

## **Part 3**

LORIN BRASS

Page 320

1 LORIN BRASS, November 9th, 2006

02:25:38 2 discussion, it probably was the same title. And  
02:25:40 3 remember we talked a year prior we weren't sure  
02:25:43 4 there was a presentation, never concluded there  
02:25:45 5 was or wasn't. I'm thinking this is the annual  
02:25:48 6 presentation to ExCom, similar to what we  
02:25:51 7 discussed two years earlier.

02:25:54 8 Q Do you know whether or not you had any  
02:25:58 9 involvement with the creation of these slides?

02:26:09 10 A Again John and his group would have put  
02:26:12 11 these originally together. I normally would have  
02:26:16 12 been in the review. I'm not saying really I  
02:26:19 13 wasn't, but again I knew that, too, that I was out  
02:26:23 14 of the office almost all the time during this  
02:26:25 15 period, but therefore I can't confirm I was part  
02:26:28 16 of the review process, but . . .

02:26:30 17 Q Is it possible that this slide  
02:26:41 18 presentation was part of the presentation that was  
02:26:43 19 made to the CMD?

02:26:46 20 MS. WICKHEM: Object to form.

02:26:48 21 MR. MORSE: Lack of foundation.

02:26:49 22 BY MS. MARSHALL:

02:26:49 23 Q You can answer.

02:26:50 24 A Some of the charts here are same as the  
02:26:52 25 Note for Information, but a Note for Information

LORIN BRASS

Page 321

1 LORIN BRASS, November 9th, 2006

02:26:54 2 protocol would not, would not have a presentation  
02:26:58 3 with it, so there would not have been a  
02:27:01 4 presentation at CMD with this note.

02:27:03 5 Q So the note was sent to CMD; that you  
02:27:08 6 know?

02:27:08 7 A Yes.

02:27:08 8 Q Okay. Do you know if the slides that  
02:27:19 9 are included in Exhibit 9 is a complete set of the  
02:27:22 10 slides that were sent to the CMD?

02:27:25 11 MS. WICKHEM: Object to form; lack of  
02:27:26 12 foundation.

02:27:28 13 THE WITNESS: I can't be sure other  
02:27:30 14 than -- you know, when retrieving this document,  
02:27:33 15 this was a package, but I can't be sure it's  
02:27:37 16 complete or incomplete.

02:27:38 17 BY MS. MARSHALL:

02:27:38 18 Q Okay. Do you recall a presentation to  
02:27:46 19 ExCom in February of 2000 (sic) that included  
02:27:51 20 these slides that are on Exhibit 10?

02:27:57 21 MR. CLARK: Objection. Do you mean  
02:27:58 22 February of 2002?

02:27:59 23 MS. MARSHALL: I do. Thank you.

02:28:02 24 THE WITNESS: Really, all those slides  
02:28:04 25 look familiar. Again I'm not recalling the

LORIN BRASS

Page 322

1 LORIN BRASS, November 9th, 2006

02:28:09 2 meeting itself.

02:28:13 3 BY MS. MARSHALL:

02:28:14 4 Q Do you recall whether or not Mr. van der

02:28:15 5 Vijver viewed these slides prior to any ExCom

02:28:20 6 meeting?

02:28:23 7 A No, I don't.

02:28:49 8 Q Earlier when we were looking at the Note

02:28:53 9 for Information, which is Exhibit 9, and the

02:29:05 10 potential -- the fields with potential exposures,

02:29:08 11 if you look at Page -- it's Bates 10208, which I

02:29:23 12 think is the second to the last page of the

02:29:25 13 document.

02:29:32 14 A Yes.

02:29:40 15 Q Is this completely --

02:29:44 16 MR. MORSE: Are we on Exhibit 10?

02:29:46 17 MS. MARSHALL: Yeah.

02:29:47 18 MR. MORSE: Sorry.

02:29:48 19 MS. MARSHALL: That's okay.

