12 Q. Do you know what that refers
13 to?

14 A. No.

15 Q. Actually, I guess above it
16 I'm not sure if it's part of the
17 reference to OPL245 or not, there's a
18 word acquisition. Do you know what
19 that refers to?

20 A. I don't know.

21 Q. On the right-hand column
22 underneath Nigeria appears Bolia. Do
23 you see that, sir?

24 A. I do.

25 Q. Are you familiar with that

0118

1 JOHN C. DARLEY

2 project?

3 A. Reasonably familiar.

4 Q. And could you describe it
5 generally for me?

6 A. It's a deepwater project
7 offshore Nigeria.

8 Q. And SDS -- withdrawn. Did
9 SDS do work in connection with that
10 project?

11 A. SDS worked on Bolia, yes.

12 Q. Could you describe generally
13 again what kind of work they did in
14 connection with Bolia?

15 A. Yes. They were working
16 again in support of requests from
17 SNEPCO in the development planning of
18 Bolia. As I recall, Shell SNEPCO was
19 not the operator of Bolia, and
20 therefore, the work was done to allow

21 SNEPCO to exercise its joint venture
22 accountability.

23 Q. Do you recall if SDS
24 actually drafted a field development
25 plan in connection with Bolia?

0119

1 JOHN C. DARLEY

2 A. I don't recall.

3 Q. How about Bonga West as
4 opposed to Bonga Southwest, do you
5 remember that project, sir?

6 A. Bonga West is a separate
7 accumulation.

8 Q. SDS work on that project?

9 MR. TUTTLE: Objection to
10 form.

11 MR. MacFALL: I could say
12 did SDS.

13 MR. TUTTLE: I thought you
14 just said SDS worked on that project.

15 MR. MacFALL: I'm sorry, my
16 voice trailed off. Withdrawn.

17 Q. Did SDS work on that
18 project?

19 MR. TUTTLE: I wasn't sure
20 that was a question.

21 A. Yes.

22 Q. I thought that might be it.
23 Thank you.

24 MR. TUTTLE: I was going to
25 swear you in.

0120

1 JOHN C. DARLEY

2 Q. Look at the next one, Doro
3 floating LNG. Was that one of the
4 FLNGs that we were speaking about
5 earlier?

6 A. That is correct.

7 Q. The next one is Doro
8 South-East (oil rims). Do you recall
9 that, sir?

10 A. I recall in general terms a
11 Doro accumulation in the deepwater

12 offshore Nigeria. I don't recall the
13 detail.

14 Q. Do you recall if SDS did
15 work in connection with that project?

16 A. Yes, they did.

17 Q. Again, I'm not sure, I
18 believe these are together, it says
19 ultra deepwater block and then I
20 believe it continues OPL 248/OPL 256
21 acquisition. Do you see that, sir? Do
22 you recall those two --

23 A. Not the specifics of those
24 two blocks, no.

25 Q. How about the next one,

0121

1 JOHN C. DARLEY

2 ultra deepwater OPL 250?

3 A. Again, these are offshore
4 Nigeria deepwater blocks, but I don't
5 recall specifics.

6 Q. Okay. The next country
7 shown is Norway. And it says new E&A
8 deepwater licenses. Do you see that,
9 sir? Do you recall if SDS did work in
10 connection with Norway?

11 A. Not -- not to my
12 recollection. Not to my recollection.

13 Q. Are you familiar with a
14 reference to E&A Open Area SH3?

15 A. No.

16 MR. MacFALL: Why don't we
17 go off the record.

18 THE VIDEO OPERATOR: We'll
19 go off the record, it's 12:38, this is
20 tape 2.

21 (Lunch recess: 12:38 p.m.)

22

23

24

25

0122

1 JOHN C. DARLEY

2 A F T E R N O O N S E S S I O N

3 1:32 p.m.

4 THE VIDEO OPERATOR: Back on
5 the record, it's 1:32, this is tape 2.
6 JOHN C. DARLEY,
7 resumed, having been previously duly
8 sworn, was examined and testified
9 further as follows:

10 CONTINUED EXAMINATION

11 BY MR. MacFALL:

12 Q. Good afternoon, Mr. Darley.

13 A. Good afternoon.

14 Q. I'd like to ask you a few
15 followup questions if I might about the
16 structure and organization of various
17 businesses or entities within EPT. Now
18 you had mentioned that SEPTAR
19 maintained two offices, one in Rijswijk
20 and one in Houston. Was there somebody
21 who was the head of or was in charge of
22 SEPTAR as an organization?

23 A. Yes, there was.

24 Q. And during the time period
25 2001 to 2004 could you identify that

0123
1 JOHN C. DARLEY

2 individual or those individuals for me?

3 A. Initially Paul Sullivan was
4 the manager of SEPTAR. And following
5 Paul, Paul Ching took over, but that
6 was at the time that we then made the
7 change that I mentioned earlier where
8 the study teams were brought into a
9 group called EPT Solutions, so when
10 that happened, Paul Ching took on the
11 R&D organization and a gentleman by the
12 name of Karl Stigter took on the EPT
13 Solutions group.

14 Q. Because they were in
15 geographically disparate locations, was
16 there somebody who was the head of or
17 in charge of the Houston and Rijswijk
18 office? Let me rephrase that. Was
19 there somebody who was the head of the

20 Rijswijk office?

21 A. In 2001 Paul Sullivan had
22 his office in Rijswijk, so he was
23 looking after the activities of SEPTAR
24 in Rijswijk. But he spent quite some
25 time in the Houston office too where he

0124

1 JOHN C. DARLEY

2 would also look after the activities of
3 SEPTAR in Houston.

4 Q. Are you familiar with an
5 individual named Ian Percival?

6 A. Yes.

7 Q. Could you identify Mr.
8 Percival for me?

9 A. In 2001 Ian Percival was, or
10 shortly thereafter was the manager
11 responsible for the study group which
12 came under the acronym AGI, if I recall
13 correctly, which was the study group
14 based in Rijswijk.

15 Q. Did Mr. Percival have a
16 counterpart in Houston?

17 A. I'm trying to recall because
18 it was a group in Houston, a study
19 group in Houston. I can't recall who
20 the manager of that group was, I'm
21 sorry.

22 Q. Are you familiar with an
23 individual named Lyle Henderson?

24 A. Yes.

25 Q. Could you please identify

0125

1 JOHN C. DARLEY

2 Mr. Henderson for me?

3 A. Yes, Lyle Henderson was a
4 senior reservoir engineer in the
5 Houston Bellaire organization.

6 Q. When you say the Bellaire
7 organization, you're referring to the
8 Bellaire Technology Center?

9 A. The Bellaire Technology
10 Center, yes.

11 Q. Did Mr. Henderson hold any
12 title within SEPTAR other than senior
13 petroleum engineer?

14 A. Reservoir engineer.

15 Q. Reservoir engineer, I'm
16 sorry.

17 A. I'm trying to recall whether
18 or not he was at that time managing the
19 activities of the Bellaire study group,
20 and I just don't recall to be quite
21 honest.

22 Q. Do you remember if there
23 came a time -- withdrawn.

24 By at that time are you
25 referring specifically to 2001 or --

0126

1 JOHN C. DARLEY

2 A. Correct, 2001, yes.

3 Q. Do you recall if there came
4 a time when Mr. Henderson did manage
5 the study group in Houston?

6 A. No. He was the leader of
7 some of the studies.

8 Q. I see.

9 A. But whether he ever managed
10 the group as a totality, I just don't
11 recall.

12 Q. Okay. Thank you.

13 Do you recall specifically
14 any of the studies that Mr. Henderson
15 worked on?

16 A. Yes, I can recall some of
17 the studies that he worked on.

18 Q. Could you identify those for
19 me, please.

20 A. The one that comes most
21 immediately to mind was a study that
22 was done on the tight gas reservoirs in
23 the United States.

24 Q. Any others?

25 A. Mr. Henderson I think was

0127

1 JOHN C. DARLEY

2 also involved in some of the enhanced
3 oil recovery studies which were
4 undertaken in Oman which I mentioned.

5 Q. In addition to the two that
6 you've identified, can you recall any
7 others?

8 A. No, I can't recall any other
9 studies.

10 Q. Okay. Specifically with
11 respect to the enhanced oil recovery
12 studies done in Oman, I believe you
13 said you thought that Mr. Henderson was
14 involved in some of those studies. Do
15 you recall that he was involved in more
16 than one?

17 A. There was a program of work
18 which was undertaken for Oman which
19 looked at the opportunities for
20 enhanced oil recovery in Oman. I think
21 that was a project which came under the
22 acronym T 50, being the target to
23 recover 50 percent of the hydrocarbons
24 in place.

25 There were a number of

0128

1 JOHN C. DARLEY

2 studies undertaken within that
3 framework, a number of fields were
4 studied within that framework.

5 Those studies of course were
6 all, as is the nature of enhanced oil
7 recovery studies I explained this
8 morning, were very much long-term
9 studies, looking at the future
10 development of those resources in the
11 five, ten, 20, 30 year time frame.
12 Expertise in those areas I think was
13 vested with Lyle Henderson and he was
14 able to advise on those.

15 Q. Do you recall any of the
16 specific projects or fields that were
17 the subject of the EOR studies
18 conducted by Mr. Henderson amongst

19 others?

20 A. No, I'm sorry, I wouldn't
21 know -- I can recall a number of the
22 fields that were studied, but I
23 wouldn't be able to say whether Lyle
24 Henderson was involved in that
25 particular field study.

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1 JOHN C. DARLEY

2 Q. Do you recall approximately
3 when the studies involving EOR
4 techniques in PDO were initiated?

5 A. The studies on an enhanced
6 oil recovery in Oman have been
7 undertaken a number of occasions over
8 many, many years. I as a reservoir
9 engineer worked on such studies in the
10 1970s and 1980s. So if you're
11 referring to the current studies where
12 Mr. Lyle Henderson was involved, they
13 would have evolved from earlier work
14 programs, so it's difficult to say that
15 at this point these studies started.

16 I mentioned this morning
17 that enhanced oil recovery studies
18 require a long period of gestation
19 where research work is done in
20 laboratories, analysis and sometimes
21 pilot studies are done and this was the
22 case in Oman, for example, pilot
23 projects were run in the 1980s. And
24 the results of that work then lead to
25 subsequent studies and subsequent study

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1 JOHN C. DARLEY

2 programs.

3 Q. Do you recall if any of the
4 EOR studies conducted in connection
5 with PDO stemmed from the falloff in
6 production, oil production in PDO?

7 A. No, I don't believe so.
8 Because as I mentioned, EOR studies
9 were initiated in the 1970s and 1980s.

10 And through the period 1970, 1980,
11 1990, PDO did not have production
12 problems, production was growing. The
13 EOR studies were done to look at the
14 longer term opportunities for resource
15 development in the Oman fields well
16 into -- into the decades of the 21st
17 Century. So those studies were well
18 advanced over -- over many years.

19 Q. Were there additional
20 studies that were initiated at PDO,
21 additional EOR studies initiated in PDO
22 in or about --

23 MR. TUTTLE: Objection --
24 I'm sorry.

25 Q. I'm sorry.

0131

1 JOHN C. DARLEY

2 MR. TUTTLE: I didn't know
3 you weren't done with the question.

4 Q. In or about 2002 to 2004?

5 A. There would have been
6 additional work done in that period EOR
7 studies. But not in response to
8 production difficulties that were
9 encountered in Oman because again, as I
10 mentioned, those are studies with a
11 long-term horizon. So you certainly
12 cannot address a short-term production
13 problem by an EOR study.

14 Q. I believe you indicated that
15 as a member of ExCom, and even prior to
16 that you were aware of production
17 difficulties at PDO, correct?

18 A. I --

19 MR. TUTTLE: Objection to
20 the form and characterization.

21 A. I mentioned that I was aware
22 of the studies, not prior to ExCom, but
23 not only in my role as ExCom, but also
24 in my role as EPT, I was made aware of
25 the study -- of the challenges in

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1 JOHN C. DARLEY

2 production in Oman.

3 Q. Thank you. Was EPT called
4 on to engage in any activities in an
5 effort to increase production at PDO
6 during the time period 2001 and 2004?

7 A. Yes, they were.

8 Q. Okay. And could you
9 describe those activities by EPT for
10 me?

11 A. At the beginning of 2003 a
12 number of studies were undertaken in
13 Oman itself. We deployed study teams
14 to Oman to look at opportunities for
15 shorter term developments, which would
16 have helped Oman to sustain its
17 production levels. A number of groups
18 were involved in those studies, a
19 number of individuals, both from Shell
20 but also from external consultants.
21 And those studies were undertaken in
22 the first half of 2003 and led then to
23 a further program of work.

24 Q. The work that was done by
25 Shell employees, do you recall what

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1 JOHN C. DARLEY

2 organization within EPT they were from?

3 A. I think they came from
4 across EPT, a number of organizations,
5 but not just organizational units so
6 much, the individuals were deployed and
7 worked in Oman.

8 Q. Do you recall if individuals
9 from the Rijswijk office of SEPTAR were
10 involved in those shorter term studies?

11 A. Yes, they were.

12 Q. Okay. How about from the
13 Houston office of SEPTAR?

14 A. I believe that individuals
15 from the Houston office were also asked
16 to join those study programs in Oman,
17 yes.

18 Q. Do you recall in total
19 approximately how many Shell employees
20 were involved in those study programs?

21 A. I'm sorry, I don't, I don't
22 recall that.

23 Q. Do you recall approximately
24 how many teams were deployed to Oman?

25 A. My recollection is that we

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1 JOHN C. DARLEY

2 had three teams working in Oman at that
3 time on different parts of the Oman
4 fields portfolio.

5 Q. Could you describe the
6 actual activities that were being
7 studied in order to increase production
8 over the short term in PDO?

9 MR. TUTTLE: Objection to
10 form.

11 A. The study teams were
12 divided, as I say I think there were
13 three, perhaps four, looking at the
14 portfolio of fields in Oman and north
15 of the country, the center, the south
16 of the country. There were a large
17 number of fields and reservoirs in
18 Oman.

19 The teams identified within
20 their part of the portfolio opportunities
21 for additional development, perhaps
22 opportunities to inject water, to sustain
23 pressures in the fields and augment
24 production. Opportunities for what are
25 called reservoir monitoring, that is

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1 JOHN C. DARLEY

2 surveillance and monitoring of the wells
3 which allows better appreciation of the
4 production characteristics and allows the
5 field production to be optimized. That's
6 also the kind of activity that they would
7 have undertaken. So there were a number
8 of different activities that the teams

9 would have identified in their portfolio
10 and the opportunities then to implement
11 those activities were assessed and ranked
12 by PDO themselves.

13 Q. In addition to SEPTAR, were
14 there other Shell organizations, or
15 individuals from other Shell
16 organizations involved in these studies?

17 MR. TUTTLE: Objection to
18 form.

19 A. I believe that there were
20 individuals from -- from other parts of
21 the organization, yes.

22 Q. Do you recall what any of
23 those other parts of the organization
24 were?

25 A. No. I'm trying to recall

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1 JOHN C. DARLEY
2 because we were always tight for
3 resources, trying to mobilize people
4 who could be made available at very
5 short notice to work on the Oman fields
6 in 2003, but I don't -- I don't
7 remember specifically where all the
8 individuals came from.

9 Q. Okay. With respect to those
10 individuals that came from SEPTAR, do
11 you recall any of the specific
12 individuals involved?

13 A. No, I'm sorry, I don't. Not
14 with sufficient certainty to say. I
15 can kind of guess who would have been
16 involved, but I don't think that's
17 helpful.

18 Q. Was there any individual who
19 had overall supervisory responsibility
20 for the study teams in Oman at that time?

21 A. Yes, Stuart Evans was
22 running that program.

23 Q. Is Mr. Evans a Shell
24 employee?

25 A. Yes, he is.

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1 JOHN C. DARLEY

2 Q. And do you know where Mr.
3 Evans, what organization Mr. Evans
4 worked for during that time period?

5 A. Yes, he worked for PDO, the
6 Oman operating company.

7 Q. Do you know what position he
8 held at PDO?

9 A. He was a senior reservoir
10 engineer, or reservoir engineering
11 consultant.

12 Q. Do you know why the studies
13 to enhance -- withdrawn.

14 Do you know why the studies
15 you just referenced in 2003 were
16 undertaken?

17 A. Yes.

18 Q. Okay. And could you
19 describe for me why they were
20 undertaken at that time?

21 A. Yes. What had been observed
22 in the PDO fields in production over a
23 number of years was steady growth in
24 production, almost a monotonic growth
25 in production since the start of the

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1 JOHN C. DARLEY

2 venture. By the late 1990s and into
3 the year 2000, 2001, the fields were
4 maturing, and some of the production
5 performance of those fields was
6 declining, and therefore, the overall
7 production from Oman was starting to
8 decline; so a reversal of the historic
9 trend.

10 In order to address the
11 question what can be done to arrest the
12 decline and optimize the development of
13 the fields for the longer term and the
14 future of the company and the country,
15 those study teams were put in place.

16 Q. Were you generally aware of

17 -- withdrawn.

18 Were you aware of any issues
19 involving PDO's proved reserves at or
20 about 2003?

21 MR. TUTTLE: The entire
22 year?

23 MR. MacFALL: Yes.

24 A. I became -- I became aware
25 of issues with PDO's proved reserves in
0139

1 JOHN C. DARLEY
2 the course of 2003, towards the end of
3 2003. When a report, an audit report
4 on PDO was presented in November I
5 think of that year.

6 Q. Do you recall if there was a
7 STOIP, S-T-O-I-I-P, on reserves review
8 conducted in PDO?

9 A. Yes, I do.

10 Q. Was EPT involved in the
11 conduct of that study?

12 A. Yes, we were.

13 Q. Do you recall if that review
14 identified issues relating to PDO's
15 proved reserves?

16 A. No, I don't recall. As you
17 said, this was a STOIP on reserves
18 review, and the issues at that time
19 looked at the hydrocarbons in place,
20 and the reserves associated with the
21 production profiles, and those reserves
22 then would be the expectation reserves.

23 I just don't recall whether
24 that review went further to look at
25 proved reserves.

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1 JOHN C. DARLEY

2 Q. Do you recall if you were
3 aware of any license expiry issues in
4 connection with PDO during the
5 2001-2004 time frame?

6 A. I recall that the PDO
7 license extension for discussions were

8 underway. I don't recall issues with
9 the license extension.

10 Q. Do you recall when it was
11 that you first learned of the
12 discussions concerning the extension of
13 the PDO concession license?

14 A. No, I don't recall when I
15 first learned of those discussions.

16 Q. Do you recall if there was
17 ever discussion of the connection
18 between the expiry of PDO's concession
19 and its proved reserves?

20 MR. TUTTLE: Objection to
21 form.

22 A. I don't recall a specific
23 discussion between the expiry of the
24 license and the proved reserves in the
25 case of Oman.

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1 JOHN C. DARLEY

2 Q. Was the topic of the proved
3 reserves at PDO ever discussed at any
4 ExCom meetings between the period 2001
5 to 2003?

6 A. It was certainly discussed
7 at the end of 2003 when we obtained the
8 audit report. I don't recall whether
9 the issue of the proved reserves had
10 been discussed at any other point in
11 that period.

12 Q. We're going to go over sort
13 of reserves related issues probably
14 tomorrow, but since we've touched on
15 the topic, Mr. van de Vijver was the
16 head of EP at the time --

17 A. Yes.

18 Q. -- that you were there,
19 correct, sir?

20 A. Yes.

21 Q. Do you recall ever having
22 discussions with Mr. van de Vijver
23 separate and apart from any Project
24 Rockford related discussions concerning

25 problems with proved reserves?

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1 JOHN C. DARLEY

2 A. In the case of Oman?

3 Q. Let's start with Oman and
4 then we can spread out from there. Do

5 you recall any discussions concerning

6 Oman with Mr. van de Vijver?

7 A. Prior to the Rockford

8 exercise?

9 Q. Yes.

10 A. In the case of Oman. No, I

11 don't think so.

12 Q. Do you recall having
13 discussions with Mr. van de Vijver with
14 respect to proved reserves issues at
15 SPDC, excluding any discussions arising
16 in connection with Project Rockford?

17 A. Prior to the Rockford

18 discussions, I don't recall any.

19 Q. Well generally, do you
20 recall if Mr. van de Vijver ever
21 expressed to you his belief that
22 premature bookings of proved reserves
23 prior to his tenure as head of EP were
24 causing problems during his tenure as
25 head of EP?

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1 JOHN C. DARLEY

2 MR. TUTTLE: Objection to

3 form; foundation.

4 A. There were discussions at an
5 ExCom level related to the challenges
6 that we had as an EP business to
7 demonstrate both reserve, proved
8 reserve bookings, as well as investment
9 decisions and overall business
10 performance. And Mr. van de Vijver did
11 express frustration in those areas in
12 connection with the fact that reserve,
13 proved reserve bookings had been made
14 prior to final investment decisions
15 being taken on certain projects.

16 Q. Do you recall when the first
17 of those discussions at the ExCom level
18 arose?

19 A. No, I don't recall the date.

20 Q. Do you recall the specific
21 projects that Mr. van de Vijver
22 expressed frustration about?

23 MR. TUTTLE: Objection to
24 form.

25 A. I don't recall the specific

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1 JOHN C. DARLEY

2 projects, no.

3 Q. Do you recall if Gorgon was
4 ever mentioned in that connection?

5 A. No, I don't -- I don't
6 recall a discussion of Gorgon in that
7 connection in -- with Mr. van de
8 Vijver.

9 Q. Do you recall Gorgon being
10 discussed at the ExCom level?

11 A. Prior to the Rockford
12 discussions?

13 Q. Yes, thank you, sir.

14 A. No, I -- not specifically.
15 And part of my difficulty here is that
16 once I became involved with Rockford a
17 lot of this information came to my
18 attention, and being able to separate
19 had I already discussed it before or
20 was it only with Rockford I'm afraid is
21 proving quite difficult for me.

22 Q. I understand totally.

23 Do you recall any discussions
24 in connection with -- withdrawn.

25 Do you recall if Mr. van de

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1 JOHN C. DARLEY

2 Vijver actually identified specific
3 projects that he was frustrated about
4 in terms of the premature booking of
5 proved reserves?

6 MR. TUTTLE: Objection to

7 form.

8 MR. FERRARA: And when?

9 Q. During the time period
10 2001-2004, excluding any Project
11 Rockford discussions.

12 MR. TUTTLE: Same objection.

13 A. I -- again, I have the same
14 qualifier that I was involved in
15 Rockford. But I do recall a discussion
16 about some of the deepwater Nigeria
17 project bookings which had then to be
18 de-booked as -- in 2002, 2003 I think,
19 reflecting the need to adjust a
20 premature booking and the frustration
21 that that brought.

22 Q. Do you recall when it was
23 that the proved reserves that you were
24 just discussing in Nigeria deepwater,
25 in Nigerian deepwater, were booked?

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1 JOHN C. DARLEY

2 A. No, I'm sorry. Off the top
3 of my head I don't -- I don't recall.

4 Q. Do you recall if that was
5 prior to your tenure at EP?

6 MR. TUTTLE: At EP?

7 A. At EPT?

8 Q. At EPT, I'm sorry, thank
9 you.

10 A. Prior to February 2001. I
11 believe it was, but I -- my belief is
12 based on my knowledge of the Rockford
13 work.

14 MR. MacFALL: Can I have
15 that marked, please.

16 (Darley Exhibit 5 for
17 identification, Bates stamped RJW
18 00301261 through 00301265.)

19 Q. Mr. Darley, you've just been
20 handed a document marked as Darley
21 Exhibit 5 for identification. I ask
22 you to take a look at that, sir, and
23 tell me if you recognize it.

24 A. Well I haven't read it all,
25 but I recognize the note, yes. I don't
0147

1 JOHN C. DARLEY

2 recall seeing it previously. I clearly
3 will have done so, it was sent to me,
4 but I just don't recall it.

5 Q. That's fine. For the
6 record, the document is an email from
7 Jerry Vertal to you and Paul Sullivan
8 regarding SPDC production optimization.
9 The date is October 20th, 2001. Could
10 you identify Mr. Vertal for me, sir?

11 A. Yes. Jerry Vertal was one
12 of the I think you call vice presidents
13 at that time working in SEPTAR,
14 reporting to Paul Sullivan. His area
15 of responsibility was drilling
16 activity.

17 Q. Directing your attention
18 specifically to the second sentence of
19 the first paragraph that reads "SPDC
20 and EPG." Do you see that, sir? I'm
21 sorry, the first paragraph beneath
22 "John and Paul."

23 A. Yes, SPDC and EPG?

24 Q. Yes, sir.

25 A. Yes.

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1 JOHN C. DARLEY

2 Q. And it discusses a one week
3 SPDC EPG, EPT workshop to take place.
4 Do you recall if that workshop actually
5 occurred?

6 A. I'm sorry, I don't know.

7 Q. Do you recall if --
8 withdrawn. You previously testified I
9 believe that SEPTAR had done some work
10 to enhance production at SPDC; is that
11 correct, sir?

12 MR. TUTTLE: Object to the
13 form, characterization.

14 A. I testified earlier that I

15 think in response to a question about
16 the activities of SEPTAR that there
17 were a number of areas of activity that
18 were being undertaken including field
19 development planning, production
20 optimization, well engineering
21 activities. So within that context of
22 activities then yes, SEPTAR will have
23 looked at opportunities to improve
24 production in SPDC.

25 Q. Do you recall if SEPTAR

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1 JOHN C. DARLEY

2 undertook any studies in connection
3 with improving production at SPDC?

4 A. Yes, they did.

5 Q. Okay. Do you recall the
6 approximate time frame for these
7 studies?

8 A. I think I need to -- we both
9 need to understand what we mean by
10 studies to improve production. The
11 studies that were done in SEPTAR as
12 I've described could include field
13 development plan studies, they could be
14 well engineering kind of studies, they
15 could be production optimization
16 studies. Almost any of those studies
17 by virtue of the study will lead to
18 improvements in production. So you're
19 asking now when were studies done to
20 improve production in Nigeria fields
21 SPDC. That would have been a process
22 that was ongoing over quite an extended
23 period. As I mentioned earlier, the
24 SPDC studies were ongoing when I
25 arrived in the job and continued

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1 JOHN C. DARLEY

2 throughout.

3 So there were a number of
4 studies ongoing.

5 Q. Were there any new studies

6 conducted by SEPTAR in connection with
7 SPDC during the 2001-2004 time frame?

8 A. I believe there would have
9 been, but I cannot recall specifically
10 what they were.

11 Q. Do you recall the
12 approximate number of such studies
13 being conducted during that time
14 period?

15 A. No, I'm sorry, I don't. And
16 again, it would -- you would need I
17 think to understand what comprised a
18 study in that sense. So a field with a
19 number of wells may require a study on
20 each of the wells or it may require a
21 study on the totality of the field. If
22 you call each of the wells a study,
23 then of course there are many more such
24 studies. So we need to be careful how
25 we -- how we characterize a study in

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1 JOHN C. DARLEY

2 this sense.

3 Q. You previously testified
4 about some of the study work that was
5 done at PDO in an effort to over the
6 short term increase production.

7 A. Mm-hmm.

8 Q. Do you recall if similar
9 efforts were undertaken in connection
10 with SPDC?

11 A. Not on the same scale in the
12 same effort, no. So I described in the
13 case of Oman where teams were deployed
14 into Oman to -- to look very quickly at
15 the opportunities. That focused approach
16 was not adopted to my knowledge in SPDC.

17 Q. Do you recall if anyone from
18 EPT -- withdrawn.

19 Do you recall if any EPT
20 teams were sent to SPDC to conduct work
21 during the 2001-2004 time frame in an
22 effort to increase productivity over

23 the short term?

24 A. And perhaps related,
25 although I haven't read the whole note

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1 JOHN C. DARLEY

2 here, but related to this particular
3 document that you've put forward, in
4 addition to his role as vice president
5 in SEPTAR, Jerry Vertal also had the
6 role of the liaison between EPT and
7 SPDC in Nigeria, in the area of
8 production optimization, that's why he
9 is sent this particular note.

10 In that context, a number of
11 activities would have been identified,
12 such as realizing the limit that we
13 spoke about this morning, which would
14 have required engineers from SEPTAR to
15 have supported or worked in Nigeria to
16 help the SPDC production efforts.

17 Q. Do you have any specific
18 recollection of the individuals from
19 SEPTAR who actually performed work in
20 that regard at SPDC?

21 A. No, I'm sorry, I don't -- I
22 don't recall who they were.

23 Q. Do you recall what office,
24 and by that I mean either Rijswijk or
25 Houston, those individuals were from?

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1 JOHN C. DARLEY

2 A. They would certainly have
3 been from the Rijswijk office.

4 Q. And why is it that you say
5 they would certainly be from the
6 Rijswijk office?

7 A. Because the RTL consultants
8 were based in Rijswijk. So if we're
9 talking about realizing the limit type
10 of work, then that was sourced from
11 Rijswijk.

12 In addition, as I mentioned
13 earlier, the SPDC study teams were also

14 based in Rijswijk, and it may be that
15 members of those study teams were asked
16 to support the Nigeria work, and again,
17 they would then be from Rijswijk.
18 There may have been exceptions, but by
19 and large that's where it would be
20 from.

21 MR. FERRARA: Tim, do you
22 suppose you could speak just a little
23 bit louder?

24 MR. MacFALL: I will.

25 MR. FERRARA: That's coming

0154

1 JOHN C. DARLEY
2 from the fella with laryngitis.

3 MR. MacFALL: Sure.

4 Q. Do you recall where Mr.
5 Vertal -- withdrawn.

6 Where was Mr. Vertal based
7 during this time period?

8 A. He was based in Rijswijk.

9 Q. I'd like to direct your
10 attention to the first page of the
11 document in front of you, sir, Exhibit
12 5. This signature block that appears
13 beneath the very first, or the
14 uppermost portion addressed to John and
15 Paul, and it says "Thanks, Jerry
16 Vertal," and it includes two phone
17 numbers, one in paren NL. Is that a
18 Netherlands phone number, sir?

19 A. That is correct.

20 Q. There is also a US phone
21 number that appears next to that, area
22 code 713. Do you see that?

23 A. Yes, I do.

24 Q. Do you know if Mr. Vertal
25 maintained offices in the United

0155

1 JOHN C. DARLEY
2 States?

3 A. Yes, this was similar to the
4 setup I mentioned earlier with Paul

5 Sullivan, where Paul Sullivan and a
6 number of his vice presidents were
7 based in Rijswijk, but visited, because
8 their teams spanned both Rijswijk and
9 Houston, visited Houston periodically,
10 and that is -- that is the case here
11 for Mr. Jerry Vertal.

12 Q. Do you have any --
13 withdrawn.

14 Do you have any knowledge of
15 how frequently Mr. Sullivan visited the
16 United States from his office in
17 Rijswijk?

18 A. No, I don't have a -- I
19 don't have a record of it, I don't
20 remember the record. Approximately --
21 my recollection then is because he
22 reported to me so I knew when he was
23 and was not in Rijswijk. I would guess
24 six times per year or so he would be in
25 Houston. It's just a guess.

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1 JOHN C. DARLEY

2 Q. And I realize it probably
3 varied, but was there an approximate
4 duration of those visits generally?

5 A. I think -- and we tried to
6 reduce the travel so it may have
7 changed over time, but to make it
8 worthwhile, then he would spend a week
9 in Houston or perhaps ten days or so.

10 Q. How about Mr. Vertal, do you
11 have any understanding or recollection
12 of how often he traveled to Houston
13 during the 2001-2004 time period?

14 A. No, I'm afraid I don't, and
15 the reason is he didn't report to me
16 and therefore I have less insights into
17 his travel frequency schedule.

18 Q. Thank you.

19 MR. MacFALL: Can I have
20 this marked, please.

21 (Darley Exhibit 6 for

22 identification, Shell Brasil EP

23 technology plan.)

24 Q. Mr. Darley, you've just been
25 handed a document that has been marked
0157

1 JOHN C. DARLEY

2 as Darley Exhibit 6 for identification.

3 I'd like you to take a look at that,
4 sir, and tell me if you recognize that
5 one.

6 A. I -- yes, I see it is the
7 Shell Brasil EP technology plan. I
8 don't recall seeing it before, but I
9 will have seen it since it was sent to
10 me.

11 Q. Do you know who prepared
12 this plan, sir?

13 A. This will have been prepared
14 in the Shell Deepwater organization
15 working together with individuals in
16 Brazil. And the -- in the Shell --
17 Shell Brasil organization.

18 Q. Do you know who in --
19 withdrawn.

20 I take it by Shell Deepwater
21 organization you're referring to SDS?

22 A. That's correct.

23 Q. Okay. Do you know who at
24 SDS was involved in the preparation of
25 this plan?

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1 JOHN C. DARLEY

2 A. No, I don't.

3 Q. Do you know who in Shell
4 Brasil was involved in the preparation
5 of it?

6 A. No, I don't.

7 Q. I'd like to direct your
8 attention to the page -- I'm sorry --
9 to the second page of the plan itself.
10 It's captioned "Summary" at the top.
11 And it says "Shell Brasil E&P (SBEP) is
12 an NVO based in Rio de Janeiro," and

13 then it continues. My first question

14 is can you tell me what NVO is?

15 A. I don't recall. I thought
16 the acronym was an NOV which was a
17 nonoperated venture. But NVO I'm
18 afraid has left me a little nonplussed.

19 Q. That's fine, sir.

20 A. I may be missing a block
21 here, but I'm sorry, I just don't know.

22 Q. That's fine. The sentence
23 then continues with technical support
24 provided by SDS in Houston.

25 A. Yes.

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1 JOHN C. DARLEY

2 Q. Do you recall the nature of
3 the technical support that was provided
4 by SDS in connection with Brazil at or
5 about this time period?

6 MR. TUTTLE: Objection;
7 asked and answered.

8 A. I believe, as I mentioned
9 earlier, that the work was very much
10 around the exploration activities of
11 Shell Brasil E&P, that was exploration
12 in deepwater offshore Brazil, and the
13 activities were then assessing
14 opportunities to drill exploration
15 wells to acquire seismic data,
16 activities of that nature.

17 Q. Mr. Darley, could you please
18 turn to, and I apologize, this document
19 came from the native drive and
20 therefore bears no Bates numbers, but
21 you'll see it's Page 6 of 26. The
22 caption at the top is "Technology
23 planning process." Do you see that,
24 sir?

25 A. I do.

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1 JOHN C. DARLEY

2 Q. Number 2, technology
3 planning process, it states, "The SBEP

4 organization has been structured on a
5 global staffing model with minimum
6 staffing in Brazil and with the
7 technical work carried out by SDS based
8 in Houston."

9 A. Yes.

10 Q. "These technical activities
11 are executed in numerous locations,
12 e.g. Houston, New Orleans, Rijswijk."

13 Now I believe you indicated
14 that the primary activities conducted
15 by SDS with regard to Brazil were
16 exploratory, correct?

17 A. That's correct.

18 Q. What kind of work, if you
19 know, was then being provided or being
20 conducted, I'm sorry -- let me try that
21 again.

22 Do you know what kind of
23 work was actually being conducted by
24 SDS in the Houston, New Orleans, and
25 Rijswijk locations?

