

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

**IN RE ROYAL DUTCH/SHELL
TRANSPORT SECURITIES
LITIGATION**

**Civ. No. 04-374 (JAP)
(Consolidated Cases)
Judge Joel A. Pisano**

DECLARATION OF JOHN R. PAY

I, JOHN R. PAY, declare and affirm as follows:

1. I am currently employed by the Royal Dutch/Shell Group of Companies ("Shell" or "the Group") in the Netherlands. My title is Upstream Technical Manager for the Olokola Liquefied Natural Gas project in Nigeria. From May 2002 through June 2004, I served as the Group Hydrocarbon Resource Coordinator, also known as the Group Reserves Coordinator ("GRC"), for Shell's Exploration and Production ("E&P") business.

2. I hold a bachelor's degree in Petroleum Engineering from the University of London Imperial College of Science and Technology. I am a member of the Society of Petroleum Engineers.

3. I understand that an issue in this case involves the nature and extent of the conduct of any Shell personnel based in the United States between April 8, 1999 and March 18, 2004 relating to the estimation or reporting of proved reserves that Shell later restated. I am making this declaration in connection with Shell's submissions on this issue. I previously was deposed in this matter on January 22-23,

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2007, and I gave testimony before the United Kingdom's Financial Services Authority on October 28, 2004. I understand that the Court and the parties have access to the transcript of that proceeding.

4. Unless otherwise stated, I make this declaration on personal knowledge and am competent to testify as to the matters set forth herein.

5. In my capacity as GRC, I was based at the headquarters of the E&P business, which, for most of my tenure, was located in The Hague, the Netherlands, and subsequently moved to Rijswijk, the Netherlands.

Compiling and Reporting of Oil and Gas Resource Volumes and Proved Reserves

6. As GRC, I performed four functions pertaining to the Group's internal compiling and external reporting of its oil and gas resource volumes.

- a. First, I edited and distributed the Petroleum Resource Volume Guidelines, a group of documents that provided guidance to individual Group operating units on the way to estimate and categorize their oil and gas resource volumes. It also provided instructions to the operating units on the reporting of those estimates annually to E&P headquarters in the Netherlands. During my tenure, the Petroleum Resource Volume Guidelines were revised annually and were designed, among other purposes, to capture the Group's prevailing understanding of the requirements established by the Securities and Exchange

Commission ("SEC") in Rule 4-10(a) of Regulation S-X for estimating oil and gas resource volumes that are categorized as "proved reserves" and "proved developed reserves." Pursuant to Statement of Financial Accounting Standards 69, public companies with significant oil- and gas-producing operations, such as the Group's parent companies, Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c., must include estimates of their proved and proved developed reserves in the supplementary information to their annual financial statements.

- b. Second, I compiled the year-end reports of oil and gas resource volumes, known as the Annual Review of Petroleum Resources ("ARPR"), that each operating unit prepared and submitted to the GRC in or around January of each year. The ARPR submission of each operating unit included its estimates of proved and proved developed reserves. As part of the approval process for the Group's estimates of proved and proved developed reserves, I then provided or presented the aggregate estimates of the entire Group's proved and proved developed reserves to several parties, including: (i) the Executive Committee ("ExCom") of the E&P business, which sat at E&P headquarters and two members of which needed to approve the aggregate estimates of the Group's

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proved and proved developed reserves of oil and gas; (ii) the Group Reserves Auditor, who also sat in the Netherlands, for verification that the proved and proved developed reserves estimates complied with the Petroleum Resource Volume Guidelines and therefore with the Group's understanding of external legal requirements such as Rule 4-10(a); and (iii) the Group's external auditors, KPMG and PricewaterhouseCoopers, which were located in the Netherlands and the United Kingdom, respectively. After review and, in the case of the ExCom members charged with approving the estimates, approval by these parties, the estimates of the Group's proved and proved developed reserves were included in the Group's Annual Report on Form 20-F, which was issued from Europe.

- c. Third, I compiled information on the estimated future changes over time to all categories of the Group's hydrocarbon resource volumes, including proved and proved developed reserves. This information was estimated and reported to E&P headquarters by each operating unit as part of its annual business planning process.
- d. Fourth, as custodian of the Group's aggregated oil and gas resource volume data and the Petroleum Resource Volume Guidelines, upon request I provided guidance to the Group's

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operating units as they estimated their oil and gas resource volumes and I provided information on the Group's historical, current and projected oil and gas resource volumes to Group personnel, for example to inform business-planning decisions.

7. During my tenure as GRC, each operating unit was responsible for estimating and categorizing its own oil and gas resource volumes and reporting those estimates annually to E&P headquarters in the ARPR report. Some operating units sometimes used service providers, such as Shell Deepwater Services ("SDS"), to obtain technical support for planning the development and operation of their assets, and for advice on the technical methods most appropriate for extracting oil and gas from those assets. Consequently, such operating units sometimes also requested such service providers to provide assistance in estimating the volumes of oil and gas resources that might be extracted from those assets, including volumetrics in support of estimates of proved and proved developed reserves, in support of the operating unit's ARPR reports to E&P headquarters. Only the operating unit itself could and did make the final and critical determination concerning whether it was correct to report any proved reserves for an asset and, if so, the volume that would qualify as proved reserves. This determination by the operating unit would take into account the full range of conditions set out in the Petroleum Resource Volume Guidelines, paying due regard in particular to the legal and contractual regimes under which the operating unit functioned.