02:29:48 20 BY MS. MARSHALL:

02:29:49 21 Q Is this a complete list of the fields

02:29:53 22 you recall being made for those with reserves at

02:30:01 23 risk for new fields?

02:30:04 24 MR. CLARK: Objection to form.

02:30:11 25 Do you understand the question?

LORIN BRASS

Page 323

1 LORIN BRASS, November 9th, 2006

02:30:15 2 THE WITNESS: My understanding is, of  
02:30:15 3 the category of new fields, of the category of  
02:30:22 4 discrepancies between SEC Guidelines and Shell  
02:30:25 5 Guidelines, does this comprise the totality of the  
02:30:28 6 list of new fields, uh --

02:30:31 7 BY MS. MARSHALL:

02:30:33 8 Q Yes.

02:30:35 9 A Yeah, I mean again I recognize these,  
02:30:37 10 but I can't, I can't actually swear that this is  
02:30:41 11 the complete list.

02:30:42 12 Q Okay. And the next page, ~~Bates~~ 10209,  
02:30:51 13 is titled "End License -- Reserves at Risk." Do  
02:30:59 14 you recall this list?

02:31:01 15 A Yes.

02:31:02 16 Q What do you recall it being a list of?

02:31:09 17 A The fields that had licenses, ends of  
02:31:16 18 licenses coming up where there was some question  
02:31:18 19 whether or not we could produce all the reserves  
02:31:20 20 prior to end of license.

02:31:28 21 Q If you turn to Page 10207 where it says,  
02:31:33 22 "New Fields -- Guidelines Currently Too Lenient,"  
02:31:39 23 and it says, "SEC clarifications in 2001 clearly  
02:31:42 24 insist on full project maturity, company  
02:31:47 25 commitment and absence of possible showstoppers."

LORIN BRASS

Page 324

1 LORIN BRASS, November 9th, 2006

02:31:51 2 Do you know who drafted this chart that appears  
02:31:55 3 underneath that statement?

02:31:59 4 A No. It's the same chart I recall in my  
02:32:01 5 discussions with John when they were briefing me  
02:32:03 6 on the differences.

02:32:27 7 Q Do you recall whether or not Mr. Van der  
02:32:29 8 Vijver had any comments with respect to this  
02:32:33 9 chart?

02:32:35 10 A This chart?

02:32:36 11 Q Yeah.

02:32:37 12 A The 10207? No, I don't recall.

02:32:46 13 Q Did you ever learn whether there was a  
02:32:58 14 reaction to the Note for Information, which is  
02:33:02 15 Exhibit 9 that was sent to the CMD, by the CMD?

02:33:14 16 A No. I recall Walter committing to tell  
02:33:19 17 them more about this in the ensuing months.  
02:33:22 18 That's all I recall as feedback.

02:33:27 19 Q And how did you learn that Walter had  
02:33:30 20 committed to tell them more about this in the  
02:33:35 21 ensuing months?

02:33:37 22 A It appeared in a note, and I don't  
02:33:39 23 recall the date and all the to's and from's, but  
02:33:44 24 it was a note that I read.

02:33:48 25 Q Was it an e-mail exchange?

LORIN BRASS

Page 325

1 LORIN BRASS, November 9th, 2006

02:33:51 2 A Probably an e-mail. Well, no. Sorry.

02:33:59 3 My recollection it was a -- it was simply a hard

02:34:08 4 copy of a note that had some other text on it, and

02:34:22 5 I don't recall that text.

02:34:23 6 Q Who was the note addressed to?

02:34:24 7 A I don't recall.

02:34:25 8 Q Do you recall the circumstances by which

02:34:28 9 you saw that note?

02:34:30 10 A As part of the review for this process.

02:34:35 11 Q So after the Note for Information was

02:34:37 12 sent to the CMD, when is the next time you heard

02:34:40 13 about it?

02:34:42 14 A The next time that we had a discussion

02:34:46 15 with CMD was the next, you know, event we were

02:34:50 16 working for, and that occurred in July of 2002.