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1 JOHN C. DARLEY

2 A. First of all, there would
3 not be SDS work in Rijswijk. To my
4 knowledge. SDS were not Rijswijk
5 based. I mentioned earlier I think
6 that SDS comprised units in both
7 Houston and New Orleans. So the
8 engineering group, for example, was
9 based in New Orleans, whereas the
10 subsurface petroleum engineering and
11 exploration teams were based in
12 Houston. So that covers I think where
13 the work was done.

14 Q. If I could direct your
15 attention now to number 2.1,
16 administration. Do you have that, sir?
17 The fourth line down in that paragraph
18 there's a sentence that begins "SDS
19 will provide." Do you see that, sir?

20 A. Yes, I do.

21 Q. And then it continues on.

22 Part of what that sentence states is
23 that "SDS will act as 'project
24 execution manager.'" Do you see that?

25 A. Yes, I do.

0162

1 JOHN C. DARLEY

2 Q. Can you tell me what that
3 means?

4 A. Yes. So a piece of work
5 will be commissioned by Shell Brasil as
6 it says here, SDS will provide
7 requested technical support, so Shell
8 Brasil would request a piece of work to
9 be done and it would be done according
10 to a cost, time and resources agreement
11 as I mentioned earlier, being the
12 agreement between the operating company
13 in Brazil and -- and EPT.

14 Here, SDS will act as a
15 project execution manager for the
16 agreed scope of work means that if that
17 work then is defined, so an exploration
18 well is to be identified and drilled, a
19 team in SDS then will execute that
20 piece of work and report the results
21 then to Shell Brasil who will take the
22 decision and carry on with the
23 activity.

24 Q. The sentence continues that
25 "SDS Brazil team being a virtual

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1 JOHN C. DARLEY

2 department for Shell Brasil." Do you
3 see that, sir?

4 A. Yes.

5 Q. Could you describe for me or
6 explain to me what that means?

7 A. The way the teams is working
8 is that there are individuals in
9 Brazil, but not very many, and most of
10 the work is done in SDS, either in
11 Houston or in New Orleans. But there

12 is nevertheless an important element of
13 the team as part of Shell Brasil.

14 Q. The next sentence reads,
15 "SDS will have audit verified business
16 controls including HSC-MS to carry out
17 this role." Could you explain for me
18 what is being conveyed in that
19 sentence?

20 A. I'm sorry, I don't -- I
21 don't think I can because when I read
22 it I'm struggling a little bit with it
23 myself.

24 Q. Do you recall if this was a
25 -- withdrawn.

0164

1 JOHN C. DARLEY

2 Do you recall actually

3 reviewing this plan at the time that it
4 was disseminated?

5 A. No.

6 Q. I'm sorry?

7 A. No, sorry.

8 Q. I'm sorry.

9 A. My answer was no.

10 Q. Thank you. Are you aware if
11 reserves were ever booked in connection
12 with Shell Brasil?

13 MR. TUTTLE: Objection. Is
14 there a time frame?

15 MR. MacFALL: I'm sorry,
16 yes, 2001-2004.

17 A. I'm aware that reserves were
18 booked in Shell Brasil following the
19 acquisition of the Bijupira and Salema
20 fields in offshore deepwater Brazil,
21 those were the fields being developed
22 by Enterprise, and when Shell acquired
23 the Enterprise company those assets
24 were then transferred to Shell Brasil
25 and expectation reserves and proved

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1 JOHN C. DARLEY

2 reserves were carried for those

3 accumulations.

4 Q. Do you recall approximately
5 the volume of proved reserves that were
6 carried for that accumulation?

7 A. Proved reserves, no, I'm
8 sorry, I don't recall. I -- I will
9 give you, if it's useful, a very
10 broadbrush estimate. I'm talking a
11 hundred million barrels, of that
12 nature, but I don't recall with a
13 better precision plus or minus a large
14 number around that.

15 Q. That's fine, sir. Are you
16 aware if any of those proved reserves
17 were recategorized in connection with
18 Project Rockford?

19 A. I think -- I think they
20 were, but again, I would have to
21 refresh my -- my memory by looking at
22 the Project Rockford files. But these
23 were reserves that had been, as I say,
24 brought over as part of the acquisition
25 of Enterprise Oil. I think we had done

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1 JOHN C. DARLEY

2 then a separate review but I think
3 there was still a recategorization
4 required, yes.

5 Q. Do you recall approximately
6 when the Enterprise acquisition
7 occurred?

8 A. I'm struggling to know
9 whether it was 2002. I think it was
10 about 2002.

11 Q. Thank you.

12 A. Or 2002, 2003, of that
13 nature.

14 Q. Okay.

15 MR. MacFALL: Mark this,
16 please.

17 (Darley Exhibit 7 for
18 identification, Bates stamped RJW
19 00321848 through 00321850.)

20 Q. Mr. Darley, you've just been
21 handed a document marked as Darley
22 Exhibit 7 for identification. I'd like
23 you to take a look at that, sir, and
24 tell me if you recognize it.

25 A. Yes, I recognize the

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1 JOHN C. DARLEY

2 document.

3 Q. And tell me what it is, sir.

4 A. It's a note for discussion
5 to the EP executive committee
6 describing a proposal to create a
7 center of excellence for project
8 management and execution.

9 Q. Do you recall whether or not
10 that center of excellence as proposed
11 in this document was actually created?

12 A. Yes, it was.

13 Q. Do you recall who --
14 withdrawn.

15 Do you know who drafted this
16 note?

17 A. I was involved in the
18 drafting of the note together with
19 members of the team who were putting it
20 together.

21 Q. Could you identify the
22 members of that team for me?

23 A. They are listed on the
24 second page of the note, Mahdi Hasan
25 and others that you see there. I think

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1 JOHN C. DARLEY

2 I worked on it primarily with Mahdi
3 Hasan.

4 Q. The initiative to create
5 this center of excellence that's
6 referenced in the document, is that
7 something that originated with you,
8 sir?

9 A. Yes. We looked at that
10 document this morning. If I can refer

11 back to it.

12 Q. Yes, absolutely.

13 A. We -- we had it here as
14 document number 3 I believe which was
15 the terms of reference for a study to
16 improve project delivery. And as a
17 result of that study, this proposal was
18 then put forward.

19 Q. And based on the creation of
20 that center of excellence I take it
21 that the proposal was approved by the
22 ExCom; is that correct?

23 A. That is correct.

24 Q. I'd like to direct your
25 attention to the first page of the

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1 JOHN C. DARLEY

2 document underneath the caption global
3 EP Projects. Do you see that, sir?

4 A. Yes, I see it.

5 Q. If you go down to the fourth
6 paragraph there, beginning with the
7 words "In October last year." Do you
8 see that?

9 A. Yes, I do.

10 Q. It says "A dedicated (mini
11 FRD) team was commissioned." Could you
12 tell me what a mini FRD team is?

13 A. Yes. A focus result
14 delivery team, FRD, is a business
15 improvement team which takes on a
16 specific piece of business, activity,
17 process, and will within a very fixed
18 and so a focused, short time frame,
19 come forward with a business
20 improvement plan.

21 An FRD is typically a 90 day
22 exercise with milestones at 30 and 60
23 days. This mini FRD implies it was
24 probably run on an even faster time
25 frame.

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1 JOHN C. DARLEY

2 Q. Directing your attention now
3 to the next paragraph, there's a
4 sentence that says "The rationale for
5 the recommendation was based on the
6 following considerations" and it's
7 followed by a series of bullet points.
8 The last bullet point which references
9 the two preceding ones states "The
10 model has been successfully deployed
11 for US deepwater projects and most
12 recently in Nigeria where Shell
13 Deepwater Services 'development/
14 execution' SDS/DE organization has
15 determined" and then it continues.

16 Was the center of excellence
17 being proposed in this note for
18 discussion modeled on SDS?

19 MR. TUTTLE: Objection to
20 form. The document speaks for itself.
21 You can answer.

22 A. To a certain degree, because
23 if you'll read on in that paragraph
24 you'll see that the note recognizes
25 that further work will be required to

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1 JOHN C. DARLEY
2 assess the degree to which that model
3 can be applied. So whereas it may have
4 formed a foundation, it certainly
5 wasn't the end of the story.

6 Q. If I could direct your
7 attention to the second page of that
8 document, sir. About a quarter of the
9 way down appears the heading "Impact on
10 SDS." Do you see that, sir?

11 A. Yes, I do.

12 Q. And it states that the
13 global EP Projects organization --
14 well, withdrawn.

15 It talks about reemployment
16 of SDS/DE. Do you see that, sir?

17 A. I do.

18 Q. Was that redeployment

19 actually carried out?

20 A. Yes, yes, it was, in a
21 phased manner.

22 Q. Okay. Could you describe
23 that redeployment for me?

24 A. So I mentioned earlier I
25 think that part of the SEPTAR group

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1 JOHN C. DARLEY

2 that was concerned with studies had
3 been reallocated to a unit called EPT
4 Solutions. So in terms of the SDS work
5 the subsurface groups in SDS were
6 redeployed as part of EPT Solutions,
7 and the engineering groups in SDS were
8 deployed as part of EP Projects. So
9 within EPT we've created two
10 organizational units, one called EPT
11 Solutions which dealt with subsurface
12 evaluation, and one called EP Projects
13 which dealt with project delivery.

14 Q. Where were these two
15 organizations based?

16 A. They were based between a
17 number of locations, Rijswijk,
18 Aberdeen, Houston, and New Orleans.

19 Q. Were members of both
20 organizations at each of those four
21 locations?

22 A. I can't recall in each
23 location if that was the case, but I
24 think so, yes. Certainly over time it
25 evolved to that, yes. Whether that was

0173

1 JOHN C. DARLEY

2 the case in 2002 when we started, I
3 don't -- I don't remember.

4 Q. Do you recall approximately
5 how long the redeployment took?

6 A. Yes, we commenced in the
7 middle of 2002 with the creation of EP
8 Projects. And it took some time to
9 create the Rijswijk end of that

10 organization since we were starting
11 from scratch. And it was only in the
12 course of 2003 I mentioned earlier that
13 EPT Solutions came into -- into
14 formation.

15 Q. The next caption reads,
16 "Impact on SGSI." Do you see that,
17 sir?

18 A. I do.

19 Q. Can you tell me what SGSI
20 is?

21 A. This is the Shell Global
22 Solutions organization that we spoke
23 about earlier this morning.

24 Q. I believe you stated that
25 that organization was not part of EPT;

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1 JOHN C. DARLEY

2 is that correct?

3 A. That is correct.

4 Q. Okay. Beneath that caption
5 the document reads "The SEPTAR surface
6 cluster was integrated into Shell
7 Global Solutions in January 2001" and
8 then it continues. I realize that was
9 prior to the time that you started with
10 EPT, but do you have any knowledge of
11 the SEPTAR service cluster being made
12 part of SGS?

13 A. Yes, I do.

14 MR. TUTTLE: Surface.

15 A. Surface.

16 MR. MacFALL: I'm sorry.

17 A. Yes, I do. So up until
18 January 2001 there was a group in
19 SEPTAR which was called the surface
20 cluster, which dealt with surface
21 engineering, that being pipelines,
22 separation -- separator facilities,
23 gathering facilities, so on,
24 engineering work, if you like. And in
25 January of that year that group was

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1 JOHN C. DARLEY

2 taken out of SEPTAR and moved into
3 Shell Global Solutions.

4 Q. Do you have any familiarity
5 with the work performed by the SEPTAR
6 surface cluster prior to its
7 integration with SGS?

8 A. No, I'm -- well, I -- I only
9 have knowledge insofar as I was working
10 in Brunei before I joined EPT, and on
11 occasion that surface cluster would do
12 work for us on pipelines and such
13 matters.

14 Q. Do you have any knowledge as
15 to where the SEPTAR surface cluster was
16 located?

17 A. It was located both in
18 Rijswijk as well as in Houston.

19 Q. Do you know how many
20 individuals were in that cluster?

21 MR. TUTTLE: Time period?

22 Q. Immediately prior to its
23 integration into SGS.

24 A. No, I don't know at that
25 time. Subsequently when I had more

0176
1 JOHN C. DARLEY

2 involvement I think there were the
3 order of 150 people, so.

4 Q. Do you have any knowledge as
5 to whether or not the SEPTAR surface
6 cluster did work in Nigeria at SPDC?

7 A. Prior to January 2001?

8 Q. Right, yes, sir.

9 A. No, I'm sorry, I don't -- I
10 don't have any knowledge of that.

11 Q. Excluding Brunei about which
12 you just testified, do you have any
13 knowledge concerning any work that was
14 performed by the SEPTAR surface cluster
15 prior to January of 2001?

16 A. No, I don't.

17 Q. Okay, that sentence

18 continues that subsequent to the
19 integration that engineering surface
20 capability designated OGU. Do you see
21 that, sir?

22 A. Yes.

23 Q. Can you tell me if the
24 makeup of OGU is substantially the same
25 as the makeup of the SEPTAR surface

0177

1 JOHN C. DARLEY
2 cluster prior to its integration into
3 SGS?

4 MR. TUTTLE: Objection to
5 form.

6 A. Yes, I -- I believe that the
7 group that was called the surface
8 cluster was -- was moved into Shell
9 Global Solutions as stated here. But
10 whether or not it then took on
11 additional members who were already in
12 Shell Global Solutions to comprise the
13 totality of OGU, or whether it moved
14 certain of its capabilities into other
15 parts of OG, I just don't know. So I'm
16 afraid I can't -- I can't really help
17 you on that.

18 Q. Do you know if OGU still --
19 withdrawn.

20 Do you know if OGU
21 maintained offices in both Rijswijk and
22 Houston during the 2001-2004 time
23 frame?

24 A. Yes, they did.

25 Q. Now the second sentence --

0178

1 JOHN C. DARLEY
2 I'm sorry, the second paragraph beneath
3 impact on SGSI indicates that OGU
4 provided services to various OUs
5 including SPDC in Nigeria. Do you have
6 any knowledge of OGU's activities with
7 SPDC in Nigeria, sir?

8 A. Yes. That's the situation

9 that I described this morning where field
10 development planning work was done by
11 SEPTAR, and as part of that field
12 development plan, once the subsurface
13 development aspects have been defined and
14 the optimal development has been
15 identified, the work on the surface
16 activities, so laying of pipelines,
17 gathering stations, that kind of work is
18 undertaken by OGU, as I mentioned
19 earlier. So that that's the work that is
20 referred to here.

21 Q. Do you know which OGU office
22 provided, or did work in connection
23 with SPDC in Nigeria?

24 A. No, I don't know.

25 Q. That sentence continues in

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1 JOHN C. DARLEY
2 referencing other EP projects, Sakhalin,
3 Kudu and Bonga. Do you see that, sir?

4 A. Yes, I do.

5 Q. Are you familiar with OGU
6 activities in Sakhalin?

7 A. Not particularly, no.

8 Q. Are you generally aware of
9 their activities?

10 A. Yes.

11 Q. Could you describe that to
12 me, sir?

13 A. Yes, it was support to the
14 Sakhalin organization in respect of
15 areas of expertise in the areas of, for
16 example, pipeline, metallurgical
17 capabilities, design of separation,
18 those -- those kind of activities.

19 Q. Do you know which OGU office
20 supported the work -- performed the
21 work in Sakhalin?

22 A. No, I don't.

23 Q. Okay. What about with
24 regard to the next project identified,
25 Kudu?

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1 JOHN C. DARLEY

2 A. Kudu we spoke about also
3 this morning, and the work would be
4 similar to that which I have just
5 described in terms of designing the
6 facilities to gather and produce the
7 oil and gas.

8 Q. Do you have any knowledge
9 with regard to which OGU office
10 performed work at Kudu?

11 A. I mentioned I think this
12 morning that the Kudu project was a
13 special team that -- that was formed
14 with experts deployed into that team.
15 And as I think I mentioned primarily,
16 I'm under the impression that they were
17 based from Rijswijk, but there may be
18 exceptions.

19 Q. And by exceptions do you
20 mean there might be individuals from
21 Houston?

22 A. There could have been.

23 Q. Okay. We discussed Bonga a
24 little bit earlier today. I guess my
25 -- I do have a question though with

0181

1 JOHN C. DARLEY

2 regard to the surface work done in
3 connection with Bonga. Bonga is a
4 deepwater field, correct?

5 A. That's correct.

6 Q. Could you describe for me
7 what kind of surface work would be or
8 would have been done in connection with
9 Bonga?

10 A. Yes. In connection with the
11 reorganization of OG, or the move if
12 you like of the surface cluster into
13 OG, certain areas of expertise were
14 taken with that. One such example, at
15 the risk of losing anybody, is vortex
16 induced vibration. Vortex induced

17 vibration refers to the movement of the
18 pipes and structure between the seabed
19 and the surface in very deep waters,
20 large currents run through deepwater
21 and those currents create eddies and
22 those eddies in turn cause vibration
23 and movement in the pipes. It's a
24 special area of expertise. That area
25 of expertise was then moved into the
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1 JOHN C. DARLEY

2 OGU group, so they provided, if you
3 like, that service of making those
4 calculations to the -- to the deepwater
5 group.

6 Q. Thank you. If I could
7 direct your attention now to the final
8 heading on that page, way forward. Do
9 you see that, sir?

10 A. Yes, I do.

11 Q. Specifically with regard to
12 the section we discussed earlier
13 identifying the various members of the
14 team that worked on this, the third
15 bullet point indicates two
16 representatives from the Malampaya
17 project?

18 A. Yes.

19 Q. M. Thomas and C. Macara. Do
20 you know why -- withdrawn.

21 Can you identify M. Thomas
22 for me?

23 A. Mike Thomas was a project
24 engineer.

25 Q. Was he an employee of
0183

1 JOHN C. DARLEY

2 SEPTAR?

3 A. No. He was an employee at
4 that time of the Malampaya project.

5 Q. And how about C. Macara?

6 A. Cam Macara was similarly an
7 employee of the Malampaya project.

8 Q. You can put that aside, sir.

9 MR. TUTTLE: Take a couple
10 of minutes.

11 MR. MacFALL: Why don't we
12 take about 15 if that's okay.

13 THE VIDEO OPERATOR: We'll
14 go off the record 3:43, this is the end
15 of tape 2.

16 (A recess was taken.)

17 THE VIDEO OPERATOR: Back on
18 the record, it's 3:10, tape 3.

19 Q. Mr. Darley, I have a couple
20 of followups with regard to the, again,
21 the organization structure of SEPTAR.
22 You identified Paul Sullivan as the
23 individual who's the head of SEPTAR
24 during some portion at least of the
25 period 2001-2004.

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1 JOHN C. DARLEY

2 A. That's right.

3 Q. You indicated that Mr.
4 Sullivan maintained his primary office
5 in Rijswijk. With regard to those
6 times when Mr. Sullivan was not present
7 in Houston, was there someone there who
8 was responsible for overseeing the
9 day-to-day running of that office?

10 A. Yes. The -- within SEPTAR
11 there were a number of vice presidents.
12 Jerry Vertal was one of those vice
13 presidents, we mentioned his name
14 earlier. There were also one or two
15 vice presidents who were based in
16 Houston, in the Bellaire office in
17 Houston. Fred Hoffman I believe was
18 the vice president who would normally
19 be the most senior individual in the
20 Houston office. Fred had
21 responsibility for one of the divisions
22 within SEPTAR and he was based in
23 Houston and he spent then some time in
24 Rijswijk.

25 Q. Mr. Hoffman would be the
0185

1 JOHN C. DARLEY

2 individual who was primarily
3 responsible for the day-to-day
4 activities when Mr. Sullivan was not
5 present in Houston?

6 A. Not so much for the
7 day-to-day activities because each of
8 those teams were running their own
9 programs of activities. So it isn't
10 that Mr. Hoffman managed that total
11 portfolio. But if there were such
12 things as administrative duties,
13 receiving of important visitors, making
14 sure that the overall safety of the
15 organization was well taken care of,
16 those kind of responsibilities would
17 fall to Mr. Hoffman. And I say Mr.
18 Hoffman. I think he was the most
19 senior vice president at that time. I
20 could -- I could be wrong, but I think
21 he was.

22 Q. Now for that same time
23 period, 2001-2004, we've talked about
24 the work performed for certain OUs by
25 SEPTAR, including SPDC and PDO. At

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1 JOHN C. DARLEY

2 least with respect to SPDC you said
3 that that work was primarily performed
4 out of the Rijswijk office of SEPTAR,
5 correct?

6 MR. TUTTLE: Objection to
7 form; characterization. You can
8 answer.

9 A. That is what I said.

10 Q. During that same time
11 period, do you have any specific
12 recollection of the work performed in
13 the Houston office of SEPTAR for non-US
14 based OUs within Shell?

15 A. We mentioned this morning

16 the Lekhwair field in Oman. Work was
17 also done for Venezuela out of the
18 Houston office. And we talked about
19 the EOR projects which were being done
20 in -- for Oman in connection with Lyle
21 Henderson's activities in Houston.

22 I don't recall specifically
23 other -- other studies, not to say that
24 there were not, but I just don't recall
25 them.

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1 JOHN C. DARLEY

2 Q. Can you identify for me an
3 individual or individuals who would be
4 familiar with the activities or the
5 work performed at SEPTAR Houston during
6 the time period 2001-2004 for non-US
7 based OUs?

8 A. Lyle Henderson, who we
9 mentioned earlier, would certainly have
10 been familiar with some of that work
11 over some of that period. I don't
12 think he worked in EPT for the totality
13 of that period. He moved to work in
14 SEPCO.

15 Gwen Anson is currently the
16 manager of that responsible group.
17 It's now in EPT Solutions. I just
18 don't recall whether Gwen was involved
19 earlier in that period.

20 Q. How about Mr. Sullivan,
21 would he be familiar with the work
22 performed out of the Houston office in
23 connection with non-US based OUs?

24 A. He may, but as the overall
25 manager for SEPTAR he wasn't

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1 JOHN C. DARLEY

2 necessarily focused on the study
3 programs. It would have been more Mr.
4 Percival who we mentioned again earlier
5 today.

6 And Mr. Hoffman who I

7 mentioned as the most senior vice
8 president probably was not familiar
9 with the study work that was done
10 because he was -- his vice president
11 role was very much in the research and
12 development area and not in the studies
13 area.

14 Q. I just want to confirm this,
15 so Lyle Henderson, possibly Gwen Anson
16 and Ian Percival would be people we
17 might speak to about the activities of
18 Houston SEPTAR in connection with
19 non-US based OUs, correct?

20 A. Yes. With the qualification
21 that I've given earlier that I'm not
22 sure whether Gwen Anson was involved in
23 that period and Lyle Henderson was
24 certainly not involved in the totality
25 of the period. But they are three

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1 JOHN C. DARLEY

2 individuals who were over that period
3 involved in some of the work.

4 Q. Okay, thank you.

5 Another followup with
6 respect to the Enterprise acquisition.
7 You had previously referenced the
8 proved reserves that were booked --
9 withdrawn.

10 The proved reserves that --
11 in connection with Brazil as a result
12 of the Enterprise acquisition, I just
13 wanted to clarify. Did Shell --
14 withdrawn.

15 Were those proved reserves
16 already booked by Enterprise at the
17 time that it was acquired by Shell?

18 A. I'm afraid I don't know.

19 Q. Are you aware if any proved
20 reserves in Brazil were booked by Shell
21 during the period from the time of the
22 acquisition through 2004?

23 A. Other than the Enterprise

24 acquisition reserves?

25 Q. Yes.

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1 JOHN C. DARLEY

2 A. Okay. Other than the

3 Enterprise acquisition --

4 Q. Other than the proved

5 reserves that had been previously

6 booked by Enterprise.

7 A. Well, as I say, I'm not sure

8 --

9 Q. All right, let me rephrase

10 the question. Clearly I'm causing some

11 difficulty.

12 In connection with Brazil

13 specifically, are you aware if Shell,

14 as opposed to Enterprise, booked any

15 proved reserves subsequent to the time

16 that Shell acquired Enterprise?

17 MR. TUTTLE: Objection to

18 form.

19 A. Shell will have booked

20 proved reserves for the fields which it

21 acquired from Enterprise. That's --

22 Q. I think I see the problem so

23 I'm going to try it one more time. I'm

24 sorry, it's not your fault, it is

25 clearly mine.

0191

1 JOHN C. DARLEY

2 Separate from those proved

3 reserves booked by Shell as a

4 consequence of acquiring Enterprise,

5 are you aware if Shell booked

6 additional proved reserves in Brazil

7 following the acquisition?

8 MR. TUTTLE: In different

9 fields?

10 MR. MacFALL: In the same

11 fields, in different fields, yes.

12 A. I'm pretty sure that Shell

13 did not book reserves in Brazil outside

14 those fields that had been acquired

15 from Enterprise. That was the Bijupira
16 and Salema fields.

17 Q. Just so I'm clear, the
18 reserves that had been booked by Shell,
19 were those reserves proved reserves
20 that had been previously booked by
21 Enterprise at those fields?

22 A. As I mentioned earlier, I
23 don't know whether Enterprise had
24 actually booked those reserves. I
25 would assume that they had since the

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1 JOHN C. DARLEY

2 project had passed FID. But those were
3 the fields, Bijupira and Salema fields,
4 for which Shell booked proved reserves
5 in Brazil.

6 Q. Do you recall if SDS
7 performed work in connection with both
8 of those fields?

9 A. SDS performed work in
10 connection with both those fields in
11 terms of looking at the development
12 plans, some of the drilling activity,
13 and those kind of activities.

14 Q. The development plans with
15 regard to those two fields, were they
16 created by Enterprise or were they
17 created by Shell?

18 A. They were created by
19 Enterprise because when Shell made the
20 acquisition, the development was
21 already well underway, and as part of
22 the acquisition Shell acquired the
23 floating vessel which was to go on
24 location on the field to produce those
25 reserves.

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2 I don't recall whether all
3 the wells had been drilled prior to the
4 acquisition, but certainly the field
5 development plan had been defined, the

6 well locations had been defined, the
7 infrastructure was being put in place.

8 Q. Could you provide me with
9 more specific detail with regard to
10 SDS's work in connection with the
11 development plans at those two fields?

12 A. At that time?

13 Q. At that time.

14 A. No, I'm afraid I can't. I
15 just don't recall the detail.

16 Q. Do you recall if it was more
17 than one team from SDS that worked on
18 those two fields in Brazil?

19 A. I just don't recall, I'm
20 sorry.

21 Q. That's fine.

22 Do you recall any of the
23 specific individuals involved in that
24 review work?

25 A. No, not -- not with

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1 JOHN C. DARLEY

2 sufficient confidence to be able to
3 give names here.

4 Q. Separate and apart from the
5 review work involving the development
6 plans, are you aware of any other work
7 performed by SDS in connection with the
8 Brazil fields acquired as a result of
9 the Enterprise acquisition?

10 MR. TUTTLE: Objection to
11 form. You can answer.

12 A. Yes, I -- I'm trying to
13 recall whether or not the acquisition
14 included both the producing fields that
15 were under development and also
16 additional exploration opportunities
17 which I think it did, and that being
18 the case, then SDS would have worked on
19 the exploration opportunities as part
20 of their deepwater support to Shell
21 Brasil.

22 Q. Do you know if any of those

23 other deepwater opportunities at Brazil

24 were ultimately developed by Shell?

25 A. To date, no, no further

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1 JOHN C. DARLEY

2 fields have been developed apart from
3 the Bijupira and Salema fields. And to
4 my knowledge, no further reserves have
5 been booked in Brazil with the
6 exception of the Bijupira and Salema
7 fields that we acquired from
8 Enterprise.

9 Q. Thank you.

10 MR. MacFALL: Mark this,
11 please.

12 (Darley Exhibit 8 for
13 identification, Bates stamped DB 29248
14 through 29409.)

15 Q. Mr. Darley, you've just
16 handed a document marked as Darley
17 Exhibit 9 for identification -- I'm
18 sorry, Darley Exhibit 8 for
19 identification, thank you. I'd ask you
20 to take a look at that, sir, and tell
21 me if you recognize it.

22 A. Yes, I note the document.

23 Q. Do you recognize this
24 document which I believe has several
25 different constituent parts?

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1 JOHN C. DARLEY

2 A. I'm not sure whether I
3 recognize, because it's a fairly thick
4 document, all the constituent parts of
5 the document, but in general, yes, I
6 recognize that it's pre-reading for a
7 meeting that I attended.

8 Q. Okay. We'll go through
9 specific portions of it.

10 A. Okay.

11 Q. And you can tell me if you
12 recall seeing this. The document is
13 entitled "EP leadership forum, The

14 Woodlands, May 23rd and 24th of 2002."

15 Do you recall attending that forum,
16 sir?

17 A. I don't recall specifically
18 attending it, but I attended those
19 forum meetings so I guess that I would
20 have attended.

21 Q. The reference to The
22 Woodlands, is that where the leadership
23 forum was conducted, do you know?

24 A. Yes, I believe so.

25 Q. Do you know where The

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1 JOHN C. DARLEY

2 Woodlands is?

3 A. It is close to Houston.

4 Q. Does Shell have a facility
5 there?

6 A. Yes.

7 Q. Is that -- I'm sorry. What
8 kind of facility does Shell have at The
9 Woodlands?

10 A. Shell has a learning and
11 development and a conference facility.

12 Q. Mr. Darley, if I could
13 specifically direct your attention to
14 the page ending in Bates number 273 of
15 the document.

16 A. 273. Yes.

17 Q. This document is an extended
18 EPLF which I take it is EP leadership
19 forum?

20 A. That's correct.

21 Q. Dated May 23rd, 2002,
22 agenda. I'd like to direct your
23 attention to the bottom third of the
24 page, there's a caption there, "The
25 technological future." Do you see

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1 JOHN C. DARLEY

2 that, sir?

3 A. Yes, I do.

4 Q. And immediately beneath that

5 appears from 15:45 to 16:15 global
6 changes in technology, John Darley. Do
7 you see that, sir?

8 A. Yes, I do.

9 Q. Does that refresh your
10 recollection as to whether or not you
11 attended this particular leadership
12 forum?

13 A. Oh, I certainly attended.
14 As I said earlier, I would have been
15 there.

16 Q. Do you have any
17 recollection, I realize this is some
18 time ago, of what you spoke about
19 during this particular forum?

20 A. No, I -- I'm afraid I don't.
21 These were events which happened over
22 six months or so. I don't recall the
23 particular content and presentation
24 that I gave at this one.

25 Q. If I could direct your

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1 JOHN C. DARLEY

2 attention, sir, to Page 281 of the
3 document. Near the top of the page
4 you'll see a bold faced caption, "The
5 new core of Shell EP of the future."
6 Do you see that, sir?

7 A. Yes, I do.

8 Q. That paragraph discusses
9 amongst other things technological
10 advances in deepwater gas solutions,
11 etcetera?

12 A. Yes, it does.

13 Q. Do you -- it then goes on
14 the talk, I'm sorry, about deployment
15 of VP staff to various hubs. Do you
16 know what the EP business hubs
17 referenced in this paragraph in Houston
18 and The Hague are, what that reference
19 is to?

20 A. Yes, I believe it references
21 the existing centers in Houston and The

22 Hague which were staffed by EP
23 professionals.

24 Q. Specifically are you talking
25 about the, for example, the SEPTAR
0200

1 JOHN C. DARLEY
2 offices?

3 A. Yes.

4 Q. Were there others besides
5 the Rijswijk and Houston offices of
6 SEPTAR that are referenced in that
7 business hub reference?

8 MR. TUTTLE: Object to form.

9 A. The -- there are a number of
10 groups working in The Hague and working
11 in Houston, including the Deepwater
12 Services people who worked in SDS, who
13 worked in Houston, we've mentioned
14 those other of course. And I mentioned
15 I think earlier also the changes that
16 we made in, or were planning to make in
17 EPT with the R&D and the EPT Solutions
18 organizations, etcetera. So those are
19 also based in Rijswijk, but Rijswijk
20 and The Hague are sometimes seen
21 synonymously, as well as in Houston.

22 Q. If I could direct your
23 attention now to the page ending in
24 Bates number 306, sir, specifically in
25 the column on the left-hand side of the
0201

1 JOHN C. DARLEY
2 page about almost halfway down you see
3 the caption "Exploration clustering"?
4 Do you have that, sir?

5 A. Yes.

6 Q. The material here discusses
7 amongst other things SDS and then goes
8 on to talk about certain initiatives
9 predicated on SDS. And I guess I'd
10 like to direct your attention
11 specifically to the right-hand column
12 beneath the two bullet points, okay,

13 the paragraph "The capabilities of the
14 SDS organization." Do you see that,
15 sir?

16 A. Yes, I do.

17 Q. It references exploration
18 activities in the Asia-Pacific region
19 co-located in Houston. Do you see
20 that?

21 A. Yes, I do.

22 Q. Do you know what that
23 reference is to?

24 A. I think it would reference
25 the Malampaya activity and the Brunei

0202

1 JOHN C. DARLEY

2 deepwater activity. That's -- that's
3 an assumption if you like. I -- I
4 don't recall the detail at this time,
5 but that would seem to me to be
6 appropriate.

7 Q. Thank you. If I could now
8 ask you to turn your attention to Page
9 308. At the top of the page appears a
10 caption "Technical and operational
11 excellence." Do you see that, sir?

12 A. Yes, I do.

13 Q. Could you please describe
14 for me -- withdrawn.

15 Was the technical and
16 operational excellence part of a
17 program or initiative instituted by
18 Shell in 2002?

19 A. It -- it was an initiative
20 which built on earlier initiatives
21 around the value assurance processes
22 and around the realize the limit
23 activities that we spoke about this
24 morning, and were captured under the
25 heading technical and operational

0203

1 JOHN C. DARLEY

2 excellence which was both an
3 organizational unit as well as a

4 process improvement and business
5 improvement exercise.

6 Q. Were you involved in that
7 initiative?

8 A. I was involved in the
9 creation of technical and operational
10 excellence group, yes.

11 Q. Could you describe how it
12 was that you were involved in the
13 creation of that?

14 A. Yes. I think in the course
15 of 2001 and early in 2002 an assessment
16 of the Shell EP business identified
17 opportunities to improve, and while
18 these were already being captured to
19 some degree by the realize the limit
20 initiatives, it was felt that an even
21 stronger focus was required, and that
22 the creation of a new group, this
23 group, would help to achieve that
24 improvement.

25 Q. With respect to the

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1 JOHN C. DARLEY

2 improvement, or potential for
3 improvement that was identified, could
4 you be a little more specific in terms
5 of what areas that involved?

6 A. Yes. What we were seeing I
7 think in early in the decade were some
8 of the consequences of reorganizations
9 that had been undertaken in earlier
10 years in Shell. And some of those
11 reorganizations had provided additional
12 focus to the bottom line, the business
13 of the company, but in the area of
14 technical and operational work, we felt
15 that we had lost some of the rigor.
16 So, for example, the need for a
17 baseline set of minimum standards by
18 which operational activities could be
19 undertaken was no longer clearly
20 available. Operating units in

21 different parts of the world have their
22 own standards and would adhere to those
23 very carefully, but a uniform worldwide
24 standard was -- was not something that
25 was very quick to obtain.

0205

1 JOHN C. DARLEY

2 Similarly, process
3 improvements were being undertaken in
4 various parts of the business to
5 improve the way that activities were
6 undertaken. And again, those, we felt,
7 would be better achieved if they could
8 be streamlined and worked as a central
9 organization, single process for a
10 given activity.

