

Exhibit 186

Unknown

From: Barendregt, Anton AA SIEP-EPF-DIR
Sent: 03 January 2004 12:29
To: Coopman, Frank F SIEP-EPF
Cc: Pay, John JR SIEP-EPS-P; Darley, John J SIEP-EPT; Bell, John J SIEP-EPS
Subject: RE: internal control weaknesses

Frank,

I have added my suggestions to your text. As a further remark: are we sure we addressed some of the shortcomings already in 2002? As far as I can see, all of the corrective action was in (late) 2003.

I have added a reference to the internal guidelines. These were, after all, the 'bible' against which I had to carry out my audits in the OUs. On the few occasions in my early years where I signalled a conflict with SEC rules I was called back by Remco and by the OUs who argued, rightly, that the only rules they should be bound by were the Group guidelines. These are the backbone of our internal controls on reserves. The spear-point of the SEC reserves auditor's control should therefore have been on a correct formulation of the Group guidelines. With hindsight, I should have been more forceful in this respect. It would have been a clear break with all my predecessors and it would probably have cost me my job in those days, but I should have. My successors will have the same constraints, only to be made easier once our guidelines are fully compliant.

I realise that Curtis may not like my reference to the guidelines. I seem to remember him saying that we should not say externally that our internal guidelines were different from the SEC's. I do not see how we can maintain that pose in earnest. It would imply saying that either our guidelines were SEC compliant (which would be an easily refutable lie) or that we had no guidelines at all, which would be unbelievable and also clearly not true.

Glad to have a further debate about this, if desired.

Anton

-----Original Message-----

From: Coopman, Frank F SIEP-EPF
Sent: 02 January 2004 16:23
To: Frasier, Curtis R SI-LSEP
Cc: Darley, John J SIEP-EPT
Subject: internal control weaknesses

Curtis,

Suggested text for the Note to CMD" , paragraph 3.2 Potential issues.

Control weaknesses.

With the benefit of hindsight it is obvious where there have been control weaknesses;

At local level ;

appliance of basic disciplines in proved reserves calculations were allowed to slip. Supervisory (Chief PE) controls must have been weak.

[Barendregt, Anton AA SIEP-EPB-GRA] Due to resource constraints, compliance checking by the Group reserves auditor was typically once in every four years which allowed slackness in local controls to go undetected for quite some time.

At central EP level ;

reliance on the year end Group reserves auditors report , which would only cover the areas audited during that year. An "independent" Group reserves auditor [Barendregt, Anton AA SIEP-EPB-GRA] whose assessments were bound by the internal reserves guidelines and who was therefore not completely independent. ... no comprehensive review of all the exposed areas at set interval.

At Group Level;

No assurance was demanded for proved reserves figures, yet the 20F requires certification.

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These control weaknesses were addressed during 2002 [*Barendregt, Anton AA SIEP-EPB-GRA*] ?? and 2003. The recruitment of several (instead of one) reserves auditors, set in train, will address the resource issue. The change in reporting line will be implemented in 2004 to ensure the "independence". The 2004 assurance letter will be amended to include proved reserves.

end of text

I will ask John Pay and Anton Barendregt for comments.

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