02:34:54 17 Again we sent them a note ahead of time, and this

02:34:58 18 time it was a note requiring a presentation that

02:35:00 19 went with it.

02:35:07 20 Q What transpired during, in between the

02:35:10 21 February 11th presentation and the July

02:35:13 22 presentation or the February 11th note and the

02:35:16 23 July presentation?

02:35:20 24 A In general, work continued on all these

02:35:22 25 topics, including the license extension, the

LORIN BRASS

Page 326

1 LORIN BRASS, November 9th, 2006  
02:35:24 2 understanding of the fields. We did even more  
02:35:27 3 digging as to the background and histories of the,  
02:35:31 4 of the bookings that had been done and tried to  
02:35:38 5 look more at what more could be done going  
02:35:41 6 forward, not just here's the situation, but also  
02:35:45 7 put some additional plans in place in order to  
02:35:47 8 improve the situation.

02:35:49 9 Q And did you do that at the direction of  
02:35:54 10 Mr. Van der Vijver?

02:35:56 11 A Yes.

02:35:56 12 Q And when did you receive that direction  
02:35:58 13 from him?

02:36:00 14 A I don't recall.

02:36:01 15 Q Did you receive any direction from him  
02:36:03 16 after the Note for Information went to the CMD on  
02:36:07 17 February 11th, 2002?

02:36:09 18 A I don't recall.

02:36:10 19 Q The note that you recall -- the hard-  
02:36:16 20 copy note that you recall reading, was that after  
02:36:24 21 the February 11th, 2002, note went to the CMD?

02:36:30 22 MR. CLARK: Objection; misstates prior  
02:36:33 23 testimony.

02:36:33 24 BY MS. MARSHALL:

02:36:34 25 Q You can answer the question.



LORIN BRASS

Page 327

1 LORIN BRASS, November 9th, 2006

02:36:43 2 A I think it was.

02:36:44 3 Q And do you recall what further action --  
02:36:50 4 what do you recall about that note specifically  
02:36:55 5 requesting Mr. Van der Vijver to look into?

02:36:58 6 A I suppose it was really no surprise,  
02:37:00 7 because notes for information are really that. In  
02:37:04 8 the style of both CMD and EP ExCom, Notes For  
02:37:09 9 Information are really there for the participants  
02:37:12 10 in the meeting to have read and understood. If  
02:37:16 11 there are questions about it at the meeting, then  
02:37:18 12 they're brought up. Actually, if there's no  
02:37:21 13 questions at the meeting, they're just passed  
02:37:23 14 over, because they're really a Note for  
02:37:25 15 Information. So to follow it up with another note  
02:37:28 16 and a presentation for a much thorough discussion  
02:37:33 17 made all the sense in the world to me, because  
02:37:35 18 this would have been a bit of a warm-up, get them  
02:37:38 19 understanding what the issues are and what our  
02:37:40 20 thoughts are, have them absorb that, and then come  
02:37:43 21 back as soon as practical with a much more  
02:37:45 22 detailed note and a better discussion.

02:37:50 23 Q What, if any, was Mr. Watts' involvement  
02:37:53 24 in the Note For Information -- the 11th of  
02:38:05 25 February, 2002, Note For Information?

LORIN BRASS

Page 328

1 LORIN BRASS, November 9th, 2006

02:38:09 2 A He would only have been a recipient of

02:38:11 3 the note.

02:38:12 4 Q Do you recall ever learning about

02:38:17 5 whether he had any particular reaction to the

02:38:22 6 information contained in the note?

02:38:24 7 A No.

02:38:25 8 Q Did you ever have any conversations with

02:38:26 9 Mr. Watts during 2002 on any subject? I mean did

02:38:36 10 you have any interaction yourself with Mr. Watts

02:38:38 11 during 2002?

02:38:40 12 A Not one on one; only in presentations at

02:38:42 13 CMD.

02:38:47 14 Q And was the first presentation that you

02:38:52 15 made to CMD regarding reserves in July of 2002?