11 The processes were being
12 followed, again, by individual
13 operating units in their own sphere of
14 operation. So the technical and
15 operational excellence objective was to
16 try and improve the approach by which
17 the EP business was being run by
18 bringing in those kind of improvement
19 steps.

20 Q. I believe you indicated that
21 it was both an initiative and an
22 organization; is that correct, sir?

23 A. That is correct.

24 Q. Were you a member of that
25 organization as well?

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1 JOHN C. DARLEY

2 A. No. When the organization
3 was formed in 2002, it took groups that
4 had been part of EPT, in particular the
5 realize the limit groups and the value
6 assurance groups, and it moved them
7 under one of my colleagues, Brian Ward,
8 who was then leader of that
9 organization.

10 Q. As part of the T&OE
11 initiative, was there an effort to have

12 the various OUs adopt a single standard
13 with respect to certain -- withdrawn.

14 I believe you indicated that
15 the OUs often utilized differing
16 standards or base lines in connection
17 with their operations. As part of the
18 T&OE initiative, was there an effort to
19 standardize those across EP?

20 MR. TUTTLE: Objection to
21 form.

22 A. As I mentioned earlier, the
23 objective was to improve the business,
24 and a number of measures were put in
25 place to improve the business. One of

0207

1 JOHN C. DARLEY

2 those measures was -- was to define
3 minimum standards. Another would be to
4 identify best practices. Another would
5 be to define recommended processes.

6 The implementation of those
7 minimum standards and recommended
8 processes was then indeed to be taken
9 up by operating units around the world.

10 Q. Do you recall first with
11 respect to the minimum standards that
12 were being promulgated, how were those
13 disseminated to the various OUs?

14 A. I can speculate, but I'm
15 sorry, I cannot give you a clear
16 definite answer. I don't -- I don't
17 know.

18 Q. Okay. How about in terms of
19 the best practices, do you recall how
20 that information was disseminated to
21 the various OUs?

22 A. Yes, I do. They were
23 largely disseminated through workshops
24 and visits from the T&OE consultants
25 who would communicate the best practice

0208

1 JOHN C. DARLEY

2 from -- from one area to another area.

3 Q. Same thing with the

4 recommended processes?

5 A. The -- if you're talking

6 about the dissemination of the --

7 Q. Yes, I am, I'm sorry.

8 A. Recommended global

9 processes. In the first instance it

10 was necessary to define a process and

11 the definition of the process then

12 involved each of the operating units

13 around the world working on a given

14 process for a given activity,

15 facilitated by T&OE consultants, to

16 come to an agreed process, and that was

17 based on global input.

18 Having then agreed that

19 process, indeed it was up to the

20 operating units to adopt the agreed

21 process.

22 Q. Do you recall if any of

23 either the standards, best practices or

24 recommended processes being advocated

25 by T&OE involved the booking of proved

0209

1 JOHN C. DARLEY

2 reserves?

3 MR. TUTTLE: Object to form

4 and characterization.

5 A. A number of the global

6 processes deal with the whole area of

7 field development planning, hydrocarbon

8 maturation, and part of that includes

9 the estimation of scope for recovery,

10 expectation reserves and proved

11 reserves. So in that context, part of

12 the global processes covered the

13 recommended approach to proved

14 reserves.

15 Q. Do you have any specific

16 recollection about what that

17 recommended approach was?

18 A. No, I don't have a specific

19 recollection of an approach to proved

20 reserves I think is your question.

21 The overall processes, there
22 were a number of processes which looked
23 at development planning and maturation
24 of hydrocarbons from exploration
25 through to development, and within

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1 JOHN C. DARLEY

2 those processes a subset of those
3 processes would deal with proved
4 reserves, but I don't recall the
5 details of them.

6 Q. The T&OE organization, did
7 it maintain a central office in Shell?

8 A. Yes.

9 Q. Do you recall where that
10 was, sir?

11 A. Yes, it was in Rijswijk.

12 Q. Okay. Do you recall
13 approximately how many individuals were
14 part of the T&OE organization?

15 A. My guess would be of the
16 order of 40. And that's a reasonable
17 guess but it may have been 30 or 60,
18 but of that order, 40, 40-ish people at
19 that time.

20 Q. Were any of the individuals
21 employed by T&OE former SEPTAR
22 employees?

23 A. Yes, some were former SEPTAR
24 employees.

25 Q. Do you have any specific

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1 JOHN C. DARLEY

2 recollection of who those individuals
3 were?

4 A. I can recall one. We
5 encountered him this morning. If you
6 recall when we looked at the document
7 from Mr. Ad VanderSchoot, I first
8 identified him as a consultant for RTL
9 or T&OE, and subsequently I remember
10 that he was in fact a business

11 interface manager, but he moved from
12 being a SEPTAR business interface
13 manager to being the head of the
14 geophysical group in T&OE looking after
15 geophysical processes. So that is one
16 example. I can't remember all of the
17 examples.

18 Q. Any others, that's fine.
19 (Darley Exhibit 9 for
20 identification, visit note.)

21 Q. Mr. Darley, you've just been
22 handed a document that has been marked
23 as Darley Exhibit number 9 for
24 identification. I ask you to take a
25 look at that, sir, and tell me if you

0212

1 JOHN C. DARLEY

2 recognize it.

3 A. I don't recall ever seeing
4 it, but I see that it is a visit note
5 from my staff. But I don't recall it.

6 Q. For the record, the first
7 page of this document is an email from
8 Ceri Powell to Walter van de Vijver,
9 dated July 26th, 2002, the subject,
10 summary notes from MGDWV visit to SDS
11 July 2002. Do you recall Mr. van de
12 Vijver visiting SDS in 2002?

13 A. No, I don't.

14 Q. Do you recall Mr. van de
15 Vijver visiting SDS at all during your
16 tenure at EPT?

17 A. I don't recall a specific
18 occasion, but at the same time, Mr. van
19 de Vijver will have visited many of the
20 activities in his EP visit and I'm sure
21 he will have visited SDS.

22 Q. Directing your attention
23 again on that same page, if you look a
24 couple of sentences above the signature
25 block that appears in the bottom of the

0213

1 JOHN C. DARLEY

2 page it indicates "John Darley has been
3 sent an identical document." Do you
4 see that, sir?

5 A. Yes, I see that.

6 Q. Do you know why it is that
7 you would have been forwarded such a
8 document, a visit note?

9 A. Yes.

10 MR. TUTTLE: Object to form.
11 Sorry. You can answer.

12 A. Yes. The SDS organization
13 reported to myself as EPT, so a visit
14 from Mr. van de Vijver and the notes
15 from his visit would have been of
16 interest to me.

17 Q. Now if I could ask you to
18 turn to the second page of that
19 document, sir, captioned "Executive
20 summary and key forward actions, SDS
21 (Shell Deepwater Services)."

22 A. Yes.

23 Q. Specifically directing your
24 attention to the next to last sentence
25 in the first paragraph, beginning with

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1 JOHN C. DARLEY

2 the words "The current workload." Do
3 you see that, sir?

4 A. Yes.

5 Q. Okay. It goes on to state
6 "The current workload for SDS is
7 Nigeria 30 percent and SEPCO 50
8 percent." Is that consistent with your
9 recollection of the division of SDS's
10 workload in or about July of 2002?

11 A. I believe it is. A heavy
12 part of that load was in support of the
13 Gulf of Mexico activities, the Nakika
14 field, perhaps even the Brutus field
15 would have been in development at that
16 time which consumed quite some
17 resources. Whether 30 and 50 are the
18 appropriate numbers I don't know, but

19 that a dominant part was in SEPCO and
20 another part in Nigeria, yes, that
21 makes sense.

22 Q. In connection with the work
23 performed in Nigeria, do you recall if
24 that was work primarily in connection
25 with Bonga, Bonga Southwest?

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1 JOHN C. DARLEY

2 A. Yes, at this time it would
3 have been primarily Bonga, Bonga
4 Southwest.

5 Q. Can you think of any other
6 projects or fields in Nigeria that SDS
7 was working on in or about this time?
8 And I know we've looked at documents
9 that have identified some of the others
10 such as Bolia?

11 A. Yes. Those are the ones, we
12 looked at them this morning. There
13 were a number of exploration blocks
14 which were being evaluated in the
15 deepwater Nigeria and SDS would have
16 been involved in those studies.

17 Q. Do you recall if SDS was
18 performing any work for SPDC in or
19 about July of 2002?

20 MR. TUTTLE: Objection;
21 asked and answered. You can tell him
22 again.

23 A. I think I mentioned I would
24 have been very surprised. In fact, I
25 can almost categorically state that

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1 JOHN C. DARLEY

2 they would not.

3 Q. We touched on a little bit
4 earlier, at least I've asked you about
5 the EA shallow water field in SPDC. Do
6 you have any understanding of who,
7 besides SPDC, performed work in
8 connection with that field?

9 A. No. I think I mentioned

10 this morning when we looked at EA that
11 I couldn't remember -- recall exactly
12 who was -- was working on it, but that
13 I was -- I think I was of the opinion
14 that SDS was not -- was not involved in
15 that -- in that work.

16 Q. Was there an organization
17 within Shell that did work in
18 connection with -- withdrawn.

19 Was there an organization
20 within Shell that had particular
21 expertise in shallow water projects?

22 A. No. There was no similar
23 organizational group that looked at
24 shallow water in the same way that
25 deepwater fields were looked at.

0217

1 JOHN C. DARLEY

2 Q. Are you aware if SPDC had
3 any expertise in the development of
4 shallow water fields?

5 A. Yes, they did because SPDC
6 fields comprise a number of areas
7 within Nigeria including land and
8 swamp, and swamp is very shallow water.
9 Moving then into -- into slightly
10 deeper water in the close offshore,
11 some of the technologies and approaches
12 that are used in those fields are --
13 are not dissimilar from development
14 work that can be done in the shallower
15 -- in the swamp areas and therefore
16 SPDC did have expertise.

17 Q. Is there anybody within --
18 withdrawn.

19 Was there anybody who was
20 part of SEPTAR in 2001-2002 who would
21 be familiar with the work performed by
22 SEPTAR in connection with SPDC?

23 A. Yes. I think we mentioned
24 earlier Ian Percival's name in that
25 context. And I think Ian would be

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1 JOHN C. DARLEY

2 familiar with SEPTAR's work for SPDC.

3 Q. Are you aware if there are
4 any SPDC personnel who were assigned to
5 work in Houston during the --

6 A. I'm not aware of any at that
7 period.

8 Q. Okay. And by that period
9 you're referring to?

10 A. 2001 to 2004 years.

11 Q. How about earlier than 2001,
12 were you aware of any? And I limited
13 it to that period initially because
14 that's when you were at EPT, but if you
15 have any knowledge separate and apart
16 from that.

17 A. No, I don't have any
18 separate knowledge.

19 Q. I'd like now to direct your
20 attention to the next sentence of that
21 same paragraph, well, where the note
22 indicates "from an external visitor
23 perspective the organization appears
24 very large." Where was -- withdrawn.

25 SDS's actual Houston offices

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1 were located where? Was it at the
2 Bellaire Technology Center?

3 A. No, they were located at
4 Woodcreek.

5 Q. I know we've discussed the
6 number of people I believe in the
7 United States versus those in the
8 Netherlands who were members of SDS.
9 But do you recall how many people were
10 in SDS's Houston office versus New
11 Orleans?
12 Orleans?

13 A. My guess at that time would
14 be that perhaps one to 200 in New
15 Orleans and the balance, then 400 or
16 so, 300 to 400 perhaps in Woodcreek.

17 Q. I do want to make a

18 correction. I said Rijswijk and I
19 realize I'm confusing that with SEPTAR.

20 Thank you.

21 If I could direct your
22 attention now to the five bullet points
23 appearing at the bottom, well, at the
24 end of that page, the third one from
25 the bottom under the caption "Forward

0220

1 JOHN C. DARLEY

2 key actions" references "dedicated team
3 on Block 18, to ensure that the
4 critical control points for Shell being
5 are being appropriately dealt with by
6 the operator." Do you understand what
7 that means, sir?

8 A. Yes, I believe so.

9 Q. And can you please explain
10 that for me.

11 A. There's a message here from
12 Mr. van de Vijver from his visit that a
13 dedicated team needs to be available to
14 work on Block 18 to make sure that the
15 critical control points are being
16 appropriately dealt with.

17 Q. Okay. Could you tell me
18 what -- withdrawn.

19 Do you have an understanding
20 of what Mr. van de Vijver or the author
21 of this document was referencing with
22 the term critical control points?

23 A. No, I wouldn't know what the
24 author was referring to.

25 Q. As the head of EPT, do you

0221

1 JOHN C. DARLEY

2 recall if you had any talks with Mr.
3 van de Vijver after this visit
4 concerning the creation of a dedicated
5 team on Block 18?

6 A. No, I don't recall such a
7 conversation.

8 Q. Is it your understanding

9 that Block 18, or the reference to
10 Block 18 is a reference to Block 18
11 Angola?

12 A. That is what I would assume.

13 Q. I'd like to direct your
14 attention now to the next page, sir.
15 If I can --

16 MR. FERRARA: You're on the
17 third page? I didn't hear.

18 MR. MacFALL: I'm sorry, the
19 next page and the following page.

20 MR. FERRARA: The last page?

21 MR. TUTTLE: No, the second
22 to last.

23 MR. MacFALL: Second to
24 last. Thank you.

25 Q. The bottom third of the page

0222

1 JOHN C. DARLEY

2 there's a caption "Specific deepwater
3 basins." Do you see that, sir?

4 A. Yes, I do.

5 Q. Next to the first check mark
6 that appears in that page the sentence
7 "Regional studies offshore Sabah kept
8 the oil play in the shallow-deepwater
9 transitional alive," and then it
10 continues. Could you identify that
11 project for me, Sabah?

12 A. Sabah is one of the federal
13 states of Malaysia.

14 Q. Do you know who performed
15 those regional studies in Sabah?

16 A. Yes, I believe that they
17 were undertaken by Shell Deepwater
18 Services.

19 Q. The reference to KBB-3,
20 could you explain that for me, sir?

21 A. KBB-3 from the context and
22 from my reading would seem to be a well
23 which has been drilled which has
24 demonstrated the presence of oil.

25 Q. Do you have any familiarity

0223

1 JOHN C. DARLEY

2 with that separate and apart from the
3 reference in this document?

4 A. I recall it in very general
5 terms, but not in sufficient detail to
6 be able to comment.

7 Q. If you can go down now to
8 the hyphen that appears beneath that
9 sentence, there's discussion of the
10 Brazil portfolio. There is a reference
11 here to BS-4 and it just having passed
12 VAR 2. Was BS-4 one of the projects
13 that was acquired from Enterprise, do
14 you recall?

15 A. I'm sorry, I don't recall.
16 I don't believe so because I think the
17 work was going on before the Enterprise
18 acquisition. So I think it was already
19 in the portfolio before that.

20 Q. And by portfolio you're
21 referencing Shell's portfolio?

22 A. In the Brazil portfolio that
23 is referred to here.

24 Q. How about BC-10, was that
25 part of the Shell portfolio or was that

0224

1 JOHN C. DARLEY

2 acquired as part of the Enterprise
3 acquisition?

4 A. No, I think that was also an
5 earlier exploration block.

6 Q. With regard to the VAR 2s
7 that are referenced for BS-4 and BC-10,
8 do you recall if SDS was involved in
9 those reviews?

10 A. I don't recall, but the way
11 that our work structure was set up SDS
12 would be involved, yes.

13 Q. Now I realize you can't
14 speak specifically since you said you
15 don't recall about these two projects,
16 but could you describe typically how

17 SDS, or SDS's involvement in a VAR

18 review?

19 A. In a?

20 Q. V-A-R.

21 A. In a VAR review?

22 Q. Right.

23 A. Okay. First I think we need
24 to understand the VAR process before we
25 can talk about the involvement in a VAR

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1 JOHN C. DARLEY

2 review. So the value assurance review
3 process goes through a number of stage
4 gates, one, two, three and four. And
5 these are on the path from initial
6 exploration discovery of a hydrocarbon
7 accumulation through the identification
8 of an opportunity through the selection
9 of possible development options through
10 the development of a field development
11 plan and then finally to investment
12 decision. Those are the stage gates of
13 the VAR process.

14 In connection with the
15 projects that we're talking about here
16 or any other projects, VAR 2 is a
17 milestone on that -- in that stage gate
18 process. The preparation of the work
19 for any of those VARs would be done by
20 a study team, a development study team,
21 and SDS would be -- would be involved
22 in that work. So it may be exploration
23 -- sorry, a geological definition,
24 assessment of the opportunities to
25 produce and develop the accumulation,

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2 estimation of production forecasts and
3 so on.

4 Q. SDS's involvement in the VAR
5 process, was that limited to deepwater
6 projects?

7 A. I'm sorry, I should have

8 perhaps distinguished. So SDS was not
9 -- when you say involvement in the VAR
10 process, so the VAR review is
11 undertaken by an independent group, so
12 the independent group will look at the
13 work that has been done in connection
14 with these fields and will assess then
15 the readiness to proceed to the next
16 stage gate.

17 So SDS's involvement will be
18 in the preparation of the work as I
19 described. The value assurance review
20 team will then review that work from
21 SDS and make recommendations as to the
22 maturity or the need for additional
23 work or the missed opportunities,
24 etcetera.

25 So SDS is of course involved

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2 because they respond to the inquiries
3 of the review team, but they are not
4 involved, if you like, in that they are
5 running the value assurance review.

6 Q. Thank you.

7 MR. FERRARA: Take a short
8 break?

9 MR. MacFALL: Sure, why
10 don't we do that.

11 THE VIDEO OPERATOR: We'll
12 go off the record, 4:01, tape 3.

13 (A recess was taken.)

14 THE VIDEO OPERATOR: We're
15 back on the record, it's 4:18, tape 3.

16 MR. MacFALL: May I have
17 that marked, please.

18 (Darley Exhibit 10 for
19 identification, Bates stamped RJW
20 00761791 through 761795.)

21 Q. Mr. Darley, you've just been
22 handed a document marked for
23 identification as Darley Exhibit 10. I
24 ask you to take a look at that, sir,

25 and tell me if you recognize it.

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2 A. Yes, I do.

3 Q. Mr. Darley, what is this
4 document?

5 A. The document is an email
6 from Rob Willis to myself dated -- I'm
7 looking for the date which I'm
8 struggling to see to be quite honest.

9 Q. I actually don't see it here
10 either, sir.

11 A. That's what it is.

12 Q. Okay.

13 A. So I'm not quite sure when
14 it was -- when it was sent. Regarding
15 PDO studies and a briefing note.

16 Q. We talked a little bit
17 earlier, or actually throughout the day
18 about the SEPTAR studies at PDO.

19 A. Yes.

20 Q. Okay. Before we get down to
21 the email itself, could you identify
22 Mr. Willis for me?

23 A. Yes, Rob Willis worked in
24 one of the teams in SEPTAR, in
25 Rijswijk.

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2 Q. Did Mr. Willis do work in
3 connection with PDO?

4 A. Yes, he did.

5 Q. Okay. I'd like now to
6 direct your attention to the body of
7 the email. If you go down a couple of
8 sentences -- I'm sorry. If you go down
9 past the "Regards, Rob," the first part
10 of it, you'll see it says closed out
11 studies and it's underscored. Do you
12 see that, sir?

13 A. Yes, I do.

14 Q. The document references
15 three SEPTAR studies in connection with

16 various fields, the first of which is
17 Al Burj. Do you recall that study,
18 sir?

19 A. No, I'm sorry.

20 Q. Next to Al Burj it says
21 "Implement WI." Am I correct that that
22 stands for water injection?

23 A. That would be correct.

24 Q. After that it states "Plus
25 reserves booking" and there's a

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2 parenthetical 2.3MMm3, close paren. Do
3 you know what that reference is to,
4 sir?

5 A. I don't I'm afraid, no.

6 Q. The next study or the next
7 project reference is the Karim West
8 field. Do you see that, sir?

9 A. Yes, I do.

10 Q. Are you familiar with that
11 project?

12 A. No.

13 Q. A couple lines down is the
14 Harweel Cluster, which is stated twice.
15 Are you familiar with the study
16 involving that project, sir?

17 A. Yes, I'm more familiar with
18 that. That was a rather unique study.

19 Q. And could you describe that
20 for me, sir.

21 A. Yes, the Harweel Cluster is
22 a deep high pressured accumulation in
23 the south of Oman which required
24 particularly -- particular technology
25 to -- to allow the hydrocarbons to be

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2 developed.

3 Q. Do you recall who was
4 involved in that study? By that I mean
5 the specific individuals.

6 A. No, I'm sorry, I don't. I

7 don't recall that.

8 Q. Do you recall which office
9 of SEPTAR was involved in that study?

10 A. No, I don't.

11 Q. The next portion of that
12 document is captioned "Status of
13 current studies." Do you see that,
14 sir?

15 A. Yes, I do.

16 Q. The first sentence says "The
17 ongoing SEPTAR (AGI/H) PDO studies are
18 on track" and then continues. My first
19 question, the denomination AGI/H does
20 that refer to the Houston office of
21 SEPTAR?

22 A. Yes, I think it does.
23 Whether -- yes, AGI/H was the -- AGI
24 was the indicator for the totality of
25 the study group. I'm sorry that I

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2 can't confirm that AGI/H would be the
3 Houston office. It's likely, but I
4 can't say more than that.

5 Q. Okay. Well the sentence, or
6 the document then continues referencing
7 specific projects.

8 A. Yes.

9 Q. One of which is Lekhwair
10 which we discussed earlier?

11 A. That's right, yes.

12 Q. Does that help you in terms
13 of ascertaining whether or not the
14 reference here is to the Houston
15 office?

16 A. Not really, and that was the
17 reason for my hesitation. Because I
18 didn't think that those other studies
19 were done in Houston, and there are a
20 list of studies there. I could be
21 wrong because it's a long time ago, but
22 that's why I didn't recall that all
23 those studies were done in Houston.

24 Q. Let's go through the
25 projects that are identified.

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2 Mukhaizna, are you familiar with that
3 project?

4 A. Yes.

5 Q. Okay. And could you
6 describe the study that was conducted
7 in connection with that project?

8 A. Yes. That was a part one of
9 those enhanced oil recovery studies
10 that I mentioned earlier. And that's a
11 little bit the reason for my hesitation
12 because a large part of that work was
13 definitely done in Rijswijk. That
14 there were elements of it done in
15 Houston is probably correct, but also a
16 large part was done in Rijswijk.

17 Q. With respect to --
18 withdrawn.

19 The next project identified
20 is Rahab. Do you see that, sir?

21 A. Yes.

22 Q. Are you familiar with that
23 project?

24 A. No.

25 Q. We've talked about Lekhwair.

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2 Do you recall -- withdrawn.

3 Was that also an EOR study?

4 A. Lekhwair was not, no.

5 Lekhwair was a conventional recovery
6 study, if you like.

7 Q. And could you please explain
8 for me what you mean by conventional
9 recovery study?

10 A. It did not involve enhanced
11 oil recovery techniques.

12 Q. Would that have been one of
13 the studies we discussed earlier that
14 were intended to increase productivity

15 over the short term at PDO?

16 MR. TUTTLE: Objection to
17 form; characterization.

18 A. Not necessarily, because the
19 nature of a water injection study,
20 conventional improved recovery study,
21 also requires quite some lead time
22 before it is implemented. In other
23 words, it isn't a question of simply
24 doing a study and then you will improve
25 recovery. You then will need to make

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2 the investments in water injection
3 facilities, pumps, flow lines, pipes,
4 etcetera. So yes, it will give
5 improved recovery and improved
6 production performance, but over a
7 longer time frame than we were speaking
8 of this morning.

9 Q. And Lekhwair was a water
10 injection project, sir?

11 A. Yes, it was a water
12 injection project.

13 Q. The next project specified,
14 Al Huwaisah, are you familiar with that
15 one, sir?

16 A. I'm not -- I'm familiar with
17 the field. I'm not familiar with this
18 project.

19 Q. And by project, are you
20 referring to the specific study that
21 was conducted?

22 A. This list year here, yes.

23 Q. The next one shown is Amin?

24 A. Again, I know of the field,
25 but I don't know what the work was in

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2 connection with this particular list.

3 Q. Okay. And the next field,
4 Nimr G?

5 A. Similarly.

6 Q. And how about the last one?

7 A. And Zauliyah, I'm aware of
8 those fields, I know they are Oman
9 fields. I have no recollection of the
10 work that was done in SEPTAR on those
11 particular fields.

12 Q. The next sentence in that
13 paragraph indicates that there was
14 what's referred here to as an ongoing
15 effort to roll interim results back
16 into PDO's program. Do you know what
17 that is in reference to, sir?

18 A. Yes. Each year PDO would
19 put together an annual program of
20 activity, investment activity,
21 including drilling activity, and as a
22 result of studies, it is sometimes
23 possible to adjust that program to take
24 advantage of results of studies and in
25 the short term not complete the

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2 implementation, but begin the
3 implementation of some of these
4 recommendations.

5 Q. The last sentence in that
6 paragraph states, "Quick wins
7 identified" and the reference is the
8 Amin field. Do you see that, sir?

9 A. Yes, I do.

10 Q. Do you recall whether or not
11 -- well, withdrawn. What is, if you
12 know, the reference to quick wins?

13 A. I don't know.

14 Q. Okay.

15 A. But in the parentheses here
16 you see Amin 500 meter cube per day
17 risked gains and I can then assume that
18 a quick win is defined by the 500 meter
19 cube per day.

20 Q. The "quick," does that
21 refer, do you know, to production or
22 recovery?

23 MR. TUTTLE: Objection to

24 form.

25 A. This, when you see a

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2 definition of cubic meters per day,

3 that is rate, production rate, and

4 therefore it is a production measure.

5 Q. The next paragraph indicates

6 that a portfolio review of PDO fields

7 was to be completed by June 2002. Do

8 you see that, sir?

9 A. Yes, I do.

10 Q. It references the assignment

11 of three SEPTAR staff to that project.

12 Do you recall if SEPTAR staff were in

13 fact assigned to the conduct of that

14 portfolio review?

15 A. I don't recall this

16 particular one. I think we discussed

17 earlier today that there have been

18 reviews done where SEPTAR staff were

19 involved. Whether that's this

20 particular one I just don't know.

21 Q. And what we had discussed

22 earlier today, that was the STOIP and

23 reserves review; is that correct?

24 A. The STOIP and reserves

25 review was the one we discussed earlier

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2 today.

3 Q. The last sentence in that

4 paragraph indicates that the review

5 will aim to create a funnel schematic

6 and then it goes on. Could you

7 describe for me what that is, sir?

8 A. Yes. A funnel schematic is

9 a time chart to show over which period

10 activities, studies in this particular

11 case, will be undertaken.

12 Q. Do you recall if the STOIP

13 and reserves review that we discussed a

14 little bit earlier today actually had
15 information regarding the timing of the
16 various studies at PDO?

17 A. I'm sorry, I just don't
18 recall.

19 Q. That's fine. I'd like you
20 now to go down to the bottom of the
21 page. The last caption at the bottom
22 of the page says start-up of new
23 studies. Do you see that, sir?

24 A. Yes.

25 Q. The first sentence beneath

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2 that caption references the Marmul al
3 Khalata field project.

4 A. Yes.

5 Q. Are you familiar with that
6 project, sir?

7 A. No, not in this time frame.
8 Again, I'm quite familiar with the Oman
9 field and I know the Marmul al Khalata
10 field, but I don't recall the details
11 of this project in this time frame.

12 Q. I take it then that you are
13 unfamiliar with the SEPTAR personnel
14 that were involved in that project; is
15 that correct?

16 A. That's correct.

17 Q. How about the second
18 paragraph under that caption references
19 a Natih framing exercise. Do you see
20 that, sir?

21 A. Yes, I do.

22 Q. Are you familiar with the
23 Natih project?

24 A. Again, not in this time
25 frame, no.

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2 Q. Beneath that is Natih B
3 thermal conduction project. Are you
4 familiar with that project, sir?

5 A. Yes, I am. It was a rather
6 unusual project and therefore I do
7 recall that one.

8 Q. Did SEPTAR perform work in
9 connection with that project?

10 A. Yes, I believe they did.

11 Q. Could you please describe
12 the work performed by SEPTAR in
13 connection with that project?

14 A. This is a thermal conduction
15 project which is a project to assess
16 the opportunity to heat the rock and
17 the fluid in the rock which is
18 extremely heavy oil, and to test
19 whether or not such heating would expel
20 the heavy hydrocarbon and allow it to
21 be produced so it's a rather -- that's
22 why I remember it. It's a rather
23 unusual approach, and that work was
24 undertaken by SEPTAR.

25 Q. Do you recall who at SEPTAR

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2 undertook that work?

3 A. No, I don't recall who.

4 Q. Do you recall which office
5 was responsible for that study?

6 A. Yes, that -- that work was
7 done in the Houston office because
8 that's where that expertise was vested.
9 But by nature of that particular work,
10 this is very embryonic kind of
11 research, so it would be, if you like,
12 testing whether or not this technique
13 might at all ever in the next 50 years
14 become viable in the case of the Natih
15 B reservoir. So it had little to do
16 with the short term production gains
17 that you were speaking of earlier and
18 the issues in Oman. This was -- this
19 was really the long term basic research
20 into long-term opportunities.

21 Q. I'd like now to direct your

22 attention to the second page of the
23 document. The paragraph appearing at
24 the top of the page basically indicates
25 -- well, withdrawn -- states "As SEPTAR
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2 staff close-out ongoing studies, the
3 plan is to roll them onto the next
4 studies." Do you recall approximately
5 how many SEPTAR staff were involved in
6 the conduct of the studies referenced
7 here or the planned studies?

8 A. No, I don't recall that.

9 Q. The next sentence reads, "We
10 are therefore available to pick up the
11 next tranche of studies in July (AGH)
12 and October (AGI)." The denomination
13 here appears a little bit different,
14 there's no slash, it's also not AGI/H,
15 but is the AGH a reference to Houston,
16 do you know?

17 A. Yes. And this -- this is
18 now more familiar to me. And my
19 recollection was that AGH was a
20 denomination of the Houston-based group
21 and AGI was the denomination of the
22 Rijswijk-based group. So I think
23 earlier when we saw AGI/H it referred
24 to the activities of both groups and
25 not uniquely to the Houston group, and
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2 that's why my conclusion about those
3 studies being done in Houston now
4 becomes a little clearer. It wasn't an
5 indication that those were all studies
6 done in Houston, it was simply those
7 were the studies done for Oman between
8 the two groups, AGH and AGI.

9 Q. Okay. And here it's your
10 understanding based on what you just
11 stated that the July studies would be
12 performed by the Houston office of

13 SEPTAR, or at least that was planned,
14 and the October studies by the
15 Rijswijk?

16 A. That's what I read.

17 MR. TUTTLE: Objection to
18 form.

19 A. That's what I read in this
20 note.

21 Q. Do you specifically recall
22 that happening?

23 A. No, I don't.

24 Q. I'd like now to direct your
25 attention to the second paragraph

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2 appearing on that page, specifically
3 the fourth line down at the very end of
4 that paragraph, the fourth line you'll
5 see reference to Paul Mann, RBA. Do
6 you see that, sir?

7 A. Yes, I do.

8 Q. And it indicates that Mr.
9 Mann was attempting to identify SEPTAR
10 staff who could possibly work on this
11 initiative and that initiative is a
12 reservoir management FRD. The
13 paragraph goes on to discuss the issue
14 being in part one of availability of
15 high quality SEPTAR staff. First, with
16 respect to that specific project, the
17 reservoir management FRD, do you recall
18 that work being performed at PDO?

19 A. No, I'm sorry, I don't -- I
20 don't recall it.

21 Q. What is an FRD?

22 A. We spoke about it earlier
23 today, it was a focused result delivery
24 exercise in which a particular area of
25 the business would be subject to

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2 business improvement assessment.

3 Q. Do you recall if there was

4 an issue -- withdrawn.

5 Were there any problems
6 supplying all of the SEPTAR, qualified
7 SEPTAR personnel required to work at
8 PDO?

9 A. Over this time period?

10 Q. Yes.

11 A. Which I take it to be 2002,
12 even though we couldn't see the date on
13 the email. Resourcing study team
14 activity reflects a constant allocation
15 of resources against demand
16 requirements. We did not work with
17 dedicated full-time teams assigned
18 uniquely to PDO, for example. We
19 worked with a large group of people who
20 were working on the reservoir studies.

21 So the constant optimization
22 that is required is to resource one
23 particular study versus another study.
24 And that tension, if you like, or the
25 challenge that you see referred to here

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2 is something that is always with a
3 study group. You don't have people
4 sitting on the bench waiting to go --
5 to go and do a study.

6 So you are always required
7 to find staff to -- to work on this one
8 as against another piece of work.

9 Q. With respect to the physical
10 location of the work that was performed
11 in connection with the PDO studies, was
12 that work performed at the various
13 SEPTAR offices or at the PDO?

14 A. Both, both. We would -- we
15 would deploy people to Oman for some of
16 this work, but a great majority of it
17 would have been done in Rijswijk I
18 believe, with the exception of those
19 studies that we mentioned that would be
20 done in Houston.

21 Q. Could you generally explain
22 for me the difference between, if any,
23 the type of work that was actually done
24 on site at the PDO versus that work
25 done back at SEPTAR's offices?

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2 A. The work that would be done
3 in Oman would be typically hands-on
4 kind of work, so going to the field to
5 identify opportunities to change the
6 setup of the production system, or to
7 assess the opportunity to optimize flow
8 through the pipelines and flow line
9 systems which typically will require
10 data to be gathered in the field and
11 advice to be given to staff in the
12 field. In those instances clearly
13 SEPTAR staff would go to Oman.

14 The work that was done in
15 Rijswijk and in Houston would be study
16 work where the data would be provided,
17 and that would be subsurface data,
18 geological data, for example, which
19 would then be interpreted in the study
20 teams and the results of that work
21 would then be communicated to the
22 operator. Don't forget this work is
23 always done on behalf of the operator.
24 PDO, in this particular instance, is
25 always the party that requests and

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2 funds the activity of the study team.
3 SEPTAR is not of themselves deciding
4 which studies to do. They're decided
5 by Oman.

6 So when the work is done in
7 Rijswijk or in Houston then the results
8 of that work are again communicated in
9 Oman and the teams or representatives
10 of the teams will often go to Oman to
11 present the results of their work back

12 to the commissioning operating unit.

13 Q. Now, with regard to the data
14 that was analyzed by the study teams at
15 the SEPTAR offices, who provided that
16 data to those study teams?

17 A. The data would usually be
18 acquired in, almost exclusively
19 acquired in Oman. So the PDO, the
20 operating company would supply the
21 data.

22 Q. If you go down to the next
23 to last caption on that page, planning/
24 process, there is a reference here,
25 "PDO (Lamki)." Do you know what that

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2 reference is to there, sir?

3 A. Yes.

4 Q. Could you please explain it
5 to me?

6 A. Mr. Abdulla Lamki was the
7 technical manager in Oman.

8 Q. The paragraph goes on to
9 state that he's requested SEPTAR
10 studies effort of some 38 persons till
11 mid-2003, then it indicates then
12 ramping down to around 10. Do you
13 recall if 38 SEPTAR employees were
14 actually involved in studies of PDO
15 during this time period?