02:39:02 16 A Yes.

02:39:41 17 MR. CLARK: I'm going to need a break at

02:39:43 18 some point.

02:39:44 19 MS. MARSHALL: Do you want a break now?

02:39:46 20 MR. CLARK: Yeah.

02:39:48 21 THE VIDEOGRAPHER: This marks the end of

02:39:59 22 Tape 2, Volume II, of the deposition of Mr. Brass.

02:40:03 23 We are going off the record. The time is

02:40:07 24 2:40 p.m.

02:40:09 25 (Whereupon, a short recess was taken.)

LORIN BRASS

Page 329

1 LORIN BRASS, November 9th, 2006

02:57:59 2 THE VIDEOGRAPHER: This marks the  
02:58:00 3 beginning of Tape 3, Volume II, in the deposition  
02:58:03 4 of Mr. Brass. We are back on the record. The  
02:58:07 5 time is 2:57 p.m.

02:58:09 6 BY MS. MARSHALL:

02:58:09 7 Q Mr. Brass, going back to Exhibit Number  
02:58:11 8 10, which is that slide presentation, the  
02:58:16 9 February 4th slide presentation, do you recall  
02:58:20 10 whether or not Peter van Driel was involved in  
02:58:23 11 this slide presentation?

02:58:24 12 A No, I don't.

02:58:29 13 Q What was his role at that time if you  
02:58:33 14 can recall?

02:58:35 15 A I don't recall.

02:58:47 16 Q Do you recall ever hearing any views  
02:58:51 17 expressed from Mr. Warren regarding presentation  
02:58:56 18 on reserves to ExCom?

02:59:02 19 A No.

02:59:06 20 Q And just quickly going back to our  
02:59:13 21 discussion about the Enterprise acquisition, do  
02:59:19 22 you know -- I think you said that one of the  
02:59:23 23 fields -- the reserves were booked for both  
02:59:29 24 fields, and one field was ultimately sold because  
02:59:34 25 that company was sold; is that correct?

LORIN BRASS

Page 330

1 LORIN BRASS, November 9th, 2006

02:59:36 2 A Yes.

02:59:37 3 Q And the other field was -- do you know  
02:59:41 4 whether or not that other field, whether that  
02:59:49 5 other field's reserves were restated as part of  
02:59:52 6 the recategorization in 2004?

02:59:55 7 A I don't know.

03:00:09 8 Q I'm going to show you a document that  
03:00:16 9 we'll mark as Exhibit Number 11. It's Bates  
03:00:27 10 HAG00082964 through 988. There's three pages of  
03:00:43 11 e-mails, and then there's a document attached.

03:00:47 12 A You --

03:00:55 13 Q I wouldn't read through the whole  
03:00:56 14 document. If I have particular questions, I'll  
03:00:58 15 ask you, but you might want to look through the  
03:01:01 16 e-mail pages, the first couple of pages of the  
03:01:04 17 documents, to see if it refreshes your  
03:01:06 18 recollection.

03:01:07 19 A Right.

03:01:09 20 (Exhibit No. 11 was marked for  
03:01:09 21 identification and attached to the deposition  
03:01:09 22 transcript.)

03:01:10 23 THE WITNESS: Okay.

03:02:31 24 BY MS. MARSHALL:

03:02:31 25 Q Do you recognize this e-mail exchange

LORIN BRASS

Page 331

1 LORIN BRASS, November 9th, 2006

03:02:36 2 that begins on -- it's really just the first page  
03:02:39 3 of this document.

03:02:42 4 A Yes.

03:02:45 5 Q Do you recall the circumstances  
03:02:47 6 surrounding this e-mail exchange?

03:02:51 7 A He was getting ready for CMD.

03:02:55 8 Q And by "he" you mean --

03:02:57 9 A Excuse me. Walter was getting ready for  
03:02:59 10 CMD, and since this note is attached and the dates  
03:03:05 11 match, I'm assuming it's a CMD in which this  
03:03:09 12 reserves outlook was going to be discussed.

03:03:13 13 MR. CLARK: I'll just note that the  
03:03:15 14 Bates numbers on the document are not contiguous.  
03:03:18 15 They represent a gap of approximately 20 pages  
03:03:23 16 between the third page and the fourth page.

03:03:26 17 MS. MARSHALL: Sure. Well, you know  
03:03:27 18 what I think it might be, actually? I probably  
03:03:30 19 should have -- I'm not sure, but --

03:03:34 20 MR. CLARK: Moreover, the pages -- it  
03:03:39 21 looks like maybe pages were brought from the back  
03:03:42 22 as well, put in the front, and so --

03:03:46 23 MS. MARSHALL: Why don't we take a quick  
03:03:48 24 break for a minute, and I'll try to figure out  
03:03:50 25 what the issue is.

LORIN BRASS

Page 332

1 LORIN BRASS, November 9th, 2006  
03:03:51 2 MR. CLARK: That would be great.  
03:03:52 3 THE VIDEOGRAPHER: We are going off the  
03:03:53 4 record. The time is 3:03 p.m.  
03:03:57 5 (Whereupon, a short recess was taken.)  
03:06:41 6 THE VIDEOGRAPHER: We are back on the  
03:06:42 7 record. The time is 3:06 p.m.  
03:06:48 8 MS. MARSHALL: For the record, the way  
03:06:51 9 that the exhibit was stapled has the pages out of  
03:06:57 10 order. The first page of the exhibit should be  
03:07:02 11 HAG00082964, then 965, then 966, which is three  
03:07:13 12 pages of e-mails. The page that is Bates stamped  
03:07:18 13 82988 was put in front of --  
03:07:25 14 MR. CLARK: 989.  
03:07:27 15 MS. MARSHALL: Oh, I'm sorry, 989, which  
03:07:29 16 is titled "Note to CMD," was put in front of Bates  
03:07:36 17 82967, which was out of Bates order.  
03:07:41 18 MR. CLARK: And should be the last page  
03:07:42 19 of the exhibit.  
03:07:43 20 MS. MARSHALL: Correct.  
03:07:46 21 MR. HABER: Bottom line.  
03:07:47 22 MR. CLARK: Agreed.  
03:07:48 23 BY MS. MARSHALL:  
03:07:49 24 Q Now that we're all on the same page, if  
03:07:51 25 you look at the first page of the document -- give

LORIN BRASS

Page 333

1 LORIN BRASS, November 9th, 2006

03:08:08 2 me a moment, please.

03:08:28 3 You testified that Walter was getting  
03:08:30 4 ready for CMD. What was he doing to get ready for  
03:08:36 5 the CMD around this time?

03:08:41 6 A Asking me or giving advice as to  
03:08:45 7 presentation material.

03:08:48 8 Q Was a note prepared that was sent to CMD  
03:08:53 9 prior to the presentation?

03:08:54 10 A Yes.

03:08:54 11 Q And is that note attached to this  
03:08:58 12 document or part of this exhibit?

03:09:00 13 A Yes.

03:09:02 14 Q Do you know who drafted this note?

03:09:07 15 A John Pay.

03:09:10 16 Q Did you participate in the creation of  
03:09:13 17 this note?

03:09:15 18 A In review.

03:09:31 19 Q And was Mr. Van der Vijver the sponsor  
03:09:35 20 of the note to the CMD?

03:09:37 21 A Yes.

03:09:41 22 Q And when you say "review," can you  
03:09:44 23 describe what steps you took to review this  
03:09:46 24 document?

03:09:50 25 A Really to read it and make editorial or

LORIN BRASS

Page 334

1 LORIN BRASS, November 9th, 2006

03:09:52 2 ask questions relative to elements of it.

03:09:57 3 Q Do you know when -- was this note  
'03:10:01 4 prepared at the direction of Mr. Van der Vijver?

03:10:08 5 A Yes.