16 A. I don't recall whether that
17 precise number was -- was involved, but
18 of that order was certainly involved,
19 yes.

20 Q. Okay. If you go down to the
21 bottom of the paragraph, the next to
22 last sentence references PDO asset
23 teams. Do you see that, sir?

24 Actually, I guess it's not the next to
25 the last, it's the third from last.

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2 A. Yes.

3 Q. Directly requesting SEPTAR
4 support. Could you explain, if you
5 know, what kind of support SEPTAR would
6 provide to PDO asset teams?

7 A. Yes. The kind of support
8 that I mentioned earlier. So in Oman
9 asset teams looking after either the
10 northern or central or southern assets
11 in Oman may identify problems in
12 production performance, for example,
13 and they would be aware that there was
14 expertise in Rijswijk that would be
15 available to help them solve that
16 problem and they would request it of
17 the SEPTAR organization.

18 Q. The next sentence references
19 PDO's request for a "focus (controlled)
20 effort in terms of SEPTAR technology
21 thrusts into PDO." Do you know what
22 that's a reference to, sir, what that
23 means?

24 MR. TUTTLE: Object to form.

25 A. This relates to the

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2 deployment of technology as opposed to
3 study work in -- in Oman. And you see
4 later on Stuart Evans, whose name we
5 mentioned earlier today, would liaise
6 with Keith Eastwood and Keith Eastwood
7 was the business interface manager for
8 Oman, to make sure that the transfer of
9 technology was as smooth and effective
10 as possible. And what is called here a
11 seamless team concept was discussed
12 whereby representatives from PDO and
13 from SEPTAR would work jointly to
14 identify which technologies would add
15 value and make sure that they were
16 deployed as effectively as possible.

17 Q. The technologies that were
18 under consideration for deployment at
19 PDO, were those technologies developed

20 by SEPTAR?

21 A. Not uniquely. There may
22 also be third party technologies. The
23 role of SEPTAR was indeed in its R&D
24 form to research new technologies, but
25 it was also to provide advice on

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2 developments in the industry which may
3 be of benefit to companies like PDO.
4 That advice would also be given.

5 Q. I'm sorry, I believe you did
6 testify about this earlier, I just
7 don't recall the answer. The R&D group
8 at SEPTAR, where were they physically
9 located?

10 A. There were groups both in
11 Rijswijk as well as in Houston.

12 Q. Do you recall which of those
13 -- withdrawn.

14 Do you recall if technology
15 from SEPTAR was actually provided to
16 PDO during this time period pursuant to
17 this request?

18 A. Yes, it most certainly was.

19 Q. Do you recall specifically
20 what kinds of technology?

21 A. Oh, a range of technologies
22 were provided. For example, tubulars
23 which were allowed to expand to allow
24 oil production was one technology that
25 was provided successfully to PDO.

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2 Technologies to interpret the
3 subsurface seismic data were provided
4 to Oman. There were a large range of
5 technologies provided.

6 Q. Were those technologies
7 primarily related to the increase in
8 production over the short term?

9 MR. TUTTLE: Objection to
10 form.

11 A. Some were. Some were, if
12 you look at technologies for the
13 subsurface interpretation there will
14 typically be for longer term gain.
15 Technologies which look to increase
16 production in the short term would
17 indeed satisfy that request, but a
18 range of technologies were being
19 provided for short term, medium term
20 and longer term application in Oman.

21 Q. And I'm sorry, do you recall
22 that actually happening in the case of
23 PDO?

24 A. Yes.

25 MR. TUTTLE: Object to form.

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2 A. I've given -- I've given a
3 couple of examples of the technologies
4 and there were many more.

5 Q. The last caption appearing
6 on that page is a reference to -- well,
7 it states MOG. Do you know what that
8 refers to, sir?

9 A. It's the Ministry of Oil and
10 Gas.

11 Q. The document indicates that
12 technical advisors from the Ministry of
13 Oil and Gas were involved in study
14 milestone visits both in PDO and
15 SEPTAR. Do you recall that occurring,
16 sir?

17 A. No, I'm sorry.

18 Q. The document concludes that
19 those individuals were comfortable with
20 SEPTAR's effort to date. Do you recall
21 receiving that feedback from the
22 Ministry of Oil and Gas at or about
23 this time?

24 MR. TUTTLE: Object to form.

25 A. I don't recall conversations

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2 with the Ministry of Oil and Gas at
3 this -- at this time.

4 Q. Do you recall getting
5 feedback from anybody who did have
6 communications with individuals at the
7 Ministry of Oil and Gas in Oman
8 concerning their opinion of SEPTAR's
9 efforts?

10 A. I had a number of contacts
11 with the Ministry of Oil and Gas as
12 director of EPT over this period. And in
13 some of those circumstances -- some of
14 those discussions we reviewed the work of
15 SEPTAR, and on some occasions there were
16 issues raised, understandably, and
17 addressed. But by and large, at this
18 time I think as the note suggests here,
19 the work was appreciated in Oman and by
20 the Ministry of Oil and Gas.

21 Q. Was that actually conveyed
22 to you in some way by officials from
23 the Oman Ministry of Oil and Gas?

24 A. Are you talking about this
25 time in particular?

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1 JOHN C. DARLEY

2 Q. Or at any time.

3 A. Okay. At any time the
4 method of communication would be my own
5 meetings with the minister of oil and
6 gas in Oman.

7 Q. Do you recall at any time
8 individuals from the Ministry of Oil
9 and Gas conveying to you an opinion
10 with regard to the effort expended at
11 PDO by SEPTAR?

12 A. Yes.

13 Q. Okay. Could you tell me
14 when the -- that expression --
15 withdrawn.

16 When did that communication
17 occur?

18 A. There were annual reviews

19 with -- with PDO, between PDO and
20 myself and EPT in which we would review
21 progress and plans for the study work
22 that was undertaken, and during some of
23 those reviews comments were made as to
24 the appreciation or otherwise of the
25 work that was being done in SEPTAR on

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1 JOHN C. DARLEY

2 behalf of PDO.

3 MR. MacFALL: Why don't we
4 adjourn for the day. We can pick up
5 tomorrow morning.

6 THE VIDEO OPERATOR: We'll
7 go off the record. It's 4:51. This is
8 the end of tape 3, Volume 1.

9 (Time noted: 4:51 p.m.)

10

11

12

13 _____
JOHN C. DARLEY

14

15 Subscribed and sworn to before me

16 this ____ day of _____, 2006.

17

18 _____

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2 STATE OF NEW YORK) Pg__of__Pgs

3 ss:

4 COUNTY OF NEW YORK)

5 I wish to make the following changes,

6 for the following reasons:

7 PAGE LINE

8 _____ CHANGE: _____

9 REASON: _____

10 _____ CHANGE: _____
 11 REASON: _____
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 24 _____ CHANGE: _____
 25 REASON: _____

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1

2 C E R T I F I C A T E

3 STATE OF NEW YORK)

: ss.

4 COUNTY OF NEW YORK)

5 I, GAIL F. SCHORR, a Certified
 6 Shorthand Reporter, Certified Realtime
 7 Reporter and Notary Public within and for
 8 the State of New York, do hereby certify:
 9 That JOHN C. DARLEY, the witness
 10 whose deposition is hereinbefore set forth,
 11 was duly sworn by me and that such
 12 deposition is a true record of the testimony
 13 given by the witness.

14 I further certify that I am not
 15 related to any of the parties to this action
 16 by blood or marriage, and that I am in no
 17 way interested in the outcome of this
 18 matter.

19 IN WITNESS WHEREOF, I have
 20 hereunto set my hand this ____ day of
 21 _____, 2006.

22
23
24
25

GAIL F. SCHORR, C.S.R., C.R.R.

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E X H I B I T S

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(Darley Exhibit 1 for identification, email from Ms. VanBaren to distribution.)	32	16
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17 761795.)

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1
2 IN THE UNITED STATES DISTRICT COURT
3 DISTRICT OF NEW JERSEY

4 -----x
5 IN RE ROYAL DUTCH/SHELL TRANSPORT Civil Action No.
SECURITIES LITIGATION, 04-3749 (JAP)
6 Consolidated Cases

7 -----x
8 November 17, 2006
9:32 a.m.

9
10
11 Videotaped Continued Deposition of JOHN J. DARLEY,
12 taken by Plaintiffs, pursuant to notice, at the
13 offices of LeBoeuf, Lamb, Greene & MacRae, LLP,
14 125 West 55th Street, New York, New York, before
15 SUZANNE PASTOR, a Shorthand Reporter and Notary
16 Public within and for the State of New York.

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1
2 A P P E A R A N C E S:
3 BERNSTEIN, LIEBHARD & LIFSHITZ, LLP
Attorneys for Lead Class Plaintiff
4 10 East 40th Street
New York, New York 10016

5
6 BY: TIMOTHY MacFALL, ESQ.
AND: LAURA K. HUGHES, ESQ.
AND: JEFFREY M. HABER, ESQ.

7
8 DEBEVOISE & PLIMPTON, LLP
Attorneys for Royal Dutch/Shell Transport

9 555 13th Street, Northwest
10 Washington, D.C. 20004

11 BY: JONATHAN TUTTLE, ESQ.

12 AND: LORI WAGNER, ESQ.

13 -and-

14 LeBOEUF, LAMB, GREENE & MacRAE, LLP

15 1875 Connecticut Avenue, Northwest

16 Washington, D.C. 20009

17 BY: RALPH FERRARA, ESQ.

18
19
20
21
22
23
24
25
0265

1 APPEARANCES OF COUNSEL (CONTINUED)

2 HUGHES, HUBBARD & REED, LLP

3 Attorneys for PriceWaterhouseCoopers

4 One Battery Park Plaza

5 New York, New York 10004-1482

6 BY: SAVVAS A. FOUKAS, ESQ.

7 HOGAN & HARTSON, LLP

8 Attorneys for KPMG Accountants NV

9 875 Third Avenue

10 New York, New York 10022

11 BY: NICHOLAS CORSON, ESQ.

12 FOLEY & LARDNER, LLP

13 Attorneys for Judith Boynton

777 East Wisconsin Avenue

Milwaukee, Wisconsin 53202-5306

BY: REBECCA E. WICKHEM, ESQ.

14

15 MAYER, BROWN, ROWE & MAW, LLP
Attorneys for Sir Philip Watts
16 1909 K Street, N.W.
 Washington, D.C. 20006-1101

17

 BY: ADRIAEN M. MORSE, JR.
18 AND: SHARAN E. LIEBERMAN, ESQ.

19

20

21

ALSO PRESENT:

22

 NICO MINERVA, Grant & Eisenhofer

23

24

25

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1 JOHN J. DARLEY

2 THE VIDEOGRAPHER: Today's date is
3 November 17th, 2006. The time is 9:32. This is
4 the continuation of the deposition of Mr. Darley,
5 tape 4, volume 2.

6 JOHN J. DARLEY,
7 resumed, having been previously duly sworn, was
8 examined and testified further as follows:

9 CONTINUED EXAMINATION

10 BY MR. MacFALL:

11 Q. Good morning, Mr. Darley.

12 A. Good morning.

13 Q. Mr. Darley, in your capacity as the
14 head of EPT, did you have occasion to make
15 analysts presentations on behalf of Shell?

16 A. Yes, I did.

17 Q. What was the purpose of those analyst
18 presentations?

19 A. The purpose was to explain the role
20 that technology, Shell's technology and
21 capability, in terms of support to the business
22 to explain to the analyst community how our
23 leading edge technologies would enable Shell to
24 take positions, to develop fields, to be
25 effective as a business in which investments

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1 JOHN J. DARLEY

2 would be successful.

3 Q. Were those presentations made in
4 Europe as well as the United States?

5 A. Yes, they were.

6 Q. Do you recall approximately -- this
7 is somewhat difficult, approximately how many
8 presentations you made during the period
9 2001-2004?

10 A. Very approximately, in the order of
11 five to ten.

12 (Darley Exhibit 11 for
13 identification, E-mail from Mr. Darley and
14 Attached A.G. Edwards Analyst Report.)

15 Q. Mr. Darley, you've just been handed a
16 document that has been marked for identification
17 as Darley Exhibit 11. I'd like you to take a
18 look at it, sir, and tell me if you recognize
19 it.

20 A. I recognize the e-mail. I don't
21 recall seeing it before. The attachment is a
22 report from A.G. Edwards, which I don't recall
23 seeing before at all.

24 Q. Do you recall speaking at --
25 withdrawn.

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1 JOHN J. DARLEY

2 For the record, the document is an
3 e-mail from you to Mark Leonard and Barry Knight,
4 cc'd to various individuals, dated September 22,
5 2002. The subject is "forward A.G. Edwards
6 analyst meeting." That e-mail forwards an e-mail
7 from David Sexton to you, again, concerning the
8 A.G. Edwards analyst meeting.

9 Could you identify Mr. Sexton for me,
10 sir?

11 A. Mr. Sexton at that time I think was
12 responsible for investor relations in the United
13 States.

14 Q. I'd like to direct your attention to
15 the first paragraph of the e-mail from Mr. Sexton
16 beginning with the words "again, my thanks." In

17 that sentence Mr. Sexton thanks you for agreeing
18 to speak at the A.G. Edwards conference in
19 Boston.

20 Do you recall speaking at that
21 conference, sir?

22 A. Yes, I do.

23 Q. Did Mr. Sexton invite you to speak at
24 that conference?

25 A. I don't recall whether it was

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1 JOHN J. DARLEY

2 Mr. Sexton personally or whether it came via
3 another source, to be quite honest.

4 Q. Do you recall if you were provided
5 with any guidance as to the topics to be
6 discussed at that A.G. Edwards conference in
7 Boston?

8 A. I don't recall.

9 Q. I'd like you to turn the page, sir,
10 and direct your attention to the attachment,
11 which is an A.G. Edwards analyst report dated
12 September 19th, 2002. According to the covering
13 e-mail from Mr. Sexton, this is a report that
14 resulted from the talk you gave at the A.G.
15 Edwards conference.

16 A. Yes.

17 Q. If you look, sir, at the text of the
18 report, you'll see the caption "The original
19 pioneer of the Deepwater." Do you see that,
20 sir?

21 A. Yes, I do.

22 Q. Do you recall speaking about Shell's
23 Deepwater activities at that conference?

24 A. I don't recall exactly what I spoke
25 of at this conference, but in my capacity as

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1 JOHN J. DARLEY

2 director of EPT, I spoke on the Deepwater area at
3 a number of conferences.

4 Q. What was the purpose of your
5 discussions concerning Shell's Deepwater
6 activities at those various conferences?

7 A. It was to explain Shell's capability

8 in the development of Deepwater fields.

9 Q. Was that capability something Shell
10 was attempting to highlight for the investing
11 market?

12 MR. TUTTLE: Objection to form.

13 A. In terms of these analyst
14 presentations, there were always a number of
15 aspects of capability which we try to explain to
16 the analyst community. Capability in Deepwater,
17 capability in well engineering, capability in
18 subsurface interpretation. All of these aspects
19 would be important we believe from a
20 technological perspective in helping the analyst
21 community understand the nature of our technical
22 business.

23 Q. The Deepwater capability that's
24 discussed in the A.G. Edwards report, was that
25 specifically referring to the activities of SDS?

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1 JOHN J. DARLEY

2 A. I would have to read the report to
3 remind myself exactly what we covered, to be
4 quite honest.

5 Q. If you would like to take a moment
6 you can do that.

7 A. If I look at the text of the report,
8 I see it covers the Gulf of Mexico but also West
9 Africa and Nigeria and Brazil. So I take it
10 those were the areas that were covered in the
11 presentation.

12 Q. Those were areas that SDS operated
13 in -- let me try that again. Withdrawn.

14 Those specific geographic areas were
15 areas in which SDS operated deepwater -- or
16 conducted its deepwater activities, correct?

17 MR. TUTTLE: Objection to form.

18 A. Yes. I think it's important here to
19 remind ourselves that SDS did not operate
20 activities in the deepwater. SDS executed
21 activities on behalf of an operating company. So
22 if we talk about the Gulf of Mexico, SEPCO was
23 the operating company. If we talk about Shell
24 Brazil, Nigeria in the Deepwater was SNEPCO.

25 So the work of SDS was very much in

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1 JOHN J. DARLEY

2 support of the activities of those operating
3 units. So when we talk about Deepwater
4 activities and the execution of those and the
5 operation of those activities, yes, SDS played a
6 role in support, advice and conduct of particular
7 studies. But the operation of those activities
8 was always the responsibility of the local
9 operating company.

10 Q. The emphasis of this report, however,
11 is on Shell's deepwater expertise, correct?

12 MR. TUTTLE: Objection;
13 argumentative.

14 A. Yes. As I read the report of the
15 analyst presentation, it appears to demonstrate
16 Shell's deepwater capabilities.

17 Q. And the geographic areas that were
18 identified in the report, the Gulf of Mexico,
19 West Africa, it identifies specific fields as
20 well; Bonga for example. Those were fields where
21 SDS operated, correct?

22 MR. TUTTLE: Objection; form.

23 A. If I look at the fields that are
24 listed as a list of fields which goes back to
25 1979 and Cognac, Bullwinkle, Auger. SDS were not

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1 JOHN J. DARLEY

2 involved in the earlier fields. They were
3 involved in the more recent developments. But
4 they certainly were not -- SDS as an entity did
5 not exist in those earlier years.

6 So the full capability that is
7 described here is Shell's capability over an
8 extended period of time. The SDS entity was only
9 in the latter part of the '90s in existence. And
10 therefore it is much wider than simply an SDS
11 capability that is demonstrated. It's Shell's
12 capability in deepwater.

13 Q. I'd like to direct your attention to
14 page 6 of the report, sir.

15 A. Mm-hmm.

16 Q. Do you see at the top of the page the
17 caption figure 5, "Nigeria, major oil and gas
18 fields"? Do you see that, sir?

19 A. Yes, I do.

20 Q. It lists the various fields in
21 Nigeria that presumably are, based on the subject
22 of this report, deepwater areas. Let me ask as I
23 go through them. Bonga Main, did SDS operate
24 there, sir?

25 MR. MORSE: Object to the form.

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1 JOHN J. DARLEY

2 MR. TUTTLE: Same objection.

3 A. SDS, as I mentioned earlier, was not
4 the operator for these activities.

5 Q. I'll rephrase the question then. Did
6 SDS conduct activities at the behest of SNEPCO at
7 Bonga Main?

8 A. In connection with the Bonga Main
9 development, SDS were providing support, advice
10 and study work to SNEPCO, yes, that is correct.

11 Q. Did they also provide support to
12 SNEPCO in connection with Ehra?

13 A. Yes, they did.

14 Q. Bonga Southwest?

15 MR. TUTTLE: Objection to form.

16 Q. Did they provide such support to
17 Bonga Southwest?

18 A. Yes, they provided support to SNEPCO
19 in connection with Bonga Southwest.

20 Q. Did they provide such support to
21 Doro? I'm sorry, to SNEPCO at Doro.

22 A. Yes, they did.

23 Q. At the time of this report did SDS
24 provide such support to SNEPCO at Bolia?

25 A. Yes, they did.

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1 JOHN J. DARLEY

2 Q. And the next project identified sir,
3 Ngolo, did SNEPCO provide support in connection
4 with?

5 A. I'm sorry, I can't recall Ngolo field
6 and I can't comment.

7 Q. How about with respect to the Bosi
8 project, did SDS provide supporting activities or
9 work with next with Bosi?

10 A. Yes. SNEPCO was a partner in the
11 Bosi field. And Shell Deepwater Services
12 provided support to SNEPCO in connection with
13 that field.

14 Q. Beneath that is a caption figure 6,
15 "Angola." And it lists various projects or
16 fields there as well. The first one -- the first
17 field shown is Plutonia Block 18. Are you aware
18 if SDS provided technical work or support in
19 connection with the activities of Block 18 in
20 Angola?

21 A. Yes. SDS provided support to the
22 operating company, the Shell operating company in
23 Angola who were partners in the Plutonia
24 development.

25 Q. Without going through them one by
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1 JOHN J. DARLEY

2 one, there are a series of fields listed there.
3 If you could just go through them, sir, and let
4 me know to the best of your recollection during
5 this time period, did SDS provide supporting
6 activities or services to the operator at those
7 fields in Angola?

8 A. I'm sorry, I don't recall all of the
9 names there. Cobalto I think I recall in Block
10 18. The others I just don't recall and therefore
11 I can't say whether or not they provided
12 support.

13 Q. That's fine, sir.

14 If I could ask you to turn to the
15 next page, sir. The next page deals with
16 Brazil. And you'll see a caption there figure 7,
17 "Brazil major oil and gas fields." There are
18 two identified. Bijupira and Campos.

19 Do you recall during this time period
20 SDS provided supporting activity or work in
21 connection with the operation of those two
22 fields?

23 A. I recall the work in connection with

24 Bijupira that was provided by SDS in support of
25 the Shell operating company in Brazil. Campos,
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1 JOHN J. DARLEY

2 I'm sorry, I don't recall specifically.

3 Q. Are you aware of how the analyst for
4 A.G. Edwards who prepared this report obtained
5 the information concerning the various fields
6 identified in the report?

7 A. No, I'm not.

8 Q. If I could direct your attention, I'm
9 sorry, to the first page again of that Exhibit
10 11. If you'll look at the very bottom of the
11 e-mail from David Sexton to you, it then says "on
12 to Houston.. David." Do you know what that's a
13 reference to?

14 A. Reading it now and in the context of
15 this e-mail, it probably refers to further
16 analyst presentations that would be given in
17 Houston.

18 Q. In fact, do you recall if you
19 attended something called the analyst field day
20 in or about October in Houston?

21 A. Yes, I do.

22 Q. Did you give a presentation at that
23 analyst field day?

24 A. Yes, I did.

25 Q. Could you describe for me that

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1 JOHN J. DARLEY

2 event? Was it a single day event?

3 A. As I recall, it was a single day
4 event in Houston, yes.

5 Q. Did analysts attend that event as
6 indicated by the title?

7 A. Yes, I believe they did.

8 Q. Do you recall approximately how
9 many?

10 A. My recollection from the presentation
11 and the environment, the room in which we gave
12 the presentation, would be a guess, in the range
13 of perhaps 40 people in the room, of that order.

14 Q. Are you aware if the analysts who

15 attended that event were from both the United
16 States and Europe?

17 MR. TUTTLE: Objection to form.

18 A. I don't recall exactly, to be quite
19 honest, where they were from. So I can't say
20 with enough category where they were from, enough
21 confidence that I can say yes they were or no
22 they were not. I just don't know.

23 Q. At that event, do you recall
24 approximately how long it lasted?

25 A. I seem to recall when you asked me
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1 JOHN J. DARLEY

2 earlier if it was a one-day event, it was a
3 one-day event. But I thought that the whole
4 exercise also involved an engagement with
5 activities in the field somewhere. And I can't
6 recall where, but I thought there was -- as well
7 as a presentation in an office environment, which
8 I attended. I believe that the group also went
9 to some field location. So I wasn't involved
10 with that part of the event.

11 Q. Did you work with somebody from
12 Shell's investor relations office in connection
13 with that event?

14 A. Not directly, no.

15 Q. Do you recall approximately how many
16 speakers made presentations at that event?

17 A. I think about five.

18 Q. Do you recall who they were?

19 A. I recall Raoul Astucci making a
20 presentation. I'm sorry, I don't recall any
21 other names.

22 Q. And you made a presentation at that
23 event, is that correct, sir?

24 A. Yes, it is.

25 Q. Do you recall approximately how long
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1 JOHN J. DARLEY

2 that lasted?

3 A. These presentations would normally be
4 of the order of half an hour or so.

5 (Darley Exhibit 12 for

6 identification, document bearing Bates production
7 number SMJ 00035555 through SMJ 00035564.)

8 Q. Mr. Darley, you've just been handed a
9 document marked as Darley Exhibit 12 for
10 identification. I ask you to look at that, sir,
11 and tell me if you recognize it.

12 A. Yes, I see it is the notes from my
13 presentation for the analyst field day.

14 Q. Do you know who prepared these?

15 A. Yes. My style was normally to
16 prepare these notes myself.

17 Q. Were these notes that you prepared
18 prior to the actual presentation, or were these
19 prepared subsequent to the presentation?

20 A. Again, my approach to these events
21 was usually to prepare a set of notes before the
22 presentation, which I would then use not
23 necessarily to read from but simply as a style,
24 as a pro forma if you like, to allow me to give
25 the speech.

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1 JOHN J. DARLEY

2 Q. And based on the format of these
3 notes, it appears that there were slides that
4 accompanied that presentation. Do you recall
5 that, sir?

6 A. Yes, we would use slides.

7 Q. If I may, directing your attention to
8 the first page, what would be under the
9 caption -- or next to the caption for slide 3,
10 "technology for profitability and growth," do
11 you see that, sir?

12 A. Yes, I do.

13 Q. The first sentence there you
14 discuss -- or the document discusses technology
15 EP organizations, EP businesses around the
16 world. It then goes on to discuss the prime
17 locations in Houston and the Netherlands.

18 With respect to the locations in
19 Houston, what were you specifically referring to,
20 if you recall?

21 A. Hmm, maybe it's useful here just to
22 recap again the structure of EPT so that we can

23 understand the context of this particular
24 quotation. I explained it yesterday but perhaps
25 it's useful again to go through it.

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1 JOHN J. DARLEY

2 So EP technology, EPT, was the
3 descriptor for the EP technology organization.
4 Within EP technology there are a number of units
5 which were providing support to the operating
6 units around the world. Those units were the
7 SepTAR organization, the SDS organization, Shell
8 Technology Ventures organization we encountered
9 yesterday, the commercial group in EPT which we
10 encountered yesterday and HR support
11 organization.

12 If we look to each of those
13 organizations, and they have the acronyms then
14 SepTAR, SDS, STV, EPH, et cetera, if we look then
15 within each of those groups we can understand who
16 is involved and where they are. So we look first
17 at the group SepTAR. SepTAR, as I explained
18 yesterday, was both an organization undertaking
19 research, research and development work in
20 support of the Shell EP operating companies as
21 well as study work. And again, as I explained
22 yesterday, that study work would be done either
23 in Houston or in Rijswijk, depending on the
24 nature of the study and the requirement of the
25 operating units.

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1 JOHN J. DARLEY

2 Research and development and study
3 work would then be done both in Rijswijk as well
4 as in Houston.

5 SDS, the Deepwater Services Group,
6 was located in New Orleans and in Houston and did
7 not have an entity in Europe.

8 The STV organization was also a
9 global organization.

10 So that's in summary how those groups
11 work.

12 Now, within SepTAR we had the
13 research and development, but then the study

14 groups. And those studies groups looked at
15 studies in different parts of the organization,
16 so the Middle East, the Far East, Africa, et
17 cetera. Some of those studies were done in
18 Rijswijk and others in Houston.

19 So when we start to talk here in this
20 particular extract that you have drawn your
21 attention to about the prime locations in Houston
22 and the Netherlands, really what I was describe
23 was that capability of EPT to work from both
24 those locations depending on the requirements and
25 the studies.

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1 JOHN J. DARLEY

2 Q. That's fine, thank you. The gist of
3 my question was essentially were you referring to
4 SepTAR, SDS, STV, the other organizations that we
5 had discussed at some length yesterday. And you
6 just indicated that you were referring to them in
7 this document at least.

8 MR. TUTTLE: Objection to form.

9 A. I was to them in this document. And
10 I was also I believe encompassing the activities
11 which were undertaken by sister organizations.
12 ODU is a sister organization, if you like the
13 term. It isn't part of EPT but it was an
14 organization which provided support to the EP
15 business around the world. And again, EPT and
16 ODU often worked in tandem, as we looked
17 yesterday at various activities.

18 Q. Do you recall if you actually in
19 substance said the words that are indicated in
20 these notes? And the reason I ask is that you
21 indicated they were notes as opposed to a
22 script.

23 A. So I don't recall, would be the
24 answer. I prepared the notes but I rarely, if
25 ever, read the notes. I had not memorized them

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1 JOHN J. DARLEY

2 verbatim, but I had memorized the sequence that I
3 wanted to -- and the points that I wanted to
4 cover. But no, I don't recall whether I used

5 these words.

6 Q. Okay. Mr. Darley, if I could direct
7 your attention now to the next page, if you look
8 at the bottom of the page, there's a reference to
9 slide 6, technologies: Identify more reserves.
10 Then it continues.

11 Do you recall what, if anything, you
12 said in connection with technology and the
13 identification of reserves at that analyst
14 event?

15 A. I don't recall exactly what I said,
16 no. I read the notes that you have drawn our
17 attention to, but it's fairly generic in terms of
18 the context of the text there.

19 Q. If you could turn now to the next
20 page, sir, next to slide 7, there's a
21 reference -- I'm sorry, the caption said "Oman
22 improved oil recovery." Do you see that?

23 A. Yes, I do.

24 Q. We discussed this a little bit
25 yesterday and one of the things referenced in
0286

1 JOHN J. DARLEY

2 that paragraph is the program that as indicated
3 here is aspirationally T50. We discussed
4 yesterday that the 50 refers to projected
5 production level I believe.

6 Do you recall discussing that at the
7 analyst event?

8 A. May I first of all make a comment?
9 You say it refers to production level. I did not
10 refer to production yesterday. Yesterday I made
11 the point it refers to recovery level.

12 Q. I'm sorry, thank you for that
13 clarification.

14 A. I don't recall making the comments,
15 but I see here in the notes that that was part of
16 the presentation.

17 Q. The T50 program, that was the shorter
18 term program as distinguished from the EOR
19 efforts that we discussed, is that correct?

20 MR. TUTTLE: Object to form.

21 A. No, I'm sorry, that's not correct.

22 Q. Okay.

23 A. T50 was looking at EOR.

24 Q. I'm sorry.

25 A. Because the only way that you can --

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1 JOHN J. DARLEY

2 not the only way, but the most likely way that
3 you can significantly raise the level of recovery
4 to 50 percent is by application of enhanced oil
5 recovery. EOR.

6 Q. Thank you, I'm sorry, I was
7 confused. In fact, if you go down two
8 paragraphs, the one beginning "a specific element
9 here," do you see that, sir?

10 A. Yes, I do.

11 Q. It says, "A specific element here
12 will be to deploy enhanced oil recovery
13 techniques applied in the United States during
14 the past 20 years to the Oman reservoirs." It
15 then goes on, "Our technical specialist based in
16 the Houston technology center together with our
17 colleagues in the Netherlands are employing their
18 experience and skills to raise the recovery
19 performance of the oil fields in Oman."

20 My question is with regard to the EOR
21 techniques referenced here, what specifically
22 were you referring to? What EOR techniques?

23 A. The techniques that were referred to
24 here covered thermal techniques. I think I
25 mentioned briefly yesterday the opportunity to

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2 use the application of heat to produce oil from
3 the reservoirs.

4 They would also be referring to what
5 were called miscible technologies, which is the
6 injection of miscible gases to release oil from
7 the reservoir.

8 And they may also have included, I
9 don't recall, chemical technologies. But I feel
10 that is less likely than are directly applicable
11 to Oman.

12 Q. As indicated here, were those

13 technologies that had been applied in the United
14 States during the past 20 years, do you recall?

15 MR. TUTTLE: Object to form.

16 A. Those were technologies that had been
17 applied in a number of areas around the world.
18 In Europe, in South America, in the Far East, as
19 well as in Oman in earlier years. As well as in
20 the United States.

21 So the technologies, thermal
22 technologies for example, had been used in Oman
23 in the mid '80s. Steam had been injected in the
24 fields. Chemical technologies had been used both
25 in Brunei as an experimental phase as well as in

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2 Oman. Again, in the earlier decades.

3 Thermal techniques have been long
4 used in Venezuela to improve recovery from the
5 heavy oil fields in Venezuela. So when we talk
6 about the technical specialist based in Houston
7 and the Netherlands, they were based in
8 technologies on a global appreciation of enhanced
9 oil recovery.

10 Q. Why did you specify the United States
11 only there then?

12 A. Since I was in Houston.

13 Q. Do you recall if you actually --
14 withdrawn.

15 Do you have any recollection as to
16 what you actually stated to the analysts in this
17 regard in connection with specifically the EOR
18 techniques being applied?

19 A. I'm sorry, I don't recall.

20 Q. If I could direct your attention,
21 sir, to the page ending in Bates numbers -- there
22 are two Bates numbers here, I'll go with the one
23 SMJ, ending with number 562. If you look, the
24 next to last paragraph on that page references
25 Brunei and discusses the application of various

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2 technologies in Brunei.

3 Do you recall giving -- withdrawn.

4 Do you recall what it was that you said in
5 connection with the application of the technology
6 in Brunei?

7 A. I don't recall exactly what I said,
8 but these notes would cover what I said.

9 Q. Prior to the time that you became
10 head of EPT, you were employed in the Brunei
11 operating unit, correct?

12 A. That is correct.

13 Q. What was your position there, sir?

14 A. I was a managing director of the
15 Brunei Shell Petroleum Company.

16 Q. And how long did you hold that
17 position?

18 A. I was there for almost four years.

19 Q. During your tenure in Brunei, were
20 there issues relating to production levels?

21 A. No. There were not issues, as you
22 call them, relating to production levels. There
23 were, as in any oil and gas operation, challenges
24 always to maintain production levels, even to
25 increase production levels where that was

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2 possible. And technology was used to achieve, or
3 to tackle some of those challenges and achieve
4 the goals of production.

5 Q. During the time that you were in
6 Brunei, was there -- withdrawn.

7 Are you familiar with the term
8 "legacy reserves"?

9 A. Yes, I am.

10 Q. Could you explain for me what that
11 term means?

12 A. In the context of the Brunei fields,
13 legacy reserves were reserves that had been held
14 on the books over very many years. Hence the
15 term "legacy reserves."

16 Q. Do you recall if there were --
17 withdrawn.

18 I take it from your answer since you
19 put it in the context of Brunei that there were
20 legacy reserves in Brunei at the time that you

21 were there.

22 A. Yes, there were.

23 Q. Were those proved reserves?

24 A. I don't recall.

25 Q. Do you recall the approximate volume

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2 of the legacy reserves in Brunei?

3 A. No, I'm sorry, I don't.

4 Q. Do you recall if there was any
5 discussion of difficulties in producing those
6 legacy reserves while you were at Brunei?

7 A. Yes, there was. Because those
8 reserves covered hydrocarbons that were either in
9 shallow reservoirs, so difficult to access
10 sometimes, or heavier oils which flowed with more
11 difficulty. And therefore technologies were
12 needed to access and produce those volumes.

13 Q. Were such technologies employed to
14 produce those volumes during your tenure at
15 Brunei?

16 A. Yes, some technologies were used to
17 produce some of those volumes while I was in
18 Brunei. But there were also additional
19 opportunities which were still being produced
20 after I left.

21 Q. Do you recall separate and apart from
22 your work on Project Rockford, was there any
23 discussion of debooking any of the legacy
24 reserves in Brunei while you were there?

25 A. I don't recall any discussion on

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2 debooking the legacy reserves, no.

3 Q. You can put that aside, sir.

4 A. Thank you.

5 (Darley Exhibit 13 for
6 identification, E-mail from Mr. Darley and
7 Attached Affiliate Services Presentation.)

8 Q. Mr. Darley, you've just been handed a
9 document marked for identification as Darley
10 Exhibit 13. I ask you to look at that, sir, and
11 tell me if you recognize it.