03:10:10 6 Q And do you know when he requested that  
03:10:13 7 this note be prepared?

03:10:18 8 A No.

03:10:26 9 Q If you look to the first page of the  
03:10:29 10 exhibit, there's an e-mail dated July 18th from  
03:10:33 11 Mr. van der Vijver to yourself, and it says, "At  
03:10:44 12 CMD I want to see a presentation that simplifies  
03:10:48 13 some of the messages," and then there appears to  
03:10:51 14 be a list. Did you -- had you been in the process  
03:11:03 15 of preparing a presentation to CMD when you  
03:11:07 16 received this e-mail?

03:11:09 17 A Myself and/or again John or John, John  
03:11:14 18 Bell or John Pay.

03:11:15 19 Q Is this a presentation that you had been  
03:11:16 20 aware of for some time?

03:11:18 21 A I think it is. The presentation isn't  
03:11:20 22 here, but I think it is.

03:11:36 23 Q When -- did you understand this e-mail  
03:11:38 24 when you received it?

03:11:41 25 A Yeah, I think so.



LORIN BRASS

Page 335

LORIN BRASS, November 9th, 2006

03:11:44 2 Q When he said, "At CMD I want to see a  
03:11:51 3 presentation that simplifies some of the  
03:11:53 4 messages," the first point is "2002 to 2006 plus  
03:11:57 5 FIDs that already have proved reserves (summary)  
03:12:02 6 and impact on F&D unit cost and how we benefitted  
03:12:06 7 in prior years." What did you understand that to  
03:12:08 8 mean?

03:12:11 9 A For the years 2002 to 2006 plus -- "FID"  
03:12:17 10 is "Final Investment Decisions," so in our  
03:12:20 11 Business Plan in that period, 2002 to 2006 plus,  
03:12:27 12 what are the Final Investment Decisions for  
03:12:30 13 projects that we intend to take, and how many of  
03:12:33 14 those already have Proved Reserves booked, and  
03:12:37 15 hence, when they were booked back in prior years,  
03:12:40 16 how did into impact the Reserves Replacement  
03:12:44 17 Ratios, Finding and Development costs, et cetera.  
03:12:49 18 And the fact that those bookings were made then  
03:12:56 19 show me what the Finding and Development unit  
03:13:00 20 costs are now and back then.

03:13:04 21 Q And what is meant by "Finding and  
03:13:06 22 Development unit costs"?

03:13:10 23 A That's, that's an industry parameter  
03:13:14 24 that adds together your exploration costs and all  
03:13:17 25 the costs to develop the fields, and there are

LORIN BRASS

Page 336

1 LORIN BRASS, November 9th, 2006

03:13:21 2 some other categories I'm not remembering; and  
03:13:24 3 divides it by the bookings in those years, proved  
03:13:29 4 bookings, proved reserve bookings.

03:13:33 5 Q So what was the relevant -- relevance of  
03:13:36 6 the impact on the F&D unit costs?

03:13:41 7 A Since, on a stand-alone basis, because  
03:13:44 8 those Proved Reserves were not there when we take  
03:13:47 9 the FID, overall our Finding and Development costs  
03:13:52 10 would be higher and the Finding and Development  
03:13:55 11 costs prior would have been lower.

03:13:57 12 Q And is one preferable to the other?

03:14:02 13 A Lower is better.

03:14:10 14 Q Did you understand why Mr. Van der  
03:14:20 15 Vijver wanted that to be part of the presentation  
03:14:23 16 to CMD?

03:14:25 17 A I know we were -- well, there were  
03:14:30 18 questions about why is our Finding and Development  
03:14:34 19 cost so high. That had been a topic of  
03:14:36 20 discussion, and I won't be able to quote when they  
03:14:39 21 were or with who. And I think he's getting ready  
03:14:42 22 for that question, you know, what are the elements  
03:14:43 23 of your Finding and Development costs and why are  
03:14:46 24 they as high as they are.