12 A. Yes, I see it's an e-mail which I
13 sent to Brian Ward with an attachment that had
14 come from SDS.

15 Q. If I could direct your attention down
16 to the last e-mail that appears on that first
17 page, it's from Barry Knight to Mark Leonard,
18 Richard Sears and others. It indicates that this
19 is the current version of an SDS affiliate
20 services presentation that Mr. Knight was
21 planning to give.

22 Are you familiar with that
23 presentation? Withdrawn. Do you know why
24 Mr. Barry Knight was making that presentation?

25 A. No, I don't.

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2 Q. Do you know to whom he was making
3 that presentation?

4 A. No, I don't.

5 Q. If I could direct your attention now,
6 sir, to the attachment itself, specifically the
7 third page of the attachment, you'll see a
8 caption at the top "Shell Deepwater Services."
9 Do you see that, sir?

10 A. Yes, I do.

11 Q. The last bullet point on that page
12 states "SDS is fully integrated with SNEPCO.
13 SNEPCO teams and SDS are an extension of
14 SNEPCO."

15 Do you recall that there were SNEPCO
16 employees who were temporarily assigned and
17 seconded to SDS?

18 MR. TUTTLE: Objection to form.

19 A. There were a number of Nigerian staff
20 working in SDS. My recollection is that some of
21 them were transferred to SDS, so they became SDS
22 staff. And others may have gone on short-term
23 assignments to work together with the study teams
24 in Houston or in New Orleans.

25 So in answer to your question, yes, I

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2 recall that Nigerian staff were present there

3 from SNEPCO, but on what basis would vary.

4 Q. If I could direct your attention --
5 I'm sorry, this is going to be somewhat
6 cumbersome because of the lack of page numbers.

7 A. Okay, we'll find it.

8 Q. To three pages after the page we just
9 looked at. You'll see a caption "Nigerian staff
10 within SDS."

11 A. Yes.

12 Q. This page is a graphic showing three
13 columns, SDS skills, Nigeria staff, and roles and
14 SDS.

15 In addition to the specific work on
16 particular fields in Nigeria, were Nigerian staff
17 assigned to SDS in order to develop a particular
18 expertise in deepwater which they would then be
19 able to take back?

20 MR. TUTTLE: Object to form.

21 A. The Nigerian staff worked on the
22 various projects which SDS were undertaking for
23 SNEPCO. And in the course of that work they
24 would develop capabilities which would allow them
25 to develop as individuals.

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2 Q. I again apologize for this, if you
3 could go in an additional seven pages and there's
4 a caption at the top "SDS WDU global leverage of
5 knowledge transfer." Do you see that, sir?

6 A. Yes, I do see that.

7 Q. Can you tell me what WDU stands for?

8 A. I'm sorry, I don't recall, if I ever
9 knew.

10 Q. There are two boxes that appear, the
11 one on the left-hand side under the map says
12 "examples," and it indicates various skillsets
13 of -- various bullet points, I'm sorry. The map
14 itself, the graphic, do you have an understanding
15 of what is being conveyed by means of the arrows,
16 the United States and the arrow coming out of it
17 pointing to Nigeria?

18 A. I can only surmise that this is a
19 graphic which shows how knowledge transfer is

20 working.

21 Q. And that would be consistent with the
22 caption "global leverage of knowledge transfer,"
23 correct?

24 A. That's the basis for my answer.

25 Q. The box on the right-hand side

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2 captioned "methods" is followed by a series of
3 bullet points. Do you know what those bullet
4 points reference in that they indicate live link,
5 SDS conferences, et cetera? Do you know what
6 those are referring to, sir?

7 A. Some of them, yes.

8 Q. Were those methods by which
9 information was disseminated or knowledge was
10 transferred around the world?

11 MR. TUTTLE: Objection to form.

12 A. These were among the methods that
13 were used to disseminate knowledge, yes.

14 Q. If I could ask you to turn to the
15 next page, sir. That page is captioned "SNEPCO
16 service dollars in SDS." If you go down to the
17 next to last bullet point on the page it says,
18 "23 million equivalent to CA 100 full-time
19 staff." Do you know what that means, sir?

20 A. Other than what is stated here, no.
21 I take it to mean that \$23 million is equivalent
22 to around 100 full-time staff.

23 Q. Do you have any understanding of what
24 that bullet point means in connection with SNEPCO
25 and SDS?

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2 MR. TUTTLE: Objection to form.

3 A. No, I don't.

4 Q. You can put that aside, sir.

5 A. Thank you.

6 (Darley Exhibit 14 for
7 identification, document bearing Bates production
8 number HAG 00161603 through HAD 00161608.)

9 Q. Mr. Darley, you've just been handed a
10 document marked as Darley Exhibit 14 for

11 identification. I'd like you to take a look at
12 that, sir, and tell me if you recognize it.

13 A. I see that it is a note from EPM to
14 the EP ExCom referring to the PDO program and
15 budget for 2003.

16 Q. Do you recall receiving this note as
17 a member of ExCom?

18 A. I'm sorry, I don't recall it, no.

19 Q. At the bottom of the first page
20 appears the name Dim Megat. And it's dated 6
21 November 2002. Can you identify Mr. Megat for
22 me?

23 A. Yes. Mr. Megat was the regional
24 director with responsibility for the Middle East
25 in the EP business.

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2 Q. The date that appears there, is that
3 the date of the document, as far as you know?

4 A. I don't know.

5 Q. I'd like specifically to direct your
6 attention to the fourth paragraph on the first
7 page. The last two sentences in that paragraph,
8 if you could just read those to yourself, sir.

9 A. Mm-hmm. Yes.

10 Q. The gentleman identified there whose
11 name I'm almost guaranteed to mispronounce,
12 Dan --

13 A. Antheunis.

14 Q. Antheunis, thank you. It indicates
15 in this document that he was vice president of
16 SepTAR and would be leading the Shell side
17 coordinating technical focus areas.

18 Do you recall that Mr. Antheunis
19 actually did that?

20 A. Yes, he did.

21 Q. Mr. Antheunis is -- withdrawn. Where
22 was Mr. Antheunis based out of? Was that Houston
23 or Rijswijk?

24 A. No, he was based in Rijswijk.

25 Q. If I could ask you to turn, sir, to

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2 the last page of that document. You'll see at
3 the top of the page a caption "reserves."

4 A. Mm-hmm.

5 Q. We had discussed the PDO -- or
6 activities of PDO a little yesterday. I don't
7 recall if I asked whether or not reserves came
8 up, but according to this document at least, it
9 appears that it was discussed at an ExCom level.

10 Do you recall such discussions
11 occurring?

12 MR. TUTTLE: Objection to form.

13 A. First of all, this was a note for
14 information to EP ExCom, which only on an
15 exception basis would be discussed. And
16 therefore I don't recall whether we discussed PDO
17 reserves in connection with this note.

18 Q. Was it your practice as a member of
19 ExCom to read the notes that were provided to
20 you?

21 A. It was my practice to try to cover
22 the material that was provided to me. But there
23 were considerable numbers of notes coming from
24 Shell's EP business around the world. And it
25 wasn't always possible to cover all those notes

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2 in every detail that I would have liked.

3 Q. Directing your attention specifically
4 to the November 2002 time frame. Was increasing
5 recovery at PDO a priority at ExCom at that
6 time?

7 A. I'm sorry, I just don't recall.

8 Q. We discussed at some length yesterday
9 some of the resources that were committed by EPT
10 to attempt to improve recovery at PDO. Do you
11 recall if -- withdrawn.

12 Was increased recovery at PDO a
13 priority for EPT during this time period?

14 A. What we discussed yesterday, if I
15 recall correctly, were some of the challenges
16 around production levels in Oman and the need to
17 deploy resources to help production. I think I
18 described how the production history in Oman had

19 been one of generally increasing to significant
20 plateau level and the company was then
21 experiencing declines.

22 So the focus was very much on
23 production. I think I also mentioned that
24 there's an ongoing effort to take the necessary
25 study measures to look at the longer term. So
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2 not only at short term production but also at the
3 longer term ultimate recovery of the
4 hydrocarbons. In that sense indeed work was
5 being done in both of those areas.

6 Q. Was PDO a -- withdrawn.

7 Within EP, was PDO considered an
8 important OU?

9 MR. TUTTLE: Objection to form.

10 A. Within the EP business I think we had
11 something in the order of 12 to 15 very
12 significant producing areas around the world and
13 a number of exploration opportunities around the
14 world and perhaps some smaller joint venture
15 activities.

16 A number of companies were of
17 importance. PDO was one of those.

18 Q. EPT's efforts to support PDO by
19 conducting the various studies, both EOR and
20 shorter term, did those efforts tax the resources
21 of EPT?

22 MR. MORSE: Objection to form.

23 A. Again, I think I explained yesterday
24 in terms of resourcing the various study programs
25 and study activities, there was always a
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2 challenge to find the resources to meet any
3 particular study requirement. We were never
4 overresourced and we didn't have people, as I
5 said yesterday, I think sitting on the bench
6 waiting for the next piece of work.

7 So there was across Shell's global
8 portfolio of activities and study activities
9 within EPT the need to constantly prioritize and

10 allocate the resources in the most effective way.

11 Q. In light of that need to prioritize
12 and allocate resources, would you characterize
13 the effort of PDO as significant?

14 MR. TUTTLE: Objection to form.

15 A. The study programs for PDO involved a
16 number of staff. But so did the study programs
17 for other companies around the world. So PDO was
18 certainly not unique in that sense.

19 Q. Do you recall that during 2002/2003
20 time period more EPT -- withdrawn.

21 Relative to other OUs, were more EPT
22 personnel assigned to work on PDO during the
23 2002/2003 time frame?

24 MR. TUTTLE: Objection to form.

25 A. I just don't recall the relative

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2 numbers for all the studies around the globe, I'm
3 sorry.

4 Q. Again, if I could direct your
5 attention to the document in front of you, sir,
6 under the caption "reserves," the first sentence
7 is -- I'm sorry, the first sentence references a
8 downward trend in volumes to be booked. It then
9 goes on and references apparent difficulty over
10 recent years converting booked reserves to
11 production.

12 Do you have an understanding as to
13 whether the reserves referenced here include both
14 expectation and proved reserves?

15 A. I don't know. I'm sorry. My
16 understanding in reading this note is that it
17 would cover the reserves as quoted in Oman, which
18 are the expectation reserves.

19 Q. The document then continues,
20 "Nevertheless, ensuring future reserves bookings
21 at least replace annual production remains a
22 shared aspiration for both government and PSH,"
23 and then continues.

24 Do you know what the PSH is a
25 reference to?

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2 A. Yes. That is the private
3 shareholders in Oman, in PDO.

4 Q. Does that include Shell?

5 A. Yes, it does.

6 Q. Shell as a group reported its
7 reserves on a proved basis as opposed to an
8 expectation basis, correct?

9 MR. TUTTLE: Objection to form.

10 A. In terms of the annual reports in the
11 Form 20-F, the volumes that were reported in that
12 form were proved reserves.

13 Shell also held internal documents
14 which reported the scope for recovery volumes,
15 the expectation volumes as well as the proved
16 volumes.

17 Q. The reference here to replacing
18 annual production with future reserves bookings,
19 do you have an understanding as to whether or not
20 from Shell's perspective or the group's
21 perspective that referenced proved reserves?

22 A. No, I don't.

23 Q. Thank you.

24 (Darley Exhibit 15 for
25 identification, document bearing Bates production
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2 number RJW 00271560 through RJW 00271567.)

3 Q. Mr. Darley, you've just been handed a
4 document marked as Darley Exhibit 15 for
5 identification. I ask you to look at that, sir,
6 and tell me if you recognize it.

7 A. Yes, I see it to be the minutes of
8 the ExCom meeting from 11 November 2002.

9 Q. The minutes indicate that amongst
10 others, that you attended. If you look at that
11 first paragraph there, do you see that, sir?

12 A. Yes, I see that.

13 Q. I'd like to direct your attention to
14 the second page of that document. Appearing at
15 the top of the page is the caption "hydrocarbon
16 reserves outlook." Do you see that, sir?

17 A. Yes, I do.

18 Q. The text beneath references a
19 presentation made by Mr. Pay concerning reserve
20 replacement in 2002-2003.

21 Do you recall that presentation by
22 Mr. Pay?

23 A. No, I'm sorry, I don't.

24 Q. The second paragraph indicates
25 reserves issues in Nigeria continue to be a
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2 matter of concern.

3 Do you recall the specific discussion
4 of the reserves issues at that ExCom meeting in
5 Nigeria -- withdrawn. Do you recall the
6 discussion of the reserves issue in Nigeria at
7 that ExCom meeting?

8 A. No, I don't, I'm sorry.

9 Q. It then continues that Brian Ward
10 noted certain issues raised in the recent
11 reserves audit of SNEPCO.

12 Do you recall any of those issues?

13 A. No, I'm sorry, it's quite a few years
14 ago.

15 Q. If I could ask you to turn to the
16 next page, sir. If you go down a little past
17 halfway down the page, number 5, it says,
18 "Managing the business. Notes for discussion."
19 Do you see that?

20 A. Yes.

21 Q. 5.1, "EP solutions organization."
22 Beneath that is text which indicates that you
23 proposed the creation of an EP solutions
24 organization.

25 Is that the reorganization that we
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2 touched on yesterday?

3 A. Yes, it is.

4 Q. The text indicates that "the
5 organization would provide product of
6 alignment" -- I'm sorry, "The organization will
7 be a product of alignment between SDS and SepTAR
8 (GIS structure)."

9 Could you explain to me what the

10 reference to GIS is there?

11 A. Yes. I don't recall exactly what was
12 a GIS cluster, but the essence of the alignment
13 here was to bring capabilities from the study
14 teams that were in SepTAR that we spoke about
15 yesterday, AGI and AGH, and to combine those and
16 align those with the study teams in SDS to form
17 the EPT Solutions organization.

18 Q. The next sentence indicates -- I'm
19 sorry, the next paragraph indicates that "the
20 ExCom requests the proposal be shown in the
21 context of the total organization redesign." And
22 it indicates that were you responsible for that.

23 Do you recall doing that, sir?

24 A. Yes, I do.

25 Q. 5.2, which appears beneath that, has

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2 the caption "EP global well delivery
3 organization." Do you see that, sir?

4 A. Yes.

5 Q. The text indicates that you proposed
6 the creation of an EP well delivery organization
7 combining such capabilities at SDS and SepTAR.
8 Do you see that?

9 A. Yes.

10 MR. TUTTLE: Objection to form.

11 Q. Could you explain for me --
12 withdrawn.

13 Was that proposed reorganization
14 similar to that which you had proposed for SDS
15 and SepTAR in 5.1?

16 A. I think I explained yesterday that
17 SepTAR when I arrived in EPT in 2001 was
18 something of a conglomerate of activities
19 comprising both the research and development as
20 well as the study groups as well as oil
21 engineering capability.

22 The proposal here was to streamline
23 and align those capabilities so that research and
24 development would be separated from study
25 activity. And in the case of the wells

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2 organization, SepTAR wells group would work with
3 the Deepwater wells group to form one aligned
4 global entity in support of the EP business.

5 Q. Thank you. You can put that aside,
6 sir.

7 MR. TUTTLE: Good time to take a
8 break?

9 MR. MacFALL: We can take a break,
10 that's fine.

11 THE VIDEOGRAPHER: Off the record.
12 The time is 10:35, tape 4.

13 (Recess taken.)

14 THE VIDEOGRAPHER: Back on the
15 record, 10:53, this is tape 4.

16 BY MR. MacFALL:

17 Q. Mr. Darley, a little while ago you
18 had indicated that PDO was amongst 12 to 15 OUs
19 that were important to Shell. Could you identify
20 the others?

21 A. Let me try to list them if I may. So
22 a company in Brunei and Malaysia were important.
23 That was two. I'll stay with the Far East for
24 the moment. I'll try and cover them regionally.
25 Brunei and Malaysia in the Far East. Australia

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2 in the Far East.

3 If we move to the Middle East, at
4 that time Oman was important, Syria was
5 important, Egypt was important. There were joint
6 venture companies in some of the other areas; Abu
7 Dhabi for example, which was a smaller
8 shareholder and therefore less important.

9 In the European sector, the companies
10 in Holland, the NAM was important, the U.K. was
11 an important company, Denmark was an important
12 operation for us.

13 And then minor ones in Europe would
14 be in Austria, for example, which was, again, a
15 small shareholding. Africa, Nigeria, the two
16 companies there, the offshore company SNEPCO as

17 well as the onshore company. SBDC, Gabon was a
18 company with significant production in Africa.

19 And then going across to North
20 America, Canada, the United States themselves are
21 two companies which are important. Smaller
22 activities were perhaps in Latin America. That's
23 roughly speaking where we were. And I haven't
24 included the exploration activities which I
25 mentioned.

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2 Q. Thank you.

3 If I could ask you to turn back to
4 Exhibit 13 for one moment, sir. This is the one
5 that doesn't have page numbers so it's real
6 cumbersome. If I could ask you to turn to the
7 seventh page from the back of the document. I'm
8 sorry, I was just corrected. It's seven pages
9 from the front.

10 A. What's it headed? Maybe that's the
11 easiest way to get to it.

12 Q. That's probably the easiest way.
13 "Nigerian value creation from Deepwater." I
14 apologize for that.

15 A. No, that's fine.

16 Q. Looking at that page, sir, you'll see
17 there are two different sets of graphs. The top
18 graph says "Deepwater production by country." Do
19 you see that, sir?

20 A. Yes, I do.

21 Q. It's a little difficult to make this
22 graph out because it's in black and white, and
23 clearly the original was in color. But I think
24 you can kind of make out most of it. I take it
25 given the timeline that appears on the bottom of

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2 the graph these are projected production by
3 country, is that correct?

4 A. That's what I take from the graph,
5 yes.

6 Q. It appears that the lowest level of
7 production on this graph certainly between the

8 period of I guess it's -- well, actually from the
9 beginning of the graph to the end is the U.S.A.,
10 correct?

11 A. The lower-most band would seem to be
12 the U.S.A. production, yes.

13 Q. Above that is Nigeria indicating a
14 greater projected production from Deepwater in
15 Nigeria, is that correct?

16 MR. TUTTLE: Objection to form.

17 MR. MORSE: Objection to form.

18 A. What the bar chart -- or sorry, what
19 the curves show is an increased production from
20 Nigeria, being the second banded color, increase
21 over the period 2004 to 2010 or so.

22 Q. And just so I understand the graph,
23 as it goes higher based on the vertical axis,
24 that indicates a greater production, is that
25 correct?

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2 MR. TUTTLE: Objection to form.

3 Q. Or greater projected production.

4 MR. TUTTLE: Same objection.

5 A. The way the graph works, on the
6 vertical axis are levels of oil production.
7 KBOEPD is an abbreviation for thousands of
8 barrels of oil equivalent per day. And you can
9 see that that scale runs from zero to 1600.

10 So indeed, reading across the graph
11 you're able to see at any given moment the
12 projected production from each of the bands on
13 the graph.

14 Q. Do you recall who prepared this
15 projection?

16 A. No.

17 Q. And by this, I don't mean this
18 specific graph. I mean the projection for
19 Deepwater production at EP.

20 MR. MORSE: Objection to form.

21 MR. TUTTLE: Same.

22 A. The preparation of production
23 forecasts, which is what this is, would typically
24 come from work from the study team. In the

25 deepwater case, study teams in Deepwater

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2 services. But then depending on the way the
3 operating company would take that study, those
4 data may or may not be adjusted because the study
5 work in Shell Deepwater Services is simply a
6 study of the reservoir capability and a projected
7 production profile for a given field.

8 There are additional factors which
9 come into play in a production forecast such as
10 the timing at which the field will be developed.
11 And that was not the remit of Shell Deepwater
12 Services to define. That was very much in the
13 hands of the operating company.

14 So -- and I'm not sure because I
15 don't know the genesis of this particular plot
16 whether this is simply the raw data from the
17 study teams or whether it is data that has been
18 taken by the operating units and given, if you
19 like, a view as to the timing of the various
20 activities.

21 Q. That's fine, thank you. You can put
22 that document aside. Hopefully we won't be
23 coming back to it.

24 A. Since we're back with the document,
25 during the recess I did recall WDU because it

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2 left me a little uncomfortable that I hadn't been
3 able to remember it. It is the well delivery
4 unit in SDS. So maybe as a clarification, that
5 graph or chart that we looked at earlier
6 describes the way that well engineering
7 technology was transferred around the world.

8 Q. Thank you very much.

9 You also a short time ago
10 discussed -- or mentioned Mr. Antheunis in
11 connection with PDO. You indicated that he was
12 based out of Rijswijk. Do you know if
13 Mr. Antheunis also maintained offices in
14 Houston?

15 A. No, he didn't. Don Antheunis' role

16 in Rijswijk at that time covered a lot of the
17 work of the RTL teams that we'd spoken about
18 yesterday. And we didn't have RTL teams in
19 Houston, and therefore he didn't have an office
20 in Houston. He may have visited Houston
21 occasionally, but he didn't have the same kind of
22 remit that we discussed for Paul Sullivan.

23 Q. Thank you. A little bit earlier we
24 discussed recovery versus production. And just
25 for my own edification, could you please explain
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2 the difference, if any, between recovery and
3 production of hydrocarbons?

4 A. Yes. Let me try. A given
5 hydrocarbon accumulation will have oil and gas
6 volumes sitting in the ground contained in the
7 reservoir. As the reservoir is developed, those
8 volumes are produced. In any given year a
9 certain volume will be produced, so that volume
10 in any given year can be equated to a daily
11 rate. And that is what we would typically call
12 the production rate.

13 So if we talk about a production rate
14 in 2002, as we've seen in the recent graph, or
15 2010 as a projected rate, that would be the total
16 volume of hydrocarbon extracted from that
17 reservoir over the period in question expressed
18 in barrels per day.

19 The recovery from the reservoir will
20 be the accumulation of each of those annual
21 recoveries from the reservoir. So over the
22 lifetime of the reservoir, each year a certain
23 volume of hydrocarbon will be produced until we
24 arrive at the end of the reservoir life when the
25 field is abandoned. So the total cumulative
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2 production of each year is summed to give the
3 total recovery of the reservoir.

4 So if we go to the T50 aspiration in
5 the case of Oman, the aspiration is the end of
6 the life of the reservoir, or for many, many

7 years, it would have been possible to project
8 recovery of 50 percent of the hydrocarbons that
9 were initially in place.

10 Thus the distinction between the
11 recovery over the full life of the reservoir as
12 opposed to the annual production.

13 Q. Thank you very much, Mr. Darley.

14 (Darley Exhibit 16 for
15 identification, document bearing Bates production
16 number SMJ 00013709 through SMJ 00013766.)

17 Q. Mr. Darley, you've just been handed a
18 document marked as Darley Exhibit 16 for
19 identification. It is a lengthy document, sir,
20 and I'm really just going to ask you about a
21 couple -- actually, one portion of it. But
22 please feel free to take as long as you like to
23 familiarize yourself with it.

24 A. Thank you, yes.

25 Q. The document, for the record, relates

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2 to a strategy presentation for exploration and
3 production of power and gas on March 27, 2003
4 conducted in New York. According to the cover
5 page of the document, Mr. van de Vijver,
6 Mr. Bichsel, yourself, Linda Cook and Malcolm
7 Brinded attended.

8 Do you recall that presentation,
9 sir?

10 A. Yes, I do.

11 Q. Do you recall actually giving a
12 presentation as part of that strategy
13 presentation?

14 A. Yes, I did. Yes.

15 Q. I'd like specifically to direct your
16 attention first to page ending in Bates number
17 725. You'll see, sir, about three-quarters of
18 the way down the page "EP strategy technical
19 excellence." Beneath that appears your name and
20 indicates that what follows I assume were remarks
21 that were made at the presentation.

22 A. Yes. I see the text. I don't know
23 whether this is a transcript of what was given or

24 whether it's the notes that I prepared in
25 preparation for the presentation and then my
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2 comments would be similar to the comments I gave
3 about the A.G. Edwards presentation where I
4 prepared comments myself and may or may not have
5 given them verbatim.

6 Q. As you look -- well, hold on one
7 second. This may help.

8 A. Is this a transcript?

9 Q. I'm sorry, I believe it is a
10 transcript. And I was going to direct your
11 attention to the third page. You'll see there's
12 a welcome, it indicates that Mr. van de Vijver
13 spoke and it gives an overview. As you page
14 through, you'll see there are various speakers
15 indicated.

16 A. Yes.

17 Q. I would just note that on the first
18 page, if it helps, beneath the time and date and
19 place of the presentation it indicates that the
20 document was prepared by ETX Corporation.

21 A. I see that, thank you.

22 Q. So if that helps at all.

23 In any event, page 725 indicates that
24 you gave a presentation concerning EP strategy
25 and technical excellence. Do you recall that,
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2 sir?

3 A. Yes, I do.

4 Q. I won't ask you what the sum and
5 substance of it was since it's here, but if I
6 could ask you to turn to page ending in Bates
7 number 727, which I'll represent is still part of
8 your portion of the presentation.

9 The last full paragraph appearing on
10 that page, according to this transcript, you
11 stated "Our focus here is to take teams able to
12 take learning from one side of the world to the
13 other." And then it continues. And if you'd
14 like, please read as much of this as you need to

15 for context, but my question to you is, what is
16 it that you were trying to convey there?

17 MR. TUTTLE: Objection to form.

18 A. The message here was around global
19 learning. So the opportunity that we had to take
20 experiences from one operating unit, experiences
21 perhaps from the Far East and use those in
22 Europe, or from the Middle East and use them in
23 Africa. Those were typical examples of the way
24 that our teams were able to take learning from
25 one side of the world to the other.

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2 Q. Okay, thank you.

3 Mr. Darley, I do have one follow-up
4 with regard to the prior presentation that we
5 discussed which was made in Houston. I don't
6 know that it's necessary for you to get the
7 exhibit in front of you so I wouldn't worry about
8 it yet.

9 MR. FERRARA: Sorry, you're talking
10 about Exhibit 13?

11 MR. MacFALL: Right now, no, I'm
12 actually talking about the other presentation
13 without reference to the specific exhibit.

14 MR. FERRARA: The presentation
15 that's --

16 MR. MacFALL: No, no, no, you know
17 what, why don't we get the exhibit in front of
18 him, that may be easier. I believe it's Exhibit
19 12. It was the Houston analyst field day
20 presentation.

21 A. Yes, I have it.

22 Q. The note that appears on page ending
23 in Bates number 557, and we did discuss this,
24 it's the second from last paragraph -- second
25 from last paragraph on the page which discusses

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2 EOR techniques.

3 I believe you had previously
4 indicated that you referenced the United States
5 in that first sentence because the analyst event

6 was occurring in Houston. Is that correct, sir?

7 A. That is what I said. As I said
8 earlier, I didn't recall all the comments that I
9 made during the presentation. You asked me why I
10 would have referred to the United States, and my
11 surmise was since I was sitting in Houston.

12 Q. My question is -- withdrawn. I
13 believe you had also indicated that you believed
14 these were notes that you had prepared in
15 anticipation of the presentation, correct?

16 A. That's correct.

17 Q. The EOR techniques that you were
18 discussing here, and you discussed at some length
19 previously, had those techniques been applied in
20 the United States within the last 20 years?

21 A. Yes, many of them had.

22 Q. So the statement here regarding those
23 EOR techniques being applied to the Oman
24 reservoirs being the same as those applied in the
25 United States in the last 20 years, that was an

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2 accurate statement, is that correct?

3 MR. TUTTLE: Objection to form.
4 Characterization.

5 A. Just if I may, I'll read again the
6 paragraph to make sure that we --

7 Q. Yes, please.

8 A. The statement indeed is correct in
9 that we were to deploy or we were planning to
10 deploy enhanced oil recovery techniques which had
11 been applied in the United States in the last 20
12 years. And also in other parts of the world, as
13 I mentioned earlier, to the Oman reservoirs.

14 Q. Okay, thank you. You can put that
15 aside now.

16 (Darley Exhibit 17 for
17 identification, document bearing Bates production
18 number DARLEY 0256 through DARLEY 0310.)

19 Q. Mr. Darley, you've just been handed a
20 document marked as Darley Exhibit 17 for
21 identification. I'm going to ask you to take a
22 look at it, sir, it's a fairly lengthy document

23 but take as long as you need. Let me know when
24 you're done, and if you recognize it.

25 A. Yes, I recognize the document.

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2 Q. We discussed yesterday the STOIIP and
3 reserves review at PDO. Is this in fact a copy
4 of the report as well as covering e-mail that was
5 issued as a result of that review, to the best of
6 your knowledge?

7 A. What I read from the covering e-mail
8 here is that the findings were to have been
9 discussed with PDO prior to finalizing the
10 report. So it would not appear to be the final
11 version of the report.

12 Q. Do you recall actually looking at
13 drafts of the report before it was finalized?

14 A. I don't recall it, but I would have
15 done so.

16 Q. I'd like to direct your attention
17 specifically to page ending in Bates number 263.
18 Again, there are several here but one is
19 specified Darley. At the top of the page appears
20 the word "summary."

21 A. Yes.

22 Q. Look about halfway down the page
23 you'll see a line, "the review team has concluded
24 that." Do you see that, sir, and it's followed
25 by a series of bullet points?

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2 A. I see that.

3 Q. The second bullet point indicates
4 that PDO's developed reserves are approximately
5 correct -- I'm sorry, that is the -- well,
6 actually, I do have a question. With respect to
7 that, do you know if the reserves referenced
8 there were expectation of proved reserves?

9 A. I don't know. But my surmise would
10 be that these are expectation reserves. Since
11 that was the general discussion in Oman,
12 certainly with PDO and with the government, it
13 was in relation to expectation reserves.

14 Q. The next bullet point discusses
15 undeveloped reserves, indicating that they are
16 overstated. It states "partly due to historical
17 overbooking and partly due to overestimation of
18 maturity level."

19 Do you recall that specific
20 conclusion being reached as a result of this
21 review?

22 MR. TUTTLE: Objection to form.

23 A. I recall in the context again of the
24 Rockford work which I subsequently was involved
25 with, that we discussed these issues in the case

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2 of PDO. And you will note that this particular
3 document was sent to me in November of 2003,
4 which is very similar to the time frame in which
5 we started the Rockford work. It's a little bit
6 earlier than Rockford but very close.

7 So I don't recall whether I had a
8 separate sort of indication from this report or
9 whether it was all part of my work at Rockford.

10 Q. Do you recall who actually carried
11 out this particular review?

12 A. Yes. This was undertaken by Stein
13 Christiansen and a small team.

14 Q. Can you identify the other members of
15 that team?

16 A. I don't recall, I'm afraid. I think
17 Stein was commissioned to lead the team.

18 Q. What organization within Shell did
19 Mr. Christiansen work for?

20 A. At this time he was working I believe
21 in EPT Solutions, which was a new organization
22 that we discussed.

23 Q. Was Mr. Christiansen based in
24 Rijswijk?

25 A. I have a feeling -- I think he was

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2 based in Rijswijk at that time, but later he was
3 deployed to work out of Dubai. And I'm not quite
4 sure at which point in time he worked out of

5 Rijswijk or Dubai.

6 Q. I believe you indicated that you
7 could not identify the other members of the
8 team. Do you recall which organizations within
9 Shell those team members were drawn from?

10 A. They would have been drawn from EPT
11 Solutions in all probability.

12 Q. You say all probability. I take it
13 you have no independent recollection.

14 A. Since I didn't know the individuals
15 and I can't recall them, then it's difficult to
16 say where they came from, but.

17 Q. Thank you.

18 A. And they may also have included staff
19 from PDO, from the operating company themselves.

20 Q. Do you recall if prior to the
21 preparation of the draft reports concerning the
22 STOIP and reserve review at PDO you received any
23 updates concerning the status of that review
24 work?

25 A. I recall receiving periodic updates

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2 on the work. I don't recall the detail, but
3 since it was an important review, then I would
4 have, and I did, receive updates.

5 Q. Do you recall how those updates were
6 conveyed to you?

7 A. Sometimes they came as an e-mail from
8 Stein Christiansen. Occasionally they would come
9 as a presentation of the current status that
10 Stein would give to me.

11 Q. We may have discussed this yesterday,
12 if so I apologize, but do you recall when this
13 review was actually initiated?

14 A. I think it was initiated earlier in
15 2003. But I'm afraid I don't recall exactly the
16 date.

17 Q. Do you recall if you provided the
18 ExCom with periodic updates of the status of the
19 review work of PDO?

20 A. I don't think I would have done
21 because it would be a piece of work which was

22 commissioned and executed by my organization. I
23 would have shared it with Mr. Din Megat, who was
24 the regional director responsible for the Middle
25 East. But I don't think there would have been a
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2 reason to share it more widely until the work was
3 complete and the conclusions were clear.

4 Q. Do you recall if you had any
5 discussions with Mr. van de Vijver concerning the
6 STOIP reserve review in PDO prior to the time
7 that the review was completed?

8 A. I would probably have informed Walter
9 that the review was in progress. But I don't
10 think I reviewed any of the results with him
11 until we had the conclusions. I don't recall
12 doing so.

13 Q. Do you recall if Mr. van de Vijver
14 actually travelled to PDO during the pendency of
15 this review work?

16 A. I'm sorry, I don't remember. He
17 traveled to PDO on a number of occasions, but I
18 don't remember the dates.

19 Q. Do you recall if you accompanied
20 Mr. van de Vijver on any of those trips to PDO?

21 A. No, I don't think I did. I don't
22 recall.

23 Q. Did you visit PDO -- did you ever
24 visit PDO?

25 A. Yes, I did.

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2 Q. Do you recall if you visited PDO
3 within the 2002 to 2004 time frame?

4 A. Yes, I did.

5 Q. Do you recall approximately how many
6 times?

7 A. Perhaps four to six times. Perhaps
8 more but not a lot more.

9 Q. Do you recall the purpose or purposes
10 of those various visits?

11 A. Yes. The visits had a number of
12 purposes usually. I visited the teams when they

13 were undertaking the study work that we talked
14 about yesterday for example. I visited the
15 management of PDO management themselves to
16 discuss the work and the support that we were
17 providing from EPT. I discussed with the
18 minister of oil and gas on occasions the work
19 that we were undertaking in support of Oman. So
20 there were a number of reasons for various
21 visits.

22 Q. With respect to the discussions that
23 you had with management of PDO, could you
24 summarize for me the sum and substance of those
25 discussions?

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2 A. Mm-hmm. The discussions usually
3 covered the scope of work that was being
4 undertaken by EPT and the efficiency with which
5 we were providing the support that was needed in
6 Oman.

7 Q. Could you please summarize for me the
8 sum and substance of your discussions with the
9 minister of oil and gas?

10 A. Mm-hmm. The discussions with the
11 minister of oil and gas usually covered a wider
12 perspective of the activities of EPT,
13 particularly in the area of technology support
14 and the introduction of new technologies.

15 Q. Do you recall approximately how many
16 times you met with the minister of oil and gas?

17 A. Over the period 2000 --

18 Q. I'm sorry, 2002 to 2004.

19 A. Probably about the same number of
20 times. I think usually when I visited Oman I
21 tried to arrange an appointment with his
22 excellency, the minister if he was available.

23 Q. Do you recall if Mr. Watts was on any
24 of the trips -- withdrawn.

25 Did any of your visits to Oman

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2 coincide with a visit by Mr. Watts to Oman?

3 A. No, I don't believe so. I don't

4 recall visiting together with Mr. Watts.

5 Q. If I could direct your attention
6 again back to the document, the same page that we
7 were looking at.

8 A. Mm-hmm.

9 Q. Beneath that bullet point that
10 references the undeveloped reserves there are
11 two -- three other bullet points, sort of
12 subsets, subbullet points. It discusses, amongst
13 other things, there being a match problem.

14 Are you aware of -- or do you know
15 what that means, sir?

16 MR. TUTTLE: Object to form.

17 A. I have a vague recollection since
18 it's some time ago of the match volume.

19 Q. Could you explain that for me, sir?

20 A. Since it's only a vague recollection,
21 then it's a recollection that there was a
22 difference between, as you see here reading in
23 the notes and that's what reminds me, the
24 reserves in the annual report on producing
25 resources, that's the ARPR, were not consistent

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2 with the business plan program build. And the
3 difference between those volumes then was
4 referred to as the match volume.

5 Q. And the booked reserves that are
6 being discussed there, specifically those that
7 were booked in the 1/1/2003 ARPR, those would
8 have been proved reserves, correct?

9 MR. TUTTLE: Objection, foundation.
10 Object to form.

11 A. No, it's quite unlikely that they
12 would have been proved reserves because the
13 business plan program build talks about
14 production forecasts and the data that underpin
15 the production forecasts are the expectation
16 reserves.

17 Q. Is the reference -- do you know what
18 an ARPR is?

19 A. Yes.

20 Q. What is that, sir?

21 A. It's the annual report on producing
22 resources.

23 Q. Was that a -- the process that's
24 referred to here, is that a Shell or a PDO
25 process?

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2 A. Which process are you referring to,
3 please?

4 Q. The ARPR.

5 A. The ARPR is a Shell process, which is
6 then used by different operating companies around
7 the world.

8 Q. I believe you indicated earlier that
9 Shell reported reserves based on -- withdrawn.

10 Was the ARPR process associated with
11 the booking of proved reserves?

12 MR. TUTTLE: Object to form.

13 A. The ARPR process, as I recall,
14 covered the full spectrum of resources. That was
15 why it was called a resource -- an annual report
16 on producing resources and not on reserves. It
17 was for that reason. So it covered the
18 hydrocarbons in place, so the STOIIP, if you
19 like, it covered the scope for recovery. It
20 covered the expectation volumes. And part of it
21 would also cover proved volumes. The ARPR was a
22 far wider coverage in terms of the totality of
23 the resources that were available.

24 Q. The reference to reserves that were
25 booked in connection with the January 1st, 2003

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2 ARPR, does that indicate that it was proved
3 reserves?

4 MR. TUTTLE: Object to form.

5 A. No, it doesn't. When it says some of
6 the booked reserves in the 1/1/2003 ARPR, as I
7 mentioned earlier, PDO were not able to come up
8 with plans in the program build, and therefore
9 you had the matched volumes.

10 Now, the program build is that
11 summation of the production forecasts from each

12 of the fields. So over the full lifetime of the
13 fields then you will have produced the total
14 expectation reserves.

15 So I think that this is going to
16 refer to expectation reserves.

17 Q. Did Shell book expectation reserves?

18 A. I'm hesitating because I'd like to
19 understand better what you mean by "book,"
20 please.

21 Q. As it's used in that paragraph.

22 A. Yes. Shell carried on an annual
23 basis estimates of the expectation reserves from
24 all the companies around the world.

25 Q. And did Shell utilize the term

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2 "booked" in connection with the reporting of
3 those expectation -- well, not the reporting, the
4 maintenance of those expectation reserves.

5 A. Yes.

6 MR. TUTTLE: Object to form.

7 A. We would book proved reserves, we
8 would book expectation reserves. The term "book"
9 if you like is simply one which indicates that
10 the numbers are being reported.

11 Q. The second bullet point beneath that
12 references maturity levels of some of the
13 undeveloped reserves being overestimated.

14 Do you recall that finding in
15 connection with the PDO STOIP reserves review?

16 A. As I mentioned earlier, I recall the
17 findings of the PDO review. Whether I recall
18 them in the context of the review itself or
19 whether it was part of the wider Rockford work
20 which I undertook later on I'm not sure. But I
21 recall the finding.

22 Q. If you go to the next solid bullet
23 point beneath that beginning with the words
24 "hardly," do you see that, sir?

25 A. Yes, I do.

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2 Q. It indicates that -- it states that

3 hardly any of the undeveloped reserves in the
4 fields under review are supported by field
5 development plans.

6 Do you recall that finding?

7 A. With the same qualifier that I just
8 gave you, yes, yes I do.

9 Q. Were field development plans required
10 for reserves to attain technical maturity?

11 MR. TUTTLE: Object to form.

12 MR. MORSE: Same objection.

13 A. Over time, over the latter half of
14 the decade of the '90s, Shell had introduced
15 additional requirements for the booking of
16 reserves, expectation reserves, which required
17 more completeness in terms of the projected
18 development of those fields. So development
19 plans were part of that.

20 Subsequently reserves that had been
21 booked in earlier periods required development
22 plans to be put in place.

23 Q. If you'll look at the last sentence
24 in that paragraph it states, "Although the review
25 team has not recommended any change of reserves

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2 classification, as a result of this transaction,
3 it is important that the compliance target is
4 monitored and managed."

5 The preceding sentence discusses
6 PDO's plans for 80 percent compliance within five
7 years.

8 The compliance that's being discussed
9 here, do you know what that's referring to?

10 A. No, I don't.

11 Q. The reference to the change in
12 reserves classification, do you know what that's
13 a reference to?

14 A. Yes, this is a change in
15 classification from expectation I think to scope
16 for recovery.

17 Q. The expectation reserves --
18 withdrawn.

19 Are proved reserves a separate

20 category for expectation reserves, or are the
21 proved reserves a subset of expectation
22 reserves?

23 MR. TUTTLE: Object to form.

24 MR. MORSE: Object to form,
25 foundation.

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2 A. The picture of the resources in its
3 totality is as follows. The hydrocarbons in
4 place reflects the totality of the hydrocarbons
5 that are contained in the subsurface. And you'll
6 note in connection with this review for PDO that
7 the hydrocarbons in place had been approximately
8 correct. It was the conclusion of the reserve.

9 The development plans for a given
10 accumulation will show a projection of how those
11 hydrocarbons will be recovered in future years.

12 The most likely or the mid-range
13 estimate, because there are uncertainties around
14 such projections, would constitute the
15 expectation reserves. There are more technical
16 definitions, but in general that's what it would
17 comprise.

18 If we talk about the SEC proved
19 reserve definition, that is, again, a further
20 requirement which is estimated then on the basis
21 of the hydrocarbon accumulations in place, the
22 expected development plans and applying then the
23 SEC requirements to book a proved reserve.

24 Q. Can a particular volume of
25 hydrocarbons be both expectation and proved

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2 reserves?

3 MR. TUTTLE: Object to form.

4 A. If we have a volume of hydrocarbons
5 in the subsurface and we produce them, then the
6 hydrocarbons are produced and at the end of the
7 field's life they have been produced. Whether
8 they were categorized as proved or expectation is
9 something of a moot point. There are only
10 certain volumes of hydrocarbons and they are

11 produced.

12 So I'm not quite sure whether I
13 understand the question, can they both be proved
14 and expectation.

15 Q. All right, why don't we move along.

16 I'd like to direct your attention to
17 the following page of that document, sir.
18 Specifically with regard to the second bullet
19 point on that page.

20 A. Mm-hmm.

21 Q. It reads, "PDO's plans to safeguard
22 reserves and to mature scope of volumes to
23 reserves through studies and FDPs are supported,
24 although some of the volumes and timings appear
25 to be optimistic," and then it continues.

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2 Do you know what is meant by the term
3 "safeguard reserves"?

4 A. I take it to mean to maintain the
5 reserves as booked. As booked volumes.

6 Q. Does that mean that PDO --
7 withdrawn. Is safeguarding a reserve the same
8 thing as not debooking a reserve?

9 A. I think in this context of these
10 reserves and this study, yes, that would be the
11 case.

12 Q. Do you know why PDO did not debook
13 those reserves?

14 MR. TUTTLE: Object to form,
15 foundation.

16 A. No, I don't know why PDO did not
17 debook those reserves.

18 Q. If you go down to the next bullet
19 point, it talks about aggregation of maturation
20 and production forecasts and the reserve
21 replacement ratio. It specifically references
22 additional reserves that can be expected to be
23 matured by Harweel and Mukhaizna projects. Do
24 you see that, sir?

25 A. Yes. I do.

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2 Q. Looking at that paragraph, does that
3 indicate that Harweel and Mukhaizna were to be
4 used as offsets for reserves that were already
5 booked?

6 MR. TUTTLE: Objection to form.
7 Foundation.

8 A. No, I don't take it to be that they
9 are offsets for debooking at all. The statement
10 says that the projection forward is that there
11 will be a reserve replacement of around 1. And
12 reserves matured by Harweel helps to compensate
13 for about half the reserve match volumes, which
14 is the volumes that were not covered by the
15 business plan. But whether or not it refers to
16 debooked volumes is another point.

17 Q. I wasn't referring to debooked
18 volume. My question was, and I'm sorry if you
19 misunderstood, I clearly framed it badly, is the
20 gist of this bullet point that Harweel and
21 Mukhaizna would be used as offsets against
22 unmatched reserves?

23 MR. TUTTLE: Object to form,
24 foundation, calls for speculation.

25 A. What we have here is a projection, I
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2 take it, of the period 2004 to 2008 of a reserve
3 replacement ratio of 1. Included in that
4 projection are volumes to be matured from Harweel
5 and Mukhaizna. And they then provide a
6 contribution to that reserve replacement ratio of
7 1.

8 And the statement that is made here
9 is that that helps to compensate for some of the
10 volumes which may not be taken into account
11 because development plans will still be
12 required.

13 Q. You can put that aside, sir.

14 A. Thank you.

15 Q. Mr. Darley, during the period of 2001
16 to 2004 were you ever a member of the EP reserves
17 committee?

18 A. Yes.

19 Q. Could you tell me during
20 approximately what time period you were a member
21 of that committee?

22 A. Yes. The EP reserve committee was
23 constituted in the second half of 2003. And I
24 joined when that committee was formed.

25 Q. Do you know why that committee was
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2 formed, sir?

3 A. I seem to recall the committee was
4 formed to provide a steering group, a senior
5 level steering group for the management and
6 direction of the annual reserve reporting. That
7 would be expectation reserve, proved reserve,
8 annual reporting processes.

9 Q. Approximately how often did that
10 committee meet?

11 A. Again, in the period 2001 to 2004?

12 Q. Yes.

13 A. As I mentioned, it met for the first
14 time sometime in the second half of 2003. So in
15 that period it met perhaps two or three times.

16 MR. MacFALL: Why don't we go off the
17 record.

18 THE VIDEOGRAPHER: We'll go off the
19 record, 11:44. This is the end of tape 4.

20 (Recess taken.)

21 THE VIDEOGRAPHER: Back on the
22 record, 11:56, tape 5.

23 (Darley Exhibit 18 for
24 identification, document bearing Bates production
25 number DB 07635 through DB 07648.)

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2 BY MR. MacFALL:

3 Q. Mr. Darley, you're being handed a
4 document marked as Darley Exhibit 18 for
5 identification. I'll ask to you look at that,
6 sir, and tell me if you recognize it.

7 A. Yes, I see it as a note for
8 information with a covering e-mail from Lorin
9 Brass dated 20th of February 2002.

10 Q. Note for the record that the covering
11 e-mail indicates that you were one of the
12 recipients of the e-mail at least.

13 Do you recall having received this
14 particular note for information?

15 A. No, I'm sorry, I don't recall
16 receiving it.

17 Q. For the record, the note concerns EP
18 hydrocarbon resources. It's an update January
19 2002. On the first page of the actual note
20 appears a summary section. Beneath that appears
21 a section captioned "reserves and resources."

22 Directing your attention specifically
23 to the first sentence of the text under
24 "summary," it states, "The total barrel of oil
25 equivalent proved hydrocarbons reserves

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2 replacement ratio, RRR, for 2001 was 74
3 percent."

4 Do you recall the RRR being in that
5 range, sir, for that period of time?

6 A. I don't recall it at that time. But
7 I will have seen the note.

8 Q. Do you recall if Shell's RRR was a
9 concern within the company in or about 2002?

10 MR. TUTTLE: Objection to form.

11 A. I recall a number of discussions
12 about that time. But I cannot be specific as to
13 timing in relation to the reserve replacement
14 ratio. It is an important measure of the
15 effectiveness of the company. As an oil and
16 gas-producing company, reserve replacement ratio
17 is one of the important measures of the success
18 of the company. And therefore, yes, it was an
19 issue that was discussed.

20 Q. Do you recall if that issue was
21 discussed prior to 2002?

22 A. I'm sorry, I just don't recall.

23 Q. When you say discussed, amongst
24 whom?

25 A. The discussion that I would have been

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2 party to would be a discussion at the ExCom
3 level.

4 Q. Do you recall the substance of any of
5 the discussions concerning RRR at the ExCom level
6 during your tenure at EPT?

7 A. The substance in very general terms
8 was the challenge that was facing the E&P
9 organization to achieve a reserve replacement
10 ratio at a sufficiently high level to show the
11 success of the business.

12 I don't remember the specifics below
13 that level of discussion. There will have been
14 some, but I don't recall exactly what we would
15 have discussed.

16 Q. Do you recall if there was any
17 pressure placed on EP to increase the group's
18 RRR?

19 MR. TUTTLE: Object to form.

20 A. No, I don't recall pressure being
21 placed on EP. I think as an EP business
22 leadership we ourselves recognized the need to
23 improve the reserve replacement ratio.

24 Q. Do you recall if EP placed pressure
25 on the OUs to increase their RRR?

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2 MR. TUTTLE: Object to form.

3 A. I think there are a number of
4 measures which businesses look at to measure the
5 success of the business. Reserve replacement
6 ratio is one, the effectiveness of the investment
7 is another, production levels will be a third.

8 Different of the operating units
9 would have their own targets for many of these
10 measures and would be expected to meet those
11 targets. That's the way businesses normally
12 would run.

13 I don't recall any undue pressure
14 being placed on this particular measure that you
15 referred to, reserve replacement ratio, other
16 than that it is one of the measures of the
17 success of an operating unit.

18 Q. More generally, do you recall there
19 being pressure on EP to book proved reserves?

20 A. If we talk about the reserve
21 replacement ratio, then that is a consequence of
22 the booking of proved reserves. So when we talk
23 about the targets to improve the reserve
24 replacement ratio, that indeed includes looking
25 for the booking of proved reserves.

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2 Q. We'll come back to that issue.

3 I'd like now, sir, to direct your
4 attention to the second page of this exhibit --
5 I'm sorry, the third page. Second page of the
6 note for information.

7 A. Mm-hmm.

8 Q. Specifically the second full
9 paragraph on that page beginning with the words
10 "the unit finding and development costs." Do
11 you see that, sir?

12 A. Yes, I do.

13 Q. The paragraph discusses the UFDC and
14 indicates that the UFDC has gone up, at least as
15 of this time period.

16 I'd like specifically to direct your
17 attention to the third sentence from the bottom
18 beginning with the word "together" -- actually,
19 beginning with the words "together with the lower
20 than planned bookings." Do you see that?

21 A. Yes, I do.

22 Q. It continues, "In 2001 this impacts
23 directly on our competitive position on this
24 indicator where, up until this year, we were the
25 leading player."

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2 Was the UFDC something that was
3 highlighted by the company with respect to the
4 investing markets?

5 MR. TUTTLE: Object to form.

6 A. As I mentioned earlier, there are a
7 number of indicators and measures with the
8 success of a company, so the reserve replacement

9 ratio is one. The effectiveness of the capital
10 spend is another one, unit finding in development
11 costs is another one. So among a number of
12 indicators, this is one that measures the success
13 of the business.

14 Q. Prior to the time when Shell
15 indicates that it lost its position as the
16 leading player with regard to that particular
17 metric, do you recall if Shell underscored that
18 specific metric for the investing market?

19 MR. TUTTLE: Object to form and
20 categorization of the document --
21 characterization, excuse me.

22 A. I don't recall that, to be quite
23 honest.

24 Q. I'd like to direct your attention now
25 to the bottom quote on the page under the caption

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2 "exposures." Do you see that, sir?

3 A. Yes, I do.

4 Q. The first subcaption under that is
5 "Securities and Exchange Commission (SEC
6 alignment)." If you look at that short paragraph
7 there, it discusses the fact that the group
8 guidelines for booking proved reserves are no
9 longer fully assigned with the SEC rules.

10 Do you recall that being discussed at
11 the ExCom level? I realize this note is for
12 CMD.

13 MR. MORSE: Object to form.

14 MR. TUTTLE: Object to the form and
15 characterization of the document.

16 MR. MORSE: Same objection.

17 A. I think I commented earlier, and as
18 you know, I became heavily involved with the
19 whole Rockford exercise. As part of that work a
20 lot of the historical findings were part of the
21 work that we did in Rockford to understand the
22 recategorization of reserves.

23 I don't recall whether this was
24 discussed at that time in ExCom or anywhere
25 else. It was certainly discussed when we got

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2 into the Rockford business.

3 Q. One of the things we discussed
4 yesterday was whether there was concern about the
5 exploration of the concession at PDO and its
6 impact on reserves. Directing your attention
7 specifically to the second entry under "exposures
8 end of license," it references license expiry as
9 possible -- let me try that again. Withdrawn.

10 It references the impact of license
11 expiry on proved reserves booked in connection
12 with certain OUs, amongst those PDO, Abu Dhabi
13 and Nigeria SPDC.

14 Do you recall that being discussed in
15 about 2002, sir?

16 A. No, I don't recall that discussion at
17 that time. I do recall the discussion
18 subsequently.

19 Q. In connection with Project Rockford?

20 A. Yes.

21 Q. You can put that aside, sir.

22 A. Thank you.

23 (Darley Exhibit 19 for
24 identification, document bearing Bates production
25 number DB 02013 through DB 02017.)

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2 Q. Mr. Darley, you've just been handed a
3 document marked as Darley Exhibit 19 for
4 identification. If you could please review it,
5 sir, and tell me if you recognize it.

6 A. Yes, I recognize it as an e-mail
7 which I sent to Aiden McKay in June 2003.

8 Q. Could you identify Mr. McKay for me?

9 A. Mr. McKay at that time was working as
10 a manager in Shell EP Company in New Orleans.

11 Q. And the subject of the e-mail, "2003
12 proved reserves additions." And it's actually an
13 e-mail chain.

14 A. Mm-hmm.

15 Q. First I'd like to direct your
16 attention to the second page of the document

17 which is an e-mail from Mr. McKay to you.

18 A. Yes.

19 Q. Generally discussing reserves issues
20 as indicated in the subject of the e-mail.

21 Directing your attention specifically
22 to the first full paragraph on that page, it
23 reads, "As you know better than me from the Bob
24 Davies and Pink days, this is not a new problem.
25 We've had major RRR problems since 1987," and
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2 then it continues.

3 My question is, do you know what
4 Mr. McKay is referring to there when he
5 references "Bob Davies and Pink days"?

6 A. Bob Davies was a senior technical
7 manager in the Shell EP business in the mid
8 '90s. And Mike Pink was also a -- Mike Pink was
9 a director I think of the EP business at around
10 that time.

11 Q. Do you know what the specific
12 reference to there is? Were there RRR issues
13 during your tenure with Shell?

14 A. Not that I'm aware of, no.

15 Q. I'd like to direct your attention now
16 to the fourth full paragraph beginning with the
17 words "my point." Do you see that, sir?

18 A. Yes, I see it.

19 Q. If you go about halfway down there's
20 a reference to something in quotes, "the TSTMH
21 view of SPDC." Do you know what Mr. McKay was
22 referring to there?

23 A. No, I don't I'm afraid.

24 Q. If you could turn now to the first
25 page of the document, which is actually the
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2 subsequent e-mail.

3 A. Mm-hmm.

4 Q. Directing your attention to the
5 second full paragraph in your e-mail dated June
6 16, you wrote, "I don't see RRR as a crisis." Do
7 you see that, sir?

8 A. Yes.

9 Q. Did you in fact see the reserves or
10 placement ratio as a crisis at all in June 2003?

11 A. No, I don't think in the term
12 crisis. The reason I wrote it is you'll see in
13 Aiden McKay's note that he says in his first
14 paragraph he accepts the needs for focus on RRR,
15 but "would ask that you aim to encourage a decent
16 context in the issue rather than highlight it as
17 a new crisis." So I didn't think I had done
18 that, so I took exception to his characterization
19 of RRR as a new crisis. And therefore I said
20 so.

21 Q. Thank you.

22 Directing your attention now to the
23 fourth paragraph of that e-mail beginning with
24 the word "equally."

25 A. Mm-hmm.

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2 Q. Specifically the last sentence in
3 that paragraph states, "SepTAR have recently
4 completed a strategy review with the objective to
5 focus on a limited number of technology areas
6 which have the potential to make a material
7 impact on reserves over the next ten years."

8 Could you tell me what review you
9 were -- withdrawn.

10 Are you familiar with the review that
11 was actually -- that you referenced here? It's a
12 silly question, I'm sorry, I'm going to withdraw
13 that.

14 Could you identify that review for
15 me? I'll get it out.

16 A. The specific review that I refer to
17 here, I don't recall precisely what it refers
18 to. What we were doing or had done during that
19 period in the R&D organization was indeed to
20 review technologies with the objective to focus
21 and refocus our efforts in the R&D portfolio and
22 on the key areas that we wanted to have as an
23 impact.

24 Q. Do you recall if there was a report

25 or a paper that was promulgated as a result of

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2 that --

3 A. No. I'm trying to recall. I think
4 it was part of the work that was going on at that
5 time to restructure. I mentioned yesterday that
6 we had taken the R&D organization out of SepTAR,
7 and it was in connection with that that we
8 restructured the R&D groups to give more focus to
9 the key technologies that we needed to pursue.

10 And I believe that the report will
11 have been part of the documentation leading to
12 that change. I don't recall a specific report.
13 There will have been an internal document on it,
14 but I don't recall exactly what it was.

15 MR. MacFALL: Why don't we go off the
16 record.

17 THE VIDEOGRAPHER: We'll go off the
18 record, 12:15, tape 5.

19 (Luncheon Recess: 12:15 p.m.)

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21

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2 A F T E R N O O N S E S S I O N

3 12:58 p.m.

4 THE VIDEOGRAPHER: We're back on the
5 record, 12:58, this is tape 5.

6

7 JOHN J. DARLEY,

8 resumed, having been previously duly sworn, was
9 examined and testified further as follows:

10 CONTINUED EXAMINATION

11 BY MR. MacFALL:

12 Q. Good afternoon, Mr. Darley.

13 A. Good afternoon.

14 Q. We've made sort of oblique reference

15 to Project Rockford throughout the course of the

16 last day and a half. Why don't we probe that
17 topic at this point.

18 What was Project Rockford?

19 A. Project Rockford was a name that was
20 given to an activity that began early in December
21 of 2003 or perhaps late November, there wasn't a
22 real determinant start date. And it was a
23 project which had as its objective to identify
24 the volumes and location of proved reserves which
25 may or may not be in compliance with the SEC

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2 proved reserve definitions as we understood them
3 at that time.

4 And it was the combination of the
5 work of Project Rockford that then led to the
6 restatement on January the 9th, 2004.

7 Q. Were there precipitating events that
8 led up to the creation -- or the initiation of
9 Project Rockford?

10 A. Yes, there were. In the second half
11 of 2003 audits were undertaken in Oman and the
12 Nigerian onshore area. And those audits revealed
13 shortcomings in the reserve submissions, the
14 proved reserve submissions. And in addition,
15 work had been done already, as we've seen in the
16 reserves review for example in Oman. And
17 commensurately, work was also going on in Nigeria
18 to try and come to a clearer understanding of the
19 proved reserve based in that country.

20 These events came together towards
21 the end of November 2003, and it was recognized
22 at that time that the magnitude of the
23 discrepancy in the volumes were such that a major
24 effort was required to be undertaken to quantify
25 the totality of the noncompliant reserve

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2 volumes.

3 Q. Prior to the audited SPDC and PDO,
4 were you aware of possible noncompliance issues
5 with the proved reserves at either of those two
6 OUs?

7 A. And I apologize that I have to
8 qualify my answer again, and it's a little bit
9 along the lines that I qualified earlier. I was
10 deeply involved in the Rockford exercise. I led
11 that project. And in connection with that work I
12 became aware of a number of earlier notes and
13 papers and discussions that had been written. I
14 just don't recall whether I was aware at the time
15 of those notes that these were issues that I had
16 been party to or discussed. Certainly in the
17 course of the Rockford work I became aware of
18 it.

19 Q. Do you recall how it was that you
20 were first approached about heading up Project
21 Rockford?

22 A. Yes. I was approached by Mr. Walter
23 van de Vijver early in December of 2004 who
24 informed me that following a meeting of the
25 committee of managing directors, the committee
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2 had asked me to lead the activity to quantify the
3 noncompliant volumes and represent the results
4 and to present the results of that work to the
5 CMD.

6 Q. Did Mr. van de Vijver give you a
7 timetable by which this work was to be performed
8 or completed?

9 A. Given the magnitude and the
10 seriousness of the volumes of which we're
11 speaking, the work was to be done as quickly and
12 as effectively as possible. This was recognized
13 to be potentially market sensitive information,
14 and therefore the work was done under extremely
15 tight security so that there could be no leak of
16 knowledge, no prejudice in the market. And
17 therefore, the work had to be completed in a
18 very, very short time frame.

19 Q. Was there a team assembled to
20 complete the work in connection with Project
21 Rockford?

22 A. Yes, there was. I used a number of
23 players who were already very familiar with the

24 reserve situation, and I worked together with
25 colleagues from operating companies around the
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2 world who were party to the reserve submission
3 process. So there was, if you like, an informal
4 or virtual team working.

5 And the way we worked was to assign
6 individual elements of the work to individuals so
7 that very few people had the full picture, and
8 therefore the overview. People would understand
9 in Oman that they were working on that particular
10 piece of the Rockford exercise. Similarly,
11 people in Nigeria and so forth. But it was only
12 a very limited number of people who had the total
13 overview.

14 Q. Do you recall approximately how many
15 people in total knew the complete picture
16 regarding the work to be done by Project
17 Rockford?

18 A. I think if we talk about the period
19 up to January the 9th when the first disclosure
20 was made, that would be a very small number of
21 people. I worked to prepare and submit
22 submissions to the committee of managing
23 directors so that the members of the committee of
24 managing directors were certainly aware of the
25 full picture.

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2 I worked closely with Mr. Frank
3 Coopman in the EP business, he was CFO. And in
4 the immediate area Mr. John Pay reported to me in
5 this connection. And there may have been one or
6 two more individuals whose names I don't recall
7 now, but it was a very, very tight number of
8 people. The legal advisors certainly were
9 closely involved both at an EP advisor level as
10 well as a Shell business level.

11 Q. The legal advisors, were these
12 outside counsel?

13 A. At that time we were working with our
14 internal legal advisors, but also with a firm

15 called Cravath who advised us on the submissions
16 of the documents related to the 20-F.

17 Q. Do you know an individual named Anton
18 Barendregt?

19 A. Yes, I do.

20 Q. Mr. Barendregt was the group reserves
21 auditor during the period 2001 certainly to 2004
22 I believe, is that correct?

23 A. That is correct.

24 Q. Was Mr. Barendregt involved in
25 Project Rockford?

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2 A. Yes, he was. Since some of his work
3 on the Nigerian and Oman audits was used as input
4 to Rockford, he was also consulted as we put
5 together the picture.

6 Q. During the course of Project
7 Rockford, did you or any other member of the
8 Project Rockford team have occasion to speak with
9 Mr. Barendregt concerning the various conclusions
10 reached in his audit reports for the OUs that
11 were the subject of Project Rockford?

12 A. Yes. Yes, we did.

13 Q. Do you recall if somebody spoke with
14 Mr. Barendregt concerning his audit reports with
15 regard to the Gorgon field?

16 A. I don't recall personally having a
17 conversation myself with Mr. Barendregt on
18 Rockford. But since that was one of the fields
19 in the recategorization, I'm sure that we will
20 have had -- somebody will have had conversations
21 with Mr. Barendregt on that.

22 Q. Organizationally within the project
23 team, were various individuals assigned various
24 OUs or were areas of responsibility broken down
25 some other way?

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2 A. During that initial period to January
3 the 9th, our key challenge was to be able to
4 quantify the volumes that needed to be
5 recategorized so that we could move as quickly

6 and effectively as possible to the market.

7 At the same time we also wanted to
8 provide an understanding for the need for the
9 recategorization. Although we recognized that
10 that would perhaps take a little bit longer to be
11 able to go into the details.

12 So the way the work was set up was a
13 central coordination of those volumes under
14 Mr. John Pay, and then the submission of the data
15 from each of the operating units was handled
16 largely within the operating area themselves. So
17 within each of those countries that were
18 involved, the responsible players in those
19 countries were party, as I said earlier, to their
20 part of the submission.

21 And then the other -- so that was the
22 database of the volumes, if you like. And
23 associated with that I worked with John Pay, with
24 Mr. Frank Coopman and others to try to understand
25 the reasons for the need for the

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2 recategorization.

3 Q. Could you describe for me the manner
4 in which you, Mr. Pay and Mr. Coopman went about
5 attempting to ascertain the reasons for the need
6 for the recategorization?

7 A. Yes. We looked to the audit reports
8 that had been done in the various companies over
9 the preceding few years. And where there was
10 lack of clarity as to exactly what was being done
11 or not, then we may have made contact with
12 individuals in those countries to discuss with
13 them their premise for booking or not booking
14 certain volumes.

15 Q. In order to determine whether or not
16 specific volumes were compliant with the SEC
17 requirements, was it necessary for the individual
18 involved in Project Rockford to garner or obtain
19 a firm understanding of the SEC requirements
20 concerning the booking of proved reserves?

21 A. Yes, it was.

22 Q. Who was it that -- withdrawn. Who

23 provided that information concerning the exact --
24 the requirements of the SEC concerning the
25 booking of proved reserves?

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2 MR. TUTTLE: Objection; form,
3 foundation.

4 A. The individuals with the best
5 awareness of the SEC requirements were the
6 individuals who were charged with compiling the
7 reserve data. So in the first instance, John Pay
8 as our reserves coordinator, Anton Barendregt
9 himself whose name you have mentioned.

10 And also in this context we had
11 contact with Mr. Rod Sidle who worked in SEPCO in
12 the same area of the business looking at reserve
13 categorization. And he was extremely familiar
14 with the requirements and the guidance of the
15 SEC. So those individuals certainly helped.

16 Cravath themselves would also give
17 opinion as to the SEC requirements.

18 MR. TUTTLE: I'm going to instruct
19 you when you're discussing information you
20 received or obtained from Cravath, we're not
21 authorized to waive the company's privilege in
22 this, so you can stick to the topic but I'd ask
23 if you're talking about something that comes from
24 or to Cravath or any of the internal counsel at
25 Shell, that we at least have a discussion perhaps

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2 off the record to make sure that we're not
3 waiving inadvertently a privilege.

4 MR. MacFALL: That's fine, thank
5 you.

6 A. And I think that roughly covers the
7 areas of expertise.

8 Q. Do you recall if members of the
9 Project Rockford team went back and looked at
10 documentation underlying the initial booking of
11 the reserves at issue?

12 A. In certain circumstances, yes. But I
13 couldn't say that that was the case in every

14 circumstance.

15 Q. During the course of the team's work
16 in Project Rockford, did you provide Mr. van de
17 Vijver with periodic updates of the status of
18 that work?

19 A. Yes, we did.

20 Q. How was that information conveyed to
21 Mr. van de Vijver?

22 A. I think it was largely via e-mail.
23 But it may also have been a verbal briefing. It
24 was over the period as we came to the end of the
25 exercise, over the period Christmas and New Year

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2 of 2003. And therefore not everybody was working
3 in an office environment; some of the work was
4 being done from individual homes, so it wasn't
5 always possible to contact. So e-mail and verbal
6 contact.

7 Q. Did the team keep anyone else
8 apprised of the status of the work being done by
9 Project Rockford?

10 A. In connection with the communication
11 with Mr. van de Vijver, we would have also kept
12 apprised the financial comptroller and the
13 financial groups and legal groups who were
14 involved in this exercise.

15 Q. Could you identify specifically the
16 individuals who were kept apprised of the status
17 of the work being performed in connection with
18 Project Rockford?

19 A. Well, Frank Coopman was working as a
20 member of the team virtually. At the same time
21 we will have kept apprised Mr. Tim Morrison who
22 was the group comptroller. Mr. Baird Hess and
23 Mr. -- sorry, his name escapes me, the EP legal
24 counsel. I lost him, sorry.

25 Q. That's okay.

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2 A. You will know to whom I'm referring,
3 but his name -- Curtis, Mr. Curtis Frasier. And
4 in turn I believe that Mr. Morrison will have

5 informed members of the committee of managing
6 directors.

7 Q. Do you recall if you were asked to
8 make presentations to the committee of managing
9 directors during the pendency of the Project
10 Rockford work?

11 A. Yes, I was.

12 Q. Do you recall how many such
13 presentations were made to the CMD?

14 A. I don't remember exactly how many
15 presentations, but we made three, perhaps four
16 such presentations in the latter part of December
17 and early in January.

18 Q. Do you remember the substance of the
19 information conveyed at the various presentations
20 to the CMD?

21 A. Not in detail because there was quite
22 a bit of information. But in essence, it was to
23 provide an update of our understanding of the
24 volumes which were not compliant with SEC
25 requirements. And those numbers as we continued

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2 to work changed as we gained a better
3 appreciation. And therefore the update each time
4 would be an update on the current status of the
5 numbers. At certain stages also of the financial
6 consequences of changes if we would make them
7 improved reserves, in terms of the historic
8 impact on the company's stated profit and loss
9 and accounts.

10 Q. I believe you stated that as a
11 consequence of the work performed in connection
12 with Project Rockford, certain proved reserves
13 were recategorized, correct?

14 A. That is correct.

15 Q. Do you recall if proved reserves were
16 recategorized in connection with PDO?

17 A. Yes, I do.

18 Q. Do you recall the reason or reasons
19 for the recategorization of the reserve volumes
20 at PDO?

21 A. As I recall, the prime reasons for

22 the recategorization in PDO related to what is
23 termed "project maturity," which relates to the
24 current state of maturity of the project in terms
25 of its readiness to proceed. Where projects were
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2 not sufficiently ready to proceed, then those
3 reserves would be removed, would be debooked.

4 Q. Do you recall some of the reasons why
5 various projects were found not to be ready to
6 proceed at PDO?

7 A. And I'm now basing my answer on my
8 knowledge gained during Rockford and not prior to
9 that. A number of projects had been carried in
10 PDO, in the expectation that they would have been
11 either implemented or brought into the
12 implementation phase. And it was found that that
13 was perhaps premature and that the projects would
14 be developed but not in the time frame originally
15 envisaged. And therefore, they were not
16 sufficiently mature.

17 Q. Did you ever ascertain that certain
18 projects had not attained project maturity
19 because they lacked field development plans? And
20 I'm specifically referring to PDO.

21 A. Mm-hmm. That was one of the reasons,
22 or that was among the reasons for lack of
23 maturity. Other reasons may be that the field
24 development plan had changed over time, that an
25 initial plan had been prepared but that with the

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2 passage of time and changing appreciation of the
3 reservoir characteristics, that an update to that
4 plan was required. So the reserves again need to
5 be debooked pending a completion of a current
6 field development plan.

7 Q. As part of your work in Project
8 Rockford, did you undertake to ascertain when
9 concerns about the proved reserves at PDO first
10 arose? Do you understand the question?

11 A. Hmm.

12 MR. TUTTLE: Object to form.

13 A. I don't think we -- as part of
14 Rockford, I don't think we tried to analyze when
15 concerns first arose. I think we tried to
16 analyze when was the booking perhaps no longer
17 compliant with SEC requirements. But that's
18 somewhat different from trying to ascertain when
19 concerns first arose.

20 Q. Are you familiar with the term "red
21 flags"?

22 A. Yes.

23 Q. As part of the work performed on
24 Project Rockford, did the Project Rockford team
25 ascertain whether or not there were red flags in
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2 connection with the reserves booked -- the proved
3 reserves booked at the OUs at issue?

4 MR. TUTTLE: Object to form.

5 MR. MORSE: Objection to form. Calls
6 for a legal conclusion.

7 MR. TUTTLE: Same objection.

8 A. I'm familiar with the term "red
9 flags." I don't recall using the term "red
10 flags" in connection with our Rockford work.

11 Q. Do you recall if anybody ascertained
12 whether or not there were any warning signs with
13 respect to the proved reserves that were
14 ultimately recategorized as a result of the work
15 of Project Rockford?

16 MR. TUTTLE: Object to the form.

17 MR. MORSE: Object to the form.

18 A. I think as I mentioned earlier, when
19 I undertook -- was involved in the Rockford work,
20 we came across notes and papers and submissions
21 that had been written in previous couple of years
22 which had identified volumes which were
23 potentially at risk as proved reserves. So in
24 that sense, yes, we identified earlier
25 indications of some concerns.

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2 Q. We've been talking about PDO
3 specifically. SPDC was another OU that had

4 proved reserves volumes recategorized, correct?

5 A. That is correct.

6 Q. Were you aware that SPDC had a
7 moratorium in place since I believe 2001 with
8 respect to additions to its proved reserves?

9 MR. TUTTLE: Object to form.
10 Foundation.

11 MR. MORSE: Object to form.

12 A. I became aware of the moratorium as
13 part of my Rockford work. I don't recall whether
14 I was aware of it earlier.

15 Q. Did you come to have an understanding
16 as to why that moratorium was imposed?

17 A. Again, as part of my Rockford work I
18 came to understand why it was imposed.

19 Q. Could you briefly describe for me why
20 it was that moratorium was imposed?

21 A. I believe at the time of the
22 moratorium, there was a recognition in SBDC that
23 the current projected production forecasts from
24 SBDC fields was such that the then booked proved
25 reserves would not be recovered in the license

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2 period. And therefore no additional reserves
3 were booked, and hence the moratorium.

4 Q. Separate and apart from your work at
5 Project Rockford, was it your understanding that
6 proved reserves related to volumes that could be
7 produced within the license period?

8 MR. TUTTLE: Objection to form.

9 MR. MORSE: Same objection.

10 A. Sorry, could you repeat the question,
11 please?

12 Q. Sure. I'll rephrase. Excluding the
13 work that you did in connection with Project
14 Rockford, did you have an understanding as to
15 whether or not proved reserves could only be
16 booked for volumes that could be produced within
17 applicable license periods?

18 MR. TUTTLE: Objection to form.

19 MR. MORSE: Object to the form,
20 foundation.

21 A. My understanding prior to Rockford
22 was that there was a requirement for reasonable
23 certainty of production of a given volume to have
24 it categorized as a proved reserve. The
25 understanding of reasonable certainty I believe

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2 has changed over time. So a number of aspects of
3 reasonable certainty have been tightened or
4 become tighter partly as a result of guidance
5 from the SEC in that area. The earlier
6 requirement in 1978 was reasonable certainty, but
7 there was no real clarity as to what that
8 entailed.

9 So if you look at the license period,
10 then production of volumes within the license
11 period certainly falls within reasonable
12 certainty. But it doesn't necessarily preclude
13 volumes which are produced beyond the license
14 period if there is a reasonable certainty that
15 the license may be extended.

16 And therefore, if you ask me was it
17 my understanding that proved reserves would be
18 restricted only to license period, I think it
19 would depend on the license in question and the
20 confidence or otherwise which the company had
21 that the license would be extended.

22 Q. Were you able to draw any conclusions
23 regarding the certainty that Shell had concerning
24 the license extension in connection with the SBDC
25 based on the imposition of the reserves

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2 moratorium?

3 MR. TUTTLE: Object to form.

4 MR. MORSE: Same objection.

5 A. I'm sorry, I didn't quite understand
6 the link between the reserve moratorium and the
7 licenses. Could you rephrase it?

8 Q. Sure. Well, do you think there was a
9 connection between the imposition of the
10 moratorium and Shell's assessment of the
11 likelihood of a license extension in Nigeria?

12 MR. TUTTLE: Again, a time period on
13 that? Sitting here today? During Rockford?
14 Some other time?

15 Q. Prior to -- you know what, I'll
16 withdraw the question altogether. He's unaware
17 of the facts in time. Let's just move on.

18 During the conduct of your work in
19 connection with Project Rockford, I believe you
20 indicated that you periodically updated Mr. van
21 de Vijver. Did you ever obtain feedback from
22 Mr. van de Vijver concerning your work?

23 A. Yes, I did.

24 Q. How was that feedback communicated?

25 A. Both in e-mail and verbal.

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2 (Darley Exhibit 20 for
3 identification, document bearing Bates production
4 number RJW 00131060 through RJW 00131073.)

5 Q. Mr. Darley, you've just been handed
6 what has been marked for identification as Darley
7 Exhibit 20. I'll ask you to take a look at that
8 and let me know if you recognize it.

9 A. Yes, I recognize it as a chain of
10 e-mails related to a draft on the Rockford note.

11 Q. The latest of the e-mails appears at
12 the top of the first page and that is one from
13 Mr. van de Vijver to John Pay in which you were
14 cc'd along with Mr. Coopman and Mr. Bell.

15 Do you actually recall receiving this
16 e-mail from Mr. van de Vijver?

17 A. No. I don't recall this particular
18 one but I received quite a number during this
19 period.

20 MR. TUTTLE: As with yesterday, I
21 don't know the condition in which this document
22 was produced to you, but looking at the document
23 and the numbering on the bottom, it appears to be
24 several e-mails stapled together that are not
25 actually part of the single chain. Since the

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2 bottom number begins 1-2-1-2, I realize they're

3 consecutively Bates numbered, so I don't make any
4 representation as to how it was produced to you.

5 MR. MacFALL: I will tell you that
6 I'm going to for the moment focus on the first
7 page and treat them, to the extent they appear to
8 be disparate documents, as disparate documents.

9 MR. TUTTLE: Sorry, I just didn't
10 want the record to be confused.

11 MR. MacFALL: No problem.

12 Q. Mr. Darley, I'd like to direct your
13 attention specifically about a third of the way
14 down the page, I believe it's actually the second
15 full paragraph, although it's a little difficult
16 to tell, beginning with the words "I still feel
17 uncomfortable." Do you see that, sir?

18 A. Yes.

19 Q. The sentence reads, "I still feel
20 uncomfortable with the increased tightening of
21 the SEC guidelines, as if the SEC is the reason
22 we have a problem today," exclamation point.

23 A. Mm-hmm.

24 Q. Do you recall what Mr. van de Vijver
25 was referring to there?

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2 A. I can only assume he's referring to
3 what he states in his e-mail, that he feels
4 uncomfortable with the increasing tightening of
5 the SEC guidelines as the reason we have the
6 problem today.

7 Q. Do you recall that the draft that
8 Mr. van de Vijver was commenting upon indicated
9 that the reason for the proved reserves problem
10 was because of the tightening of the SEC
11 guidelines?

12 A. I'm sorry, I don't recall which
13 particular draft was being commented on. And I
14 wouldn't recall each individual draft as it
15 evolved.

16 Q. Do you recall that the final draft of
17 that note indicated that the reason for the
18 problem with the proved reserves was the
19 increased tightening of the SEC guidelines?

20 MR. TUTTLE: Object to form.

21 A. My recollection is that the final
22 version of the note included a number of aspects,
23 a number of factors which had contributed to the
24 need to recategorize reserves. So I don't
25 believe that it was a single reason, but there
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2 were a number of reasons, including this one.

3 Q. The next sentence reads, "The reality
4 appears to be with us driving from aggressive
5 reserves booking as far as we could stretch the
6 SEC rules," exclamation point.

7 Did you ever have discussion with
8 Mr. van de Vijver concerning the thought
9 expressed in that sentence?

10 A. Yes, I believe I did.

11 Q. And could you please relate for me
12 the substance of that conversation.

13 A. I think by coincidence or otherwise,
14 the annotations on this particular document are
15 my annotations. So what you see is that this
16 little paragraph has been bracketed and that I've
17 put a question mark there on the bottom right and
18 side of the little bracket. And to the left,
19 although it's partly masked because there's been
20 a hole punched in it, I think there are a couple
21 of words that I have put which are "to discuss."
22 Which would indicate that I have discussed this
23 aspect with Mr. van de Vijver.

24 Now, I don't recall the exact content
25 of the discussion. Only that I think that I made
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2 the point to him that I believed that there were
3 a number of factors which had led to the
4 recategorization. The ones that he mentions are
5 part of that, but that there were others, too.

6 So the discussion was along those
7 lines.

8 Q. Mr. van de Vijver's e-mail goes on to
9 say, "I want this reworded." Do you recall if
10 language in the draft to which this is referring

11 was actually changed?

12 A. No, I don't recall whether some
13 specific words were changed on the basis of this
14 request or this communication. What I would say
15 is that the draft notes that we were putting
16 together went through a series of iterations in
17 which opinions and comments from the key players
18 in the Rockford project team were included and
19 were discussed. That's the way the note came
20 together.

21 So there would have been some
22 iterations, some changes, but whether it's simply
23 as a result of this communication, I don't think
24 so.

25 Q. The rest of the paragraph reads, "It
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2 should also be made clear that as of late 2001
3 there was a real drive to top-down improve
4 integrity of our reserves base. Earlier attempts
5 to do so since 2000 were left to lower authority
6 levels while pushing for max RRR."

7 Do you know what Mr. van de Vijver
8 was referring to there, sir?

9 A. No, I don't.

10 Q. Do you know when Mr. van de Vijver
11 became CEO of EP?

12 A. Somewhere in the middle of 2001.

13 Q. Do you know who headed up EP prior to
14 Mr. van de Vijver?

15 A. Yes. That was sir Philip Watts.

16 Q. Mr. Darley, if I could ask you to
17 direct your attention to the page ending in Bates
18 number 066, this is another e-mail, for the
19 record, from Mr. van de Vijver, this one to you,
20 dated December 7, 2003, subject "reserves note."
21 As observed by Mr. Tuttle, I'm not sure if this
22 is the same e-mail string but we're going to be
23 discussing this e-mail standing alone.

24 First of all, sir, do you recall
25 receiving this e-mail?

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2 A. I don't recall receiving the e-mail,

3 no.

4 Q. Directing your attention to the very
5 last paragraph on this page, it reads "Need
6 honest perspective on reserves bonus impact on
7 Oman and Nigeria, and when did we stock bookings
8 in both these countries?"

9 Do you know what Mr. van de Vijver
10 was referring to there, sir?

11 A. Yes, I believe I do. In the case of
12 Oman and Nigeria, part of the arrangements under
13 which Shell undertook work in those countries
14 included a reserve bonus over a certain period, I
15 forget exactly the periods in question. Those
16 reserve bonuses were related to increasing
17 expectation reserves. They were not linked to
18 proved reserves.

19 Mr. van de Vijver here is asking for
20 a perspective on the reserves bonus impact in
21 those countries, and when did we stop the
22 bookings in both these countries.

23 Q. Do you recall if as a consequence of
24 the work on Project Rockford you came to an
25 understanding of the impact, if any, of the

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2 bonuses on the booking of proved reserves in Oman
3 and Nigeria?

4 MR. MORSE: Objection to form.

5 MR. TUTTLE: Same objection.

6 MR. MORSE: Lack of foundation.

7 A. I think we found a link between the
8 booking of proved and expectation reserves in the
9 case of Nigeria. I'm not sure whether that was
10 true of Oman. I can't recall. That's my
11 recollection.

12 Q. Thank you, sir. The next sentence
13 reads, "The R/P trend in Nigeria is obscene." Do
14 you know what that refers to, sir?

15 A. The R/P trend is the reserves to
16 production ratio trend. I can't comment further
17 on the comment here.

18 Q. You can put that aside, sir.

19 (Darley Exhibit 21 for
20 identification, document bearing Bates production
21 number DARLEY 0540 through DARLEY 0541.)

22 Q. Mr. Darley, you've just been handed a
23 document marked for identification as Darley
24 Exhibit 21. I ask you to take a look at that,
25 sir, and tell me if you recognize it.

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2 A. Yes, I see this is a note -- an
3 e-mail, rather, from Mr. Anton Barendregt to
4 Mr. Frank Coopman and myself.

5 Q. For the record, the subject line of
6 the e-mail is "Oman reserves controls value" and
7 is dated December 8th, 2003.

8 Mr. Darley, do you recall if this
9 e-mail was sent to you in connection with the
10 work you were doing in Project Rockford?

11 A. I don't recall receiving the e-mail,
12 but I assume that it was sent in connection with
13 the Project Rockford work.

14 Q. Was the possible existence of
15 controls failure one of the issues being examined
16 in Project Rockford?

17 MR. TUTTLE: Object to form.

18 A. I think, as I mentioned earlier, our
19 prime focus in the period in question up to
20 January the 9th was to understand the volumes in
21 the recategorization. As part of that we were
22 also looking for the underlying reasons. And
23 within the context of looking for the underlying
24 reasons, control systems were certainly
25 addressed.

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2 Q. If you would, sir, I'd like to
3 specifically direct your attention to the second
4 full paragraph in this e-mail. Actually, I guess
5 it's the third full paragraph, beginning with the
6 words "PDO did not have." Do you see that, sir?

7 A. Yes, I do.

8 Q. If you could -- if you would read
9 that paragraph to yourself, and when you're done

10 we'll discuss it.

11 A. Thank you, yes.

12 Q. In that paragraph Mr. Barendregt
13 describes, amongst other things, the change in
14 the group's guidelines in 1998 and its impact
15 upon PDO.

16 A. Yes.

17 Q. He then goes on to discuss what he
18 refers to as a shortcut that was proposed by
19 Remco, I believe it's Remco Aalbers in connection
20 with the booking of proved reserves in PDO.

21 Do you recall separate and apart from
22 this e-mail if the work that you did in
23 connection with Project Rockford showed that the
24 booking of proved reserves subsequent to the 1998
25 change in the guidelines was due to this shortcut

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2 described by Mr. Barendregt?

3 MR. TUTTLE: Object to form.
4 Foundation.

5 MR. MORSE: Same objection.

6 A. If I understand that question
7 correctly, did I have an understanding apart from
8 this e-mail of the process described in the
9 e-mail.

10 Q. Yes.

11 A. I'm afraid I don't recall. I
12 certainly recall the argument and the discussion
13 in the e-mail. Whether or not I'd seen it prior
14 to or separate from the e-mail, I just don't
15 recall.

16 Q. I'd like now to direct your attention
17 two paragraphs down to the short paragraph that
18 begins with the words "in addition." Do you see
19 that, sir?

20 A. Yes, I do.

21 Q. It discusses what's referred to as
22 the tightening of the group reserves guidelines
23 following updated SEC guidance, but then goes on
24 to state, "This aggravated the situation
25 regarding PDO's proved reserves but did not

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2 affect the root cause of the problem, which was
3 that PDO had no proper set of proved
4 field/project reserves."

5 Is that consistent with your findings
6 in Project Rockford?

7 MR. TUTTLE: Object to form.

8 A. Yes, I believe so. Insofar as the
9 lack of a proper set of proved and field project
10 reserves made it very difficult to track on an
11 individual field basis the proved reserves for
12 each of the fields and projects in the PDO
13 concession.

14 (Darley Exhibit 22 for
15 identification, document bearing Bates production
16 number V 00010548 through V 00010550.)

17 Q. Mr. Darley, you've just been handed a
18 document marked as Darley Exhibit 22 for
19 identification. I'd like you to take a look at
20 that, sir, and tell me if you recognize it.

21 A. Yes, I see this is an e-mail with an
22 attachment from Mr. Frank Coopman.

23 Q. Do you recall this e-mail
24 specifically?

25 A. No.

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2 Q. For the record, as indicated, it's an
3 e-mail from Mr. Coopman to Mr. van de Vijver,
4 cc'd to various individuals including yourself.
5 The subject is "Rockford-who knew what at
6 December 31st, 2002."

7 I'd like specifically to direct your
8 attention to the third paragraph of the e-mail.

9 A. Mm-hmm.

10 Q. Beginning "in summary." Do you see
11 that, sir?

12 A. Yes, I do.

13 Q. It goes on, "The tension between
14 legacy bookings (in particular Gorgon) in
15 changing internal guidelines was clearly
16 flagged."

17 Do you recall if you discussed that

18 with Mr. Coopman in connection with your work on
19 Project Rockford?

20 A. I don't recall a specific discussion,
21 but it's very likely that we will have discussed
22 this, yes.

23 Q. The next sentence reads, "So where,"
24 I believe it should be were, "the shortcomings in
25 SBDC and Oman."

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2 What is it that you understand

3 Mr. Coopman to be saying there?

4 A. What I read him to be saying is that
5 in summary, the tension between the legacy books,
6 in particular Gorgon, and the changing guidelines
7 is clearly flagged. And also clearly flagged
8 were the shortcomings in SBDC and Oman.

9 Q. If I could direct you now to the
10 second page of the document. Do you recognize
11 the attachment to the e-mail which begins on the
12 second page of this exhibit, sir?

13 A. I don't recall seeing it before, but
14 as I mentioned, I probably saw it in connection
15 with the e-mails and communication around
16 Rockford.

17 Q. The way the document is formatted,
18 the caption says "EP reserves approval,
19 12/31/2002." It says "what was known," and then
20 it lists a series of dates and identifies various
21 documents and issues.

22 Directing your attention specifically
23 to the first one, "July 22nd, CMD NFI reserves
24 outlook," does that refer to the committee of
25 managing directors note for information? CMD

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2 NFI?

3 MR. MORSE: It's July 2002.

4 Q. I'm sorry, did I misspeak? July
5 2002, thank you.

6 A. Yes, I assume so.

7 Q. Directing your attention to the
8 second bullet point beneath that caption, it

9 says, "With the benefit of hindsight, some of the
10 organic revisions made in recent years now appear
11 somewhat aggressive; primarily Australia (Gorgon
12 struggling to reach maturity) and SPDC."

13 My question is, the quotation that
14 appears in this document, do you have any
15 understanding as to whether or not that language
16 was taken from the July 2002 CMD NFI?

17 A. I don't know, no.

18 Q. Directing your attention to the next
19 bullet point, attachment 1-G, it states,
20 "Hydrocarbon resource challenges by OU," there
21 is a subbullet point that follows. The second
22 one down says, "Australia: Gorgon Stranded Gas,
23 possible barriers to commercialization." Do you
24 see that, sir?

25 A. Yes, I do.

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2 Q. Do you recall if during the course of
3 your work in Project Rockford you discussed this
4 issue specifically with respect to when Gorgon
5 came to the attention of CMD?

6 MR. TUTTLE: Object to form,
7 foundation.

8 A. In the course of Project Rockford we
9 certainly discussed Gorgon and the history of the
10 booking of Gorgon. I don't recall a discussion
11 around when it was brought to the attention of
12 CMD.

13 Q. Do you recall separate and apart from
14 this e-mail if any of the work done in connection
15 with Project Rockford focused on when concerns
16 about the proprietary of certain -- withdrawn.

17 In connection with Project Rockford,
18 did any of the work you performed involve when it
19 was that concerns about the proved reserves
20 bookings first came to the attention of senior
21 management?

22 MR. TUTTLE: Object to form. Asked
23 and answered.

24 MS. WICKHEM: Object to form.

25 A. As I mentioned earlier, in the

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2 context of Rockford we brought forward a number
3 of documents that had indeed identified concerns
4 and issues over the previous one or two years and
5 compiled those as part of the Rockford exercise.

6 Q. Did you discuss this specific e-mail
7 with Mr. Coopman?

8 A. In all probability I did, but I don't
9 recall the specific discussion.

10 Q. Directing your attention a little bit
11 past halfway down the page, the next boldface
12 caption is, I believe it's "October 3rd, 2002 NFD
13 to ExCom." Do you know what NFD refers to, sir?

14 A. It would be a note for discussion.

15 Q. Now, the specific note for discussion
16 referenced here, that would have been something
17 that you would have received as a member of
18 ExCom, correct?

19 A. That is correct.

20 Q. The first bullet point references a
21 proposal to improve processes around proved
22 reserves, and one of the things cited is
23 potential reserves exposure catalogue.

24 Do you recall that specific
25 proposal?

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2 A. I don't recall it in the October 2002
3 time frame. Certainly as part of my work on
4 Rockford I became aware that that note had been
5 submitted to the EP ExCom.

6 Q. Outside of the Rockford context, I'm
7 sorry, you don't recall having seen that note, is
8 that correct?

9 A. That's correct.

10 Q. That bullet point goes on, "All
11 proved reserves that could be under threat of
12 debooking in the event of 'failure to execute
13 projects'." Do you recall if you actually had an
14 opportunity -- withdrawn.

15 Do you know if a potential reserves
16 exposure catalogue was ever prepared in or about

17 2002?

18 A. Again, in connection with the
19 Rockford work, I did become aware that such a
20 catalogue existed and had been prepared. I don't
21 recall, I'm sorry, the date at which it was first
22 prepared.

23 Q. As I believe indicated here, did that
24 catalogue list proved reserves that were under
25 threat of debooking in the event of a failure to
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2 execute projects?

3 MR. TUTTLE: Objection to form.

4 A. Again, in the course of the Project
5 Rockford work, when we were made aware of the
6 catalogue, of the note which provided this data,
7 that catalogue indeed included reserves that
8 would be under threat in the event of failure to
9 execute.

10 Q. Were there other reserves that were
11 shown as being under threat of debooking for
12 reasons besides failure to execute projects?

13 A. I'm trying to recall. There may have
14 been, but I just don't recall, I'm sorry.

15 Q. Directing your attention now to the
16 second to last point from the bottom of the page,
17 it states, "potential reserves exposure
18 catalogue." Do you see that, sir?

19 A. Yes, I do.

20 Q. With respect to Gorgon, it states,
21 "These are not to debook. It is inevitable that
22 a resource of this magnitude will be developed
23 eventually."

24 Do you recall reading the exposure
25 catalogue -- withdrawn. Do you recall if you
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2 learned that this was the reason that proved
3 reserves at Gorgon were not debooked?

4 MR. TUTTLE: Objection to form.

5 Foundation.

6 A. Again, in connection with the
7 Rockford work we examined the reasons for

8 bookings and exposures. And in that context we
9 looked at Gorgon and we found, I think this
10 phrase is taken from -- perhaps from an audit
11 report even, or maybe from a summary from the
12 auditor, in which this reason was given for not
13 debooking Gorgon.

14 Q. If you could turn to the next page,
15 sir.

16 A. Mm-hmm.

17 Q. I'd like specifically to direct your
18 attention to the second caption on that page
19 which I believe is dated January 31st, 2003,
20 "review of group end 2002 proved oil and gas
21 reserves summary preparation." Do you see that?

22 A. Yes, I do.

23 Q. Do you recall if you ever reviewed
24 the document referenced here, the proved oil and
25 gas reserves summary?

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2 A. I don't recall whether I reviewed it
3 at that time. I certainly will have seen it in
4 connection with the Rockford work.

5 Q. The first bullet point that appears a
6 couple of sentences down indicates that
7 "significant efforts made during 2002 towards
8 further alignments of grouped proved reserves
9 with SEC and group reserves guidelines."

10 Do you recall if you ascertained in
11 connection with your work on Project Rockford, or
12 in Project Rockford that there was a misalignment
13 between the grouped reserves guidelines and the
14 SEC requirements in 2002 and earlier?

15 MS. WICKHEM: Object to form.

16 MR. TUTTLE: Objection to form.

17 MS. WICKHEM: Foundation.

18 A. As part of the Project Rockford work
19 we examined the internal Shell guidelines for the
20 preparation of proved reserves. And we
21 identified within those guidelines that deviances
22 were noted between the Shell requirements and the
23 SEC guidelines, or our understanding of the
24 guidelines at that time.

25 MR. TUTTLE: Can we take a two-minute

0401

1 JOHN J. DARLEY

2 break?

3 MR. MacFALL: Sure. Why don't we do
4 that.

5 THE VIDEOGRAPHER: We'll go off the
6 record. It's two o'clock, tape 5.

7 (Recess taken.)

8 THE VIDEOGRAPHER: Back on the
9 record, 2:18, this is tape 6.

10 MR. MacFALL: Jonathan, you had some
11 clarifications?

12 MR. TUTTLE: Yes, there were two
13 clarifications. The first was you mentioned you
14 were approached in early December 2004 by Mr. van
15 de Vijver. Was that 2003?

16 THE WITNESS: Yes, I'm sorry, it was
17 indeed December 2003.

18 MR. TUTTLE: And the second was I
19 believe relating to what you described in your
20 last answer, though untranslated, as "deviances"
21 within those guidelines. You wanted to clarify.

22 THE WITNESS: Yes, I apologize. I
23 may not have been clear enough on the timeline or
24 the time frame within which those deviances were
25 identified. I think your question was, were we

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1 JOHN J. DARLEY

2 aware in the course of Project Rockford of
3 deviations between Shell guidelines and SEC
4 requirements.

5 There were deviations in certain
6 areas of characterization, technical
7 characterization of the reservoirs such as the
8 lowest nonhydrocarbon on the lateral extant.
9 Those deviations were shown in a tabulation in
10 the reserve guidelines for 2003 and I believe for
11 2002, although I don't have a full recollection
12 of that one. So it was in those time frames that
13 the deviations were identified.

14 They had been discussed, clearly,
15 because they were in the guideline documents

16 themselves, and not thought to be of major
17 consequence in terms of proved reserve
18 estimation.

19 BY MR. MacFALL:

20 Q. Was it ultimately determined --
21 withdrawn. As a consequence of the work done on
22 Project Rockford, were those deviances that you
23 described on hydrocarbons and lateral extant
24 found to have had a material impact on the
25 improper booking of proved reserves?

0403

1 JOHN J. DARLEY

2 MR. TUTTLE: Objection to form.

3 Calls for a legal conclusion.

4 MR. MORSE: Same objection.

5 A. In the course of the Rockford work,
6 we again looked at the consequences, and they
7 were just two examples I gave and in other areas
8 of technical deviation. In some instances and
9 certainly in the summation in totality, then some
10 of the recategorizations included those aspects.
11 They were indeed included in the total Rockford
12 recategorization.

13 Q. Do you remember the volumes
14 attributable to those two issues, LKH and lateral
15 extant?

16 A. My recollection of the lowest known
17 hydrocarbon is that did not reconstitute the
18 recategorization simply because the ruling, or
19 the definition if you like from the SEC only
20 became available in the course of 2003. And
21 therefore that was taken as a revision to the
22 volumes at the end of 2003. And I seem to recall
23 around 200 million barrels as the order of
24 magnitude of that particular revision. I could
25 be wrong.

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1 JOHN J. DARLEY

2 I don't recall the magnitude

3 associated with the lateral extant.

4 Q. Now, those were two examples of
5 differences between the group guidelines and the
6 SEC requirements. Do you recall if there were

7 any others?

8 MR. MORSE: Object to form.

9 MR. TUTTLE: Same objection.

10 A. There was a listing in the reserve
11 guideline documents of a number of parameters
12 where deviation between the internal guidelines
13 and the SEC -- our understanding of the SEC
14 requirements were listed. I don't recall, I'm
15 sorry, the specifics of other such parameters or
16 categories.

17 Q. Mr. Darley, if I could ask you to get
18 Exhibit 22 in front of you again, sir.

19 A. Exhibit 22, yes.

20 Q. I'd like specifically to direct your
21 attention to the second page of that document.
22 This is actually language that we discussed a
23 little bit earlier. The second bullet point from
24 the bottom referring to Gorgon.

25 A. Mm-hmm.

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1 JOHN J. DARLEY

2 Q. "As indicated, the reason not to
3 debook shown here is it is inevitable that a
4 resource of this magnitude will be developed
5 eventually."

6 To the best of your understanding,
7 does the reason shown here with regard to Gorgon,
8 does that comply with the SEC rules concerning
9 the booking of proved reserves?

10 MS. WICKHEM: Object to form and
11 foundation.

12 MR. TUTTLE: Object to form. Time
13 frame.

14 Q. Do you have any understanding of the
15 SEC requirements concerning booking of proved
16 reserves in 19 -- the late '90s?

17 A. In 1997, and I believe Gorgon was
18 booked at the end of 1997, there was a
19 requirement of reasonable certainty that the
20 resources would be produced in future years. I
21 think when the Gorgon field was first booked it
22 comprised a very large gas resource within the
23 catchment area of the major far eastern LNG

24 trade. On that basis I believe it could be
25 considered extremely likely that the resource
0406

1 JOHN J. DARLEY

2 would be developed at some future point. And
3 hence with the understanding of reasonable
4 certainty at that time, it could be considered
5 reasonably certain that it would be produced at
6 some future point.

7 Q. Do you know if the concept -- are you
8 familiar with the concept of commercial
9 maturity?

10 A. Yes, I am.

11 Q. Are you familiar with that concept
12 with regard to the booking of proved reserves?

13 MR. TUTTLE: Objection to form and
14 foundation.

15 A. Yes, it is I understand one of the
16 criteria which will govern the booking of proved
17 reserves.

18 Q. Do you know if that criteria was in
19 existence in 1997?

20 A. I'm sorry, I just don't recall. I
21 recall that subsequently there was a better -- or
22 a more -- a clearer definition of the requirement
23 for reasonable certainty, and that over time,
24 indeed commercial maturity and the ability to
25 demonstrate commercial maturity was a

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1 JOHN J. DARLEY

2 requirement. I just don't recall what the
3 requirement specifically was in 1997.

4 Q. Are you familiar with the concept of
5 technical maturity in relation to the booking of
6 proved reserves?

7 A. Yes, I am.

8 Q. Can you describe that for me?

9 A. Technical maturity is the requirement
10 to have a clear definition of the nature of the
11 hydrocarbon resource and a good understanding as
12 to how that resource can be developed using the
13 technical means available.

14 Q. Do you believe that Gorgon had

15 achieved technical maturity at the time proved
16 reserves were booked in 1997?

17 MR. TUTTLE: Objection; foundation,
18 I'm frame.

19 Q. In 1997.

20 MR. TUTTLE: Did he believe that in
21 1997?

22 MR. MacFALL: Does he believe now
23 that in 1997.

24 MR. TUTTLE: Does he believe sitting
25 here today -- I'm sorry, I just want to get the

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1 JOHN J. DARLEY

2 time frame clear.

3 Q. Let's start again. Do you believe
4 sitting here today that as of 1997, when proved
5 reserves were booked in connection with Gorgon,
6 that that project had attained technical
7 maturity?

8 A. I really don't recall exactly what
9 the underpinning rationale was. So I'm really
10 not able to comment. Technical work was done, I
11 certainly recall that, in connection with my
12 Rockford work. I certainly wasn't familiar with
13 Gorgon in 1997 itself. I don't believe that I
14 ever made -- or we ever made an assessment as to
15 whether or not the technical maturity as it had
16 evolved over time had changed sufficiently to
17 have that as a real criteria.

18 So in other words, in 1997 my
19 assumption is that technical maturity and
20 commercial maturity as required by reasonable
21 certainty in our understanding of it at that time
22 was such that it was. But I haven't delved into
23 it myself personally.

24 Q. There was a -- withdrawn. The
25 language that we've been reading concerning the

0409

1 JOHN J. DARLEY

2 reason not to debook Gorgon I believe comes from
3 the potential reserves exposure catalogue that's
4 also referenced in this document. And that is a
5 2002 document.

6 Do you have an understanding as to

7 the requirements of technical maturity --

8 withdrawn.

9 As you sit here today, do you have an

10 understanding of the relationship between the

11 concept of technical maturity and the booking of

12 proved reserves in 2002?

13 MR. MORSE: Objection, form,

14 foundation.

15 MR. TUTTLE: Same objection.

16 A. Is your question as I sit here today,

17 do I know what was required in 2002 in terms of

18 technical maturity?

19 Q. That's correct.

20 A. And my answer would be without being

21 able to refresh myself as to the documents, no.

22 Q. Are you aware if there was a

23 requirement that projects be commercially mature

24 before proved reserves could be booked as of

25 2002?

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1 JOHN J. DARLEY

2 MS. WICKHEM: Object to form.

3 MR. TUTTLE: Same objection.

4 A. My recollection is that guidance from

5 the SEC was given in 2001 which provided

6 additional explanation around the concept of

7 reasonable certainty. Within that context of

8 that additional guidance, commercial maturity

9 plays a role.

10 Q. Do you know what that role is in

11 connection with booking of proved reserves?

12 A. There is a requirement for commercial

13 maturity, but I don't recall exactly the

14 component parts of that requirement.

15 Q. As part of your work on Project

16 Rockford, did you undertake to look at the SEC's

17 comments concerning its reasonable certainty rule

18 as they were made over time?

19 MR. TUTTLE: Object to form,

20 foundation.

21 MR. MORSE: Same objection.

22 A. In the context of the Project

23 Rockford work, we reviewed the various guidance
24 that had been issued by the SEC over time.

25 Q. As a consequence of that review, were
0411

1 JOHN J. DARLEY

2 you familiar with the requirements for the
3 booking of proved reserves at various points
4 during the 2001-2004 time period?

5 MR. MORSE: Objection to form. Calls
6 for a legal conclusion.

7 MR. TUTTLE: Same objection.

8 A. As of -- or in connection with the
9 Project Rockford work, we reviewed the various
10 clarifications that had been provided by the SEC
11 over the period and from that would have gained
12 an appreciation of the requirements for the
13 booking of proved reserves over the period 2001
14 to 2004.

15 Q. Based on that understanding, is the
16 inevitability of an eventual development of a
17 resource a sufficient basis to book proved
18 reserves under the SEC rule?

19 MR. TUTTLE: Objection to form,
20 foundation.

21 MS. WICKHEM: Objection to form,
22 foundation.

23 MR. MORSE: Same objections.

24 A. With the increased clarity that was
25 gained from the SEC clarifications that were

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1 JOHN J. DARLEY

2 provided and various communication with the SEC,
3 we gained a better understanding of the
4 requirements around reasonable certainty.

5 And what Shell then attempted to do
6 was to translate those requirements into the
7 taking of FID, final investment decision, as a,
8 if you like, a clear demonstration, a rigorous
9 demonstration of intent to proceed with a
10 project. But that was a Shell decision; it
11 doesn't necessarily come from the SEC. I don't
12 believe that the SEC talks about the taking of
13 final investment decision as a requirement to

14 demonstrate commercial maturity. But Shell
15 elected to do so to give clarity and rigor
16 internally.

17 Q. My question is, the reason indicated
18 in Exhibit 22 for not debooking Gorgon, based on
19 your Project Rockford work, is it your
20 understanding that this reason complies with the
21 SEC requirements concerning the booking of proved
22 reserves?

23 MR. TUTTLE: Objection to form,
24 foundation.

25 MR. MORSE: Same objections.

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1 JOHN J. DARLEY

2 A. I don't quite understand because in
3 connection with the Project Rockford work we did
4 debook Gorgon. So clearly we came to a view that
5 it was not compliant with SEC requirements for
6 booking of proved reserves.

7 Q. Based on the debooking of Gorgon --
8 withdrawn.

9 Do you recall discussing with other
10 Project Rockford team members the reason for not
11 debooking Gorgon that was given in 2002 as
12 indicated in this document?

13 MR. TUTTLE: Objection to form.

14 MR. MORSE: Lack of foundation.

15 A. I don't recall specific discussions.
16 But inevitably as part of our Rockford exercise
17 trying to understand the history of debooking, we
18 will have reviewed various documents relating to
19 the Gorgon field booking. In that context we
20 probably will have discussed the rationale.

21 Q. The rationale that's given here, are
22 you aware if it complied with the group
23 guidelines governing the booking of proved
24 reserves that were in effect in 2002?

25 A. I'm sorry, I just don't recall at

0414

1 JOHN J. DARLEY

2 that particular time the group guideline
3 requirements.

4 Q. Mr. Darley, were you aware as a

5 consequence of your work in connection with
6 Project Rockford that Mr. Barendregt never gave
7 an unsatisfactory rating in any of his audits
8 prior to 2003?

9 MR. TUTTLE: Objection to form,
10 foundation.

11 MR. MORSE: Same objection.

12 A. I became aware in the course of the
13 Project Rockford work that Mr. Barendregt indeed
14 had not done so.

15 Q. Was that topic ever discussed amongst
16 the various members of the team working on
17 Project Rockford?

18 A. Which team, sorry?

19 Q. I'm sorry, the Project Rockford
20 team.

21 A. It probably would have been
22 discussed. I don't remember a specific
23 discussion.

24 Q. Do you recall discussing that with
25 Mr. Barendregt?

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1 JOHN J. DARLEY

2 A. I did not discuss that with
3 Mr. Barendregt I don't believe.

4 Q. Are you aware if anyone else working
5 on Project Rockford did?

6 A. Not specifically, but as I mentioned,
7 inevitably it would have been discussed.

8 Q. Were you ever informed about any such
9 discussions that took place between any other
10 members of the Project Rockford team and
11 Mr. Barendregt?

12 A. On that particular --

13 Q. I'm sorry, with regard to that
14 particular topic.

15 A. I may have been, in all fairness.
16 But I just don't recall somebody coming to tell
17 me that they discussed that with Mr. Barendregt.

18 (Darley Exhibit 23 for
19 identification, E-mail Chain, December 18, 2003.)

20 Q. Mr. Darley, you've just been handed
21 what has been marked for identification as Darley

22 Exhibit 23. I'd ask you to look at that, sir,
23 and tell me if you recognize it.

24 A. Yes, I see that it is an e-mail
25 chain, the final one of which is a message from
0416

1 JOHN J. DARLEY

2 John Pay to myself.

3 Q. That last e-mail from Mr. Pay to
4 yourself which is dated I believe December 18th,
5 2003, the subject of which is "Rockford bucket
6 headings," refers to an earlier e-mail from you
7 to him regarding the same subject. I'm sorry, it
8 ultimately refers to an e-mail from Mr. Morrison
9 to you that contains what looks like a template
10 of issues to be identified in connection with
11 Project Rockford, is that correct, sir?

12 A. That is what I see here, yes.

13 Q. My question actually relates to the
14 e-mail from Mr. Pay to yourself. First, with
15 respect to your e-mail -- I'm sorry, directing
16 your attention to the second e-mail that appears
17 on the first page, you wrote to Mr. Pay regarding
18 obtaining the data with respect to some of these
19 fields and indicate that it may be more
20 problematic for the Oman and Nigeria data. Do
21 you see that, sir?

22 A. Yes, I do.

23 Q. Mr. Pay in his response states,
24 "Difficult only in terms of coming up with a
25 plausible explanation for noncompliance." Do you
0417

1 JOHN J. DARLEY

2 see that, sir?

3 A. Yes, I do.

4 Q. Do you know what Mr. Pay was
5 referring to there?

6 A. Other than what is stated here, no.

7 Q. The noncompliance of which he speaks,
8 was that with respect to the SEC rules concerning
9 the booking of proved reserves?

10 A. Yes, I believe so.

11 Q. Thank you. Did you ever discuss that
12 with Mr. Pay?

13 A. Yes, we will have discussed this part
14 of the analysis. I think this refers to the
15 Rockford project that I mentioned earlier, that
16 our work in this period, December 2003 and into
17 early January 2004, was very much focused on
18 trying to get to terms with the various areas of
19 noncompliance, which fields were noncompliant and
20 the reasons and the history and so forth.

21 This particular e-mail from Tim
22 Morrison suggested a framework by which we may be
23 able to capture such noncompliance and would then
24 have been able to present the data clearly to CMD
25 and ultimately then to use it externally.

0418

1 JOHN J. DARLEY

2 So this was an attempt to be able to
3 categorize the areas of noncompliance of the
4 Rockford volumes. And I discussed that with John
5 Pay, yes.

6 Q. The e-mail continues discussing
7 obligations for control and validation. It talks
8 about Sarbanes-Oxley, and then Mr. Pay writes --
9 well, I'm sorry, he writes that you should not
10 "try to invent reasons that we can easily be
11 shot down on."

12 Do you know what he's referring to
13 there, sir? I'm sorry, it's the last sentence of
14 that first paragraph.

15 MR. TUTTLE: Objection to form.

16 MR. MORSE: Same objection.

17 Q. Actually, I'm going to withdraw that
18 question. If you would just read that to
19 yourself and tell me what you think Mr. Pay is
20 attempting to convey there.

21 MR. TUTTLE: Same objection.

22 A. I really don't know more than what is
23 written here what Mr. Pay was trying to convey.

24 Q. Do you recall anybody attempting to
25 invent reasons with respect to Shell's

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1 JOHN J. DARLEY

2 noncompliance with the SEC rules concerning the
3 booking of proved reserves?

4 MS. WICKHEM: Object to the form.

5 MR. MORSE: Object to the form. Lack

6 of foundation.

7 MR. TUTTLE: Same objection.

8 A. I don't. The work of the Rockford
9 project was very much to try to bring clarity and
10 transparency to the Rockford volumes. And that
11 was the reason for this framework that Tim
12 Morrison had proposed here.

13 It was with good faith that we were
14 trying to complete that data and present a clear
15 picture.

16 (Darley Exhibit 24 for
17 identification, document bearing Bates production
18 number DB 03140 through DB-3182.)

19 Q. Mr. Darley, you've just been handed a
20 document marked as Darley Exhibit 24 for
21 identification. I'd ask you to take a look at
22 that, sir, and tell me if you recognize it.

23 A. Yes, I see it's a presentation.
24 Presentation material, anyway, which was prepared
25 for the group audit committee.

0420

1 JOHN J. DARLEY

2 Q. Did you participate in that
3 presentation?

4 A. Yes, I believe I did.

5 Q. The covering e-mail is an e-mail from
6 you to Mr. van de Vijver attaching those
7 presentation materials, correct?

8 A. That is correct.

9 Q. Do you recall who actually prepared
10 these presentation materials?

11 A. There are quite a number of charts
12 here. They will have been prepared by the
13 project -- Rockford project team, so myself, John
14 Pay, others would have been involved in the
15 preparation of this material.

16 Q. With respect to those portions of
17 these materials that you did not personally
18 prepare, do you recall if you reviewed those
19 materials?

20 A. I will certainly have reviewed them

21 at that time. I don't recall today reviewing
22 them.

23 Q. Do you recall the purpose of the
24 presentation to the GAC?

25 A. Yes. The purpose of the presentation
0421

1 JOHN J. DARLEY

2 to the group audit committee was to appraise them
3 of the situation with the categorization of our
4 proved reserves.

5 Q. I'd like to direct your attention
6 specifically to the page ending in Bates number
7 DB 03144.

8 A. Mm-hmm.

9 Q. The text on that page references
10 slides showing a story line on the historical
11 perspective. And I take it that references the
12 reserves issue and the ultimate recategorization
13 recommended at the completion of Project
14 Rockford, is that correct?

15 MR. MORSE: Objection to form.

16 MS. WICKHEM: Object to form.

17 MR. TUTTLE: Same objection.

18 A. I would assume that this covers the
19 slides that are following that show the history
20 of the project, yes.

21 Q. If I could specifically direct your
22 attention to page ending in Bates number 146. Do
23 you have that, sir?

24 A. Yes, I have it.

25 Q. The second bullet point appearing on
0422

1 JOHN J. DARLEY

2 that page under the heading "historical
3 perspective" states, "Guidelines changes were
4 part of a significant drive towards increasing
5 proved reserves during 1997-2000." Do you see
6 that, sir?

7 A. Yes, I see that.

8 Q. Could you explain for me what was
9 meant by that?

10 MR. TUTTLE: Objection to form.

11 A. What I learned during the Rockford

12 project was that a project team in 1996 or 1997 I
13 believe had reviewed Shell's approach to the
14 booking of proved reserves and had identified
15 that our approach could have been considered
16 conservative and made recommendations that would
17 bring our approach more in line with recognized
18 standards. Changes were then made in the
19 guidelines which led to increase in proved
20 reserves over this time period that you see
21 here.

22 Q. The first bullet point that appears
23 under the solid line bullet point discusses
24 scorecards and their impact on proved reserves
25 bookings. It talks specifically about Gisco

0423

1 JOHN J. DARLEY

2 Angola and SNEPCO.

3 Could you provide a little more
4 detail on what was meant by that bullet point?

5 MS. WICKHEM: Object to form.

6 MR. TUTTLE: Objection to form,
7 characterization of the document.

8 A. The bullet point here states, "As you
9 see, proved reserves targets in scorecards
10 resulted in, e.g., aggressive attempts at booking
11 additional reserves. What I think this captures
12 is an opinion that by including targets for
13 proved reserve bookings in the business
14 scorecards of individual companies, the outcome
15 was that there would be an aggressive attempt to
16 book additional reserves."

17 Personally I was never of the opinion
18 that this was a contributing factor to the issues
19 that we confronted in Rockford because I believe
20 that booking of proved reserves is a measure, as
21 we've spoken about earlier today, of the success
22 of an E&P business. And therefore it is a
23 natural objective that any company would have.

24 I think it is also important to note
25 that the booking of reserves is a measure of the

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1 JOHN J. DARLEY

2 success of the company, and the issue in question

3 here was whether the reserves were compliant or
4 not and not whether or not they were aggressive
5 bookings.

6 Q. If you disagreed with the thought
7 conveyed in that bullet point, why was it
8 included in these materials?

9 MR. TUTTLE: Objection;
10 argumentative.

11 A. There were a number of perspectives
12 that are shown here. And whereas I may have
13 disagreed, there may have been other people who
14 had a valid opinion that this was a valid
15 perspective.

16 I think this wasn't a synthesis, if
17 you like, of the lowest common denominator. This
18 were a number of perspectives that were given and
19 shared amongst the group as a contributing
20 practice. I don't disagree that people had an
21 opinion that this was a contributing factor.

22 (Interruption.)

23 Q. Do you recall any of the individuals
24 who were part of Project Rockford team who might
25 have held that opinion?

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1 JOHN J. DARLEY

2 A. No, I don't recall it being members
3 of the team. I do recall it being comments I
4 think in the internal auditors reports. And I
5 think it's, again, a fair reflection of the
6 transparency that we were trying to bring in
7 Project Rockford that we shared whatever -- not
8 whatever, but a range of opinions that would be
9 valid.

10 Q. Directing your attention to the
11 following bullet point, it states, "Pressure on
12 staff to obtain a proved reserves replacement
13 ratio (RRR) of 100 percent (particularly in
14 2000)."

15 Could you explain for me --
16 withdrawn. Who was applying the pressure that's
17 referred to in that bullet point?

18 MR. TUTTLE: Objection to form.
19 Foundation.

20 A. I wouldn't know.

21 Q. Did you agree with that assertion,
22 the assertion made in that bullet point?

23 A. Again, I think I've spoken earlier
24 about the importance of reserve replacement ratio
25 as one of a number of measures of the success of

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1 JOHN J. DARLEY

2 an E&P business. And therefore, to me it is no
3 surprise that we attempt to succeed in one of
4 these important measures of business, as we
5 attempt to succeed in all those measures of
6 business. And therefore it is one of the
7 parameters that were included in this historical
8 perspective.

9 Q. Did you come to find based on your
10 work on Project Rockford that the ExCom had
11 applied pressure to staff at the various OUs to
12 book proved reserves to support the company's
13 RRR?

14 MR. TUTTLE: Objection; asked and
15 answered. Object to form, foundation.

16 A. I think, as I mentioned earlier, we
17 looked at ExCom to succeed in our business
18 goals. And one of the business goals was to
19 increase proved reserves as a measure of
20 success.

21 Q. That assertion, however, is being
22 made as part of the historical perspective
23 explaining the improper booking of proved
24 reserves, correct?

25 MR. TUTTLE: Objection to form,
0427

1 JOHN J. DARLEY

2 characterization of the document.
3 Argumentative.

4 MR. MORSE: Object to form.

5 Q. Withdrawn. What is this? It's a
6 historical perspective of what?

7 MR. MORSE: Objection to form.
8 Argumentative.

9 MR. TUTTLE: Same objection.

10 A. What I see this to be, referring

11 again to the slide under number 144, is that the
12 following slides show the story line on a
13 historical perspective. And then there are a
14 number of slides which capture various aspects of
15 the history of changes in reserve bookings. And
16 there are then subsequent examples for PDO and
17 SBDC.

18 Q. Am I correct then that these slides
19 relate to historical perspective concerning
20 reserves bookings, is that correct?

21 A. That is correct.

22 Q. Is that historical perspective
23 specifically tied to the noncompliant proved
24 reserves that were booked by the group?

25 MR. MORSE: Objection to form.

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1 JOHN J. DARLEY

2 Characterization, calls for a legal conclusion.

3 MR. TUTTLE: Same objections.

4 A. The historical perspective, as you
5 see it here, was an attempt to show how changes
6 in appreciation of the internal guidelines and
7 SEC explanations had contributed to the situation
8 which we found ourselves with Project Rockford.

9 Q. Mr. Darley, if you could turn your
10 attention to the following page, sir.

11 A. Mm-hmm.

12 Q. Again, it's captioned historical
13 perspective. There are two headings, one for
14 SPDC, one for PDO.

15 With respect to SPDC, the second
16 bullet point states "proved liquids reserves were
17 'frozen,' not debooked. But aspired production
18 increases did not materialize." Do you see that,
19 sir?

20 A. Yes, I do.

21 Q. Did you ever ascertain why it was
22 that those reserves were not debooked by SPDC?

23 A. No, I don't think I did.

24 Q. Going down to PDO, second bullet
25 point contains similar information, specifically

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1 JOHN J. DARLEY

2 it says proved liquids reserves were "frozen,"
3 not debooked when severe production decline set
4 in during 2001.

5 Did you ever ascertain why it was
6 that those reserves were not debooked by PDO?

7 A. I'm trying to recall. I think we
8 reviewed some of the audit reports and the fact
9 that they were still work in progress, and the
10 STOIP reserves were one of the reviews in
11 progress. I believe that those kind of factors
12 were partly underpinned the reason not to debook,
13 that there was still work to be done before the
14 quantification could be completed in the case of
15 PDO.

16 Q. Do you recall if concerns about
17 Shell's RRR contributed to decisions not to
18 debook reserves at either PDO or SPDC?

19 MS. WICKHEM: Object to form.

20 A. No, I don't think so because the RRR
21 decisions are -- the RRR data are seen at an EP
22 business level. And the decisions on booking
23 reserves of course happen on each individual
24 operating unit level.

25 Q. If you would, Mr. Darley, please turn
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1 JOHN J. DARLEY
2 to the next page ending in Bates number 148.
3 Again, directing your attention to the last
4 bullet point on the page that states top-down
5 pressure to book reserves. Could you please
6 explain for me what this slide was attempting to
7 convey to the GAC?

8 A. This is the fourth slide in the
9 historical perspective sequence, and it covers a
10 number of aspects which could have contributed to
11 the Rockford situation. I believe that's what it
12 was intended to convey to the GAC.

13 Q. But what was meant by top-down
14 pressure?

15 A. Oh, I see.

16 MR. TUTTLE: Objection to form.

17 A. I don't recall exactly what was meant
18 by top-down pressure in this context. It's

19 similar to the earlier slide I think that spoke
20 about pressure on staff.

21 Q. Who was it who actually gave the oral
22 part -- withdrawn. Was there an oral
23 presentation made to the GAC in connection with
24 these slides that comprise this exhibit?

25 MR. TUTTLE: Objection to form,
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2 foundation.

3 A. I think there will have been.

4 Q. Do you know who gave that oral
5 presentation?

6 A. I probably gave it myself, but I
7 couldn't be sure. But I think I gave it myself.

8 Q. As you noted, the bullet point
9 regarding top-down pressure is similar to the
10 earlier point in one of the earlier slides. Do
11 you recall what, if anything, you said on those
12 two bullet points during the oral presentation to
13 the GAC?

14 MR. TUTTLE: Objection to form,
15 foundation.

16 A. I don't know, and I rather doubt
17 whether I used all this material in connection to
18 the presentation to the GAC. Presentations to
19 the GAC tend to be rather crisp and short. It is
20 highly unlikely that I would have gone through
21 four slides on historical perspective. So it's
22 quite likely that this was a draft set of
23 documentation and that the final presentation
24 material was somewhat shortened. And therefore,
25 I really don't know whether or not these points

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2 were shown to the GAC or what I said at that
3 time.

4 Q. I take it from that you have no
5 independent recollection as to whether or not you
6 mentioned top-down pressure during the GAC
7 presentation.

8 A. I do not.

9 Q. Mr. Darley, if I could ask you to

10 turn your attention now to the page ending in
11 Bates number 150. You'll see the second bullet
12 point on that page discusses the magnitude of the
13 exposure, SEC interpretations, et cetera. I'd
14 like to direct your attention, however, to the
15 second bullet point beneath that heading which
16 states, "Debooking held pending (also to avoid
17 reducing RRR)."

18 Do you know what was being conveyed
19 there, sir?

20 A. What I read this to state is that
21 debooking of volumes was held pending, but I'm a
22 little confused by it because it says that the
23 full magnitude did not become apparent until
24 November 2003. And since this document is in
25 January 2004, then I'm not quite sure over which

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2 period we are talking about pending, to be quite
3 honest.

4 Q. With respect to the parenthetical,
5 "Also to avoid reducing RRR," do you have any
6 understanding as to what that was attempting to
7 convey?

8 MR. TUTTLE: Objection to form.

9 A. My assumption from simply reading the
10 parentheses is that there was an opinion that
11 pending is held to avoid reducing RRR.

12 Q. Do you recall any members of the
13 Project Rockford team expressing that viewpoint?

14 A. Let me make sure I understand. Do I
15 remember any members of the Project Rockford team
16 expressing the view that reserves debooking had
17 been held pending to avoid reducing RRR.

18 Q. That's correct.

19 A. No, I don't recall that as being a
20 prime driver, if you like. I think many of the
21 pending volumes and volumes that were held in the
22 exposure catalogue so far were very much subject
23 to either further work in progress or to
24 assessments of opportunities to take further work
25 to make the volume -- allow the volumes to become

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2 compliant.

3 In other words, I don't believe that
4 there was a complete picture until we got to the
5 Rockford situation. And at that point, then
6 measures were very quickly taken to debook the
7 volumes, irrespective of the impact on RRR.

8 So I believe that what you see here
9 is a historical perspective which culminates with
10 a realization in November 2003 that there was an
11 issue of significant magnitude. And that as
12 quickly and as effectively as possible, those
13 measures were taken to correct the situation.

14 Q. All of that sentiment is not
15 expressed in that bullet point, however.

16 MR. MORSE: Objection;
17 argumentative.

18 MR. TUTTLE: Objection,
19 argumentative.

20 A. I would contend that it is. That
21 once the magnitude and the exposure had become
22 apparent in November 2003, there was no question
23 of holding volumes pending. They were simply
24 disclosed to the marketplace.

25 (Darley Exhibit 25 for

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2 identification, document bearing Bates production
3 number DARLEY 1097 through DARLEY 1104.)

4 Q. Mr. Darley, you've just been handed a
5 document marked for identification as Darley
6 Exhibit 25. I'll ask you to take a look at that,
7 sir, and tell me if you recognize it.

8 A. Yes, I do.

9 Q. What is it you recognize it to be,
10 sir?

11 A. I recognize it to be an e-mail from
12 Regtien from myself on the Gorgon reserves.

13 Q. Would you identify Mr. Regtien for
14 me.

15 A. Yes, Mr. Regtien worked in EPT as a
16 manager for -- he was responsible for the change
17 program at that time, as we were making the

18 changes in EPT.

19 Q. The text of the e-mail from
20 Mr. Regtien to you concerns the booking of proved
21 reserves at Gorgon, correct?

22 A. That's correct.

23 Q. Specifically Mr. Regtien is
24 forwarding to you various prior e-mails that
25 indicate an intent to debook proved reserves at
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2 Gorgon at various points prior to 2003, correct?

3 MR. TUTTLE: Object to the form,
4 characterization of the document.

5 MR. MORSE: Objection to form.

6 A. What the e-mails -- and I would have
7 to read them in detail to recall, but what the
8 e-mails as I recall provided was some of the
9 discussion around the Gorgon booking between
10 Mr. Regtien and Mr. Barendregt at various times.

11 Q. Specifically directing your attention
12 to the second page of the document, there are two
13 e-mails. One is from Mr. Barendregt to
14 Mr. Regtien dated June 5th, 2000. The subject is
15 SEC reserves Australia. Contained within that
16 e-mail, or attached to it is an e-mail from
17 Mr. Regtien to Mr. Barendregt concerning the same
18 issue.

19 I'd like you to direct your attention
20 actually to the following page, sir, ending in
21 Bates number 099.

22 A. Mm-hmm.

23 Q. There are two bullet points that
24 appear on that page. The second bullet point
25 states, "With respect to Chevron operated assets,
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2 the giant Gorgon field is classified as proved
3 undeveloped, and we intend to downgrade that to
4 SFR during the upcoming ARPR cycle." Do you see
5 that, sir?

6 A. Yes, I do.

7 Q. Did you ever speak to Mr. Regtien
8 concerning the reasons for their intention, at

9 least as stated here, to downgrade the Gorgon
10 reserves to SFR?

11 A. I think I did. I think I spoke to
12 him in general terms after he had sent me this
13 e-mail, yes.

14 Q. Could you relate to me the substance
15 of the conversation you had with Mr. Regtien
16 concerning this e-mail?

17 A. I think it wasn't more than simply
18 reviewing what he had sent me in his e-mails. As
19 you saw from his covering e-mail, he went back to
20 his files and he sent me these documents which he
21 thought would be relevant.

22 I think within the context of the
23 Rockford work, although unknown to Mr. Regtien
24 because he wasn't party to it, we had already
25 seen much of this material if not at that time

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2 then certainly shortly thereafter. And we had
3 discussed as part of the Rockford work the Gorgon
4 situation and we had decided to debook the Gorgon
5 field.

6 Q. Did you ever have discussions with
7 Mr. Regtien concerning the reasons that Gorgon
8 was not debooked in 2000?

9 A. No. Not with Mr. Regtien. But
10 again, in the context of the earlier discussion
11 that we have had on Gorgon, there was quite some
12 discussion with the internal auditors and so
13 on -- the internal audit group, with Mr. Anton
14 Barendregt and others around that time.

15 And what you see from this exchange
16 of e-mails was that Mr. Barendregt was involved
17 with Mr. Regtien on this issue.

18 Q. We'll just note for the record that
19 there are two other e-mails here, which I'll try
20 and spare you all, which essentially also reflect
21 Mr. Regtien's intent to -- well, why don't we
22 handle it this way. I'd like to specifically
23 direct your attention to the page ending in Bates
24 number 00. If you look a little bit beneath the
25 middle of the page, under the four bullet points

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2 there's a sentence, "I therefore recommend and am
3 prepared to defend downgrading Gorgon from the
4 proved undeveloped reserves category to SFR
5 (commercial/proved techniques)."

6 Do you recall if you discussed that
7 specifically with Mr. Regtien?

8 A. I don't remember discussing the
9 specifics. I remember discussing the overall
10 issue of Gorgon and the difficulty that was
11 around the booking or debooking of the proved
12 reserves. I don't recall discussing this
13 particular sentence that you point out.

14 Q. Did Mr. Regtien ever indicate to you
15 why it was that the Gorgon reserves weren't moved
16 back to SFR in 2000?

17 A. No, I don't believe he did.

18 Q. You can put that aside, sir.

19 Mr. Darley, are you familiar with
20 something called Project Hugis?

21 A. Hugis. Could you spell it, please?

22 Q. I believe it's H-U-G-I-S.

23 A. It's not H-U-G-I-N?

24 Q. Maybe H-U-G-I-N. I'm sorry. Are you
25 familiar with Project Hugin?

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2 A. Yes.

3 Q. Could you tell me what that is, sir?

4 A. Yes. If I have the name correct,
5 it's been a little while, Project Hugin is a
6 series of recommendations that were made
7 following the Davis Polk inquiry into the
8 reserves situation.

9 Q. Who worked on Project Hugin?

10 A. The leader of the project was
11 Mr. Jacob Stausholm. And there were other
12 members of the team.

13 Q. Do you recall any of the other
14 members of that team?

15 A. Mr. Jim Cooper was one member of the
16 team.

17 Q. Now specifically, after Davis Polk
18 issued its report, what was the work of Project
19 Hugin, if you know, in connection with the
20 issuance of that report?

21 A. Project Hugin simply took the
22 recommendations and findings of the Davis Polk
23 report and translated those into actions which
24 the company could then take to respond to such
25 findings.

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2 Q. Do you recall approximately when
3 Project Hugin commenced? Clearly it was after
4 the issuance of the Davis Polk report.

5 A. It was in the early months of 2004.

6 Q. Did you do any work in connection
7 with Project Hugin?

8 A. Not in connection with the project
9 itself, but in connection with the implementation
10 of the recommendations, yes.

11 Q. Could you describe for me what work
12 you did in connection with the implementation of
13 the recommendations?

14 A. Mm-hmm. The recommendations covered
15 a wide spectrum of activities, including the need
16 for improved training and education of technical
17 and commercial staff and compliance with SEC
18 proved reserves, control measures that would be
19 needed to ensure that reserves bookings were made
20 in accordance with SEC requirements. And as part
21 of my role in EPT and on the EP reserves
22 committee, I ensured that those recommendations
23 were carried out to the full.

24 Q. Do you recall if you had any
25 communication with members of the Project Hugin

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2 team with respect to the work that you had done
3 as part of Project Rockford?

4 A. No, I did not in connection with the
5 Project Hugin worked. They worked quite
6 independently.

7 MR. MacFALL: We'll go off the

8 record.

9 THE VIDEOGRAPHER: We'll go off the

10 record. It's 3:18, tape 6.

11 (Recess taken.)

12 THE VIDEOGRAPHER: Back on the

13 record, 3:25, tape 6.

14 BY MR. MacFALL:

15 Q. Mr. Darley, with respect to Exhibit

16 24, which were the slides that we were discussing

17 a few moments ago, I note on the covering e-mail

18 that you forwarded these slides to Mr. van de

19 Vijver. Do you recall doing that, sir?

20 A. I don't recall doing it, but based on

21 the e-mail, I assume I did it.

22 Q. At the time that you forwarded these

23 slides to Mr. van de Vijver, was it your belief

24 that the information contained in the slides was

25 accurate?

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1 JOHN J. DARLEY

2 A. At the -- at this time period we were

3 working very hard to pull together material to

4 present to the GAC. And inevitably there was

5 quite a bit of parallel work going on, which

6 means that different groups and different people

7 would be working together.

8 And I think it's unlikely that I

9 would have reviewed in detail all of this

10 material and then sent it to Mr. van de Vijver,

11 which would have been the more normal procedure

12 but would have taken additional time, clearly.

13 So the parallel work means that I

14 will have sent material to Mr. van de Vijver

15 which I may or may not have reviewed. Some of it

16 I will have reviewed. For example, the first

17 slide I remember reviewing because it contains

18 numbers and it's quite important that the numbers

19 were accurate because that's what we were going

20 to discuss.

21 I don't believe that I reviewed in

22 detail all the textual slides, and I think that's

23 why my comment in the covering note says the

24 attached file pulls together relevant material,

25 some of which could be used to present the

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2 technical story if necessary.

3 So it certainly wasn't my view and it
4 wasn't conveyed as my view to Mr. van de Vijver
5 that this was a final piece of work which now
6 could be presented to the GAC. It was work in
7 progress, some of which I had reviewed, some of
8 which I hadn't. And my expectation was that in
9 the course of the next couple of days or so there
10 will be further iterations of this work.

11 Q. I believe you previously testified
12 that you had actually drafted some of this
13 material.

14 A. Some of it, yes.

15 Q. I believe you also testified that you
16 had reviewed the material that you did not draft
17 that comprise this exhibit.

18 A. That's right.

19 Q. Do you recall if that review occurred
20 before or after you sent these materials to
21 Mr. van de Vijver?

22 A. I'm sorry, I really wouldn't be able
23 to say.

24 Q. Do you know who else contributed to
25 this group of slides, who drafted the material

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2 that you did not draft?

3 A. I think Mr. John Pay would certainly
4 have been involved, I believe Mr. Frank Coopman
5 would have been involved and perhaps Mr. John
6 Bell.

7 Q. Do you have any specific recollection
8 of discussing these materials with any of those
9 individuals?

10 A. No, other than in the general context
11 of the Rockford project that we would have
12 discussed such materials.

13 Q. I'm sorry, by saying in the general
14 context of the Rockford project, do you mean the
15 topics contained in these materials as opposed to

16 the slides themselves?

17 A. I think both we will have certainly
18 discussed the topics as identified in the
19 slides. I'm not sure whether we will have
20 discussed all the content of every slide at that
21 stage.

22 Q. I just have one follow-up for you,
23 Mr. Darley, which, again, is an informational
24 question, as they all are. But this one's more
25 for my own use.

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1 JOHN J. DARLEY

2 Could you please explain for me the
3 difference between recategorization and a
4 revision of approved reserves?

5 A. Yes. At this time of preparation of
6 the volumes as we were working on them in Project
7 Rockford, we identified that the volumes were
8 noncompliant with SEC requirements. But we still
9 had the outstanding question as to the underlying
10 reason for the noncompliance. If those reasons
11 for the noncompliance would have been factors
12 which had changed in the course of 2003, then it
13 would have been possible to revise data in the
14 course of that year. There would be current year
15 revisions. If there were factors which caused
16 the noncompliance which related to earlier years,
17 then it would be necessary to restate the data to
18 the earlier time frame.

19 As of January the 9th when we made
20 the disclosure, we still didn't have clarity as
21 to whether those changes would be revisions of
22 the current year information or restatements of
23 earlier year information, and therefore we called
24 the totality a recategorization. And the
25 categories would be defined and would be

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2 explained in future disclosures as happened.

3 Q. Do you recall a revision of the
4 proved reserves reported or booked for EA in
5 Angola -- I'm sorry, in Nigeria.

6 A. I'm sorry, I don't recall that

7 particular field, no.

8 Q. Thank you, I have no further
9 questions, Mr. Darley.

10 A. Thank you.

11 MR. TUTTLE: Thank you, we have
12 nothing.

13 THE VIDEOGRAPHER: We'll go off the
14 record. It's 3:32. This is the end of tape 6,
15 volume 2.

16 (TIME NOTED: 3:32 p.m.)

17
18 _____
19 JOHN J. DARLEY

20
21 Subscribed and sworn to before me
22 this ____ day of _____, 2006.

23
24 _____
25

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1 JOHN J. DARLEY
2 STATE OF NEW YORK)

ss:
3 COUNTY OF NEW YORK)

I wish to make the following changes, for
4 the following reasons:

5 PAGE LINE ____
CHANGE FROM: _____

6 CHANGE TO: _____

REASON: _____

7
____ CHANGE FROM: _____

8 CHANGE TO: _____

REASON: _____

9
____ CHANGE FROM: _____

10 CHANGE TO: _____

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____ CHANGE FROM: _____

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16 CHANGE TO: _____

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17

CHANGE FROM: _____

18 CHANGE TO: _____

REASON: _____

19

CHANGE FROM: _____

20 CHANGE TO: _____

REASON: _____

21

22

JOHN J. DARLEY

23 Subscribed and sworn to before me

this ____ day of _____, 2006.

24

25

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1

2 C E R T I F I C A T E

3 STATE OF NEW YORK)

4 : ss.

5 COUNTY OF NEW YORK)

6

7 I, SUZANNE PASTOR, a Shorthand
8 Reporter and Notary Public within and for the
9 State of New York, do hereby certify:

10 That JOHN J. DARLEY, the witness
11 whose deposition is hereinbefore set forth, was
12 duly sworn by me and that such deposition is a
13 true record of the testimony given by the
14 witness.

15 I further certify that I am not
16 related to any of the parties to this action by
17 blood or marriage, and that I am in no way
18 interested in the outcome of this matter.

19 IN WITNESS WHEREOF, I have hereunto
20 set my hand this ____ day of _____, 2006.

21
22
23
24
25
0450

SUZANNE PASTOR

1
2 (Darley Exhibit 11 for identification,
3 E-mail from Mr. Darley and Attached
4 A.G. Edwards Analyst Report.)..... 267 11
5 (Darley Exhibit 12 for identification,
6 document bearing Bates production
7 number SMJ 00035555 through SMJ
8 00035564.)..... 280 4
9 (Darley Exhibit 13 for identification,
10 E-mail from Mr. Darley and Attached
11 Affiliate Services Presentation.)..... 293 4
12 (Darley Exhibit 14 for identification,
13 document bearing Bates production
14 number HAG 00161603 through HAD
15 00161608.)..... 298 5
16 (Darley Exhibit 15 for identification,
17 document bearing Bates production
18 number RJW 00271560 through RJW
19 00271567.)..... 305 23
20 (Darley Exhibit 16 for identification,
21 document bearing Bates production
22 number SMJ 00013709 through SMJ
23 00013766.)..... 318 13

24
25
0451

1
2 (Darley Exhibit 17 for identification,
3 document bearing Bates production
4 number DARLEY 0256 through DARLEY
5 0310.)..... 324 15
6 (Darley Exhibit 18 for identification,
7 document bearing Bates production
8 number DB 07635 through DB 07648.)..... 345 22
9 (Darley Exhibit 19 for identification,
10 document bearing Bates production
11 number DB 02013 through DB 02017.)..... 353 22