03:14:47 25 Q So was there a -- had it determined that

LORIN BRASS

Page 337

1 LORIN BRASS, November 9th, 2006

03:15:03 2 the Finding and Development costs were so high  
03:15:07 3 because of what had happened in prior years?

03:15:11 4 A It was an element. There were several  
03:15:13 5 elements, including just the overall portfolio  
03:15:16 6 again that we had, the cost to develop these major  
03:15:19 7 projects, our bookings would be spread out, et  
03:15:22 8 cetera, so it was an element.

03:15:25 9 Q In the next item it says, "What we are  
03:15:27 10 doing to raise reserves basis, both expectation  
03:15:33 11 and proved," and then there's a list. What did  
03:15:40 12 you understand him to mean by "reserves basis"?

03:15:50 13 A Only what are we doing to reserve -- my  
03:15:54 14 interpretation is what are we doing to raise both  
03:15:57 15 Expectation Reserves and Proved Reserves.

03:16:01 16 Q And then under that is a list. What is  
03:16:04 17 E&A?

03:16:05 18 A Exploration and --

03:16:11 19 Q Is it acquisition?

03:16:12 20 A No. Appraisal. Exploration and  
03:16:15 21 Appraisal.

03:16:18 22 MR. CLARK: I was going to give you a  
03:16:20 23 hint.

03:16:23 24 THE WITNESS: Thank you.

03:16:23 25

LORIN BRASS

Page 338

1 LORIN BRASS, November 9th, 2006

03:16:23 2 BY MS. MARSHALL:

03:16:23 3 Q And what was being done with respect to  
03:16:26 4 exploration and appraisal in order to raise the  
03:16:30 5 reserve basis?

03:16:40 6 A This is mid-2002. I suppose I would  
03:16:45 7 refer back to the Exploration FRD that we talked  
03:16:49 8 about yesterday and the action items that ensued  
03:16:51 9 from that, which were all geared toward improving  
03:16:54 10 the value added from exploration. I can't recall  
03:16:59 11 if there were other, more events in mid-2002, like  
03:17:06 12 lease sales, et cetera, that might have also gone  
03:17:10 13 towards improvement of exploration activities.

03:17:23 14 Q How would lease sales increase the  
03:17:31 15 reserve basis?

03:17:35 16 A If you're actively acquiring good  
03:17:37 17 leases, you have more opportunities to drill for  
03:17:40 18 hydrocarbons. And with the onset of finding  
03:17:44 19 hydrocarbons, eventually you have the possibility  
03:17:46 20 or the likelihood of booking reserves. It's a  
03:17:50 21 long-term. It wouldn't do anything in 2002. A  
03:17:54 22 lease acquired might be ten years before you're  
03:17:57 23 even close to booking reserves.

03:18:06 24 Q So when you said "lease sales," that  
03:18:10 25 meant they were purchasing leases?

LORIN BRASS

Page 339

1 LORIN BRASS, November 9th, 2006

03:18:12 2 A Yeah, I'm sorry. A lease goes for sale.

03:18:16 3 A government puts a lease up for sale. Those are  
03:18:19 4 called lease sales, and we go to the lease and buy  
03:18:22 5 the lease. Sorry.

03:18:23 6 Q No, no, it's fine. Thank you for  
03:18:25 7 clearing that up.

03:18:27 8 And what is the next item, "Acq"? What  
03:18:31 9 did you understand that to mean?

03:18:33 10 A Acquisitions.

03:18:34 11 Q And how are -- is that what we talked  
03:18:37 12 about, how acquisitions were being used to raise  
03:18:39 13 the reserve basis?

03:18:40 14 A Yes.

03:18:42 15 Q Such as the Enterprise acquisition?

03:18:45 16 A Yes.

03:18:48 17 Q And what about revisions?

03:18:50 18 A That's one of the categories in your  
03:18:52 19 booking of reserves, so he's just saying what are  
03:18:57 20 we doing around revisions.

03:19:02 21 Q And was there anything happening with  
03:19:10 22 respect to revisions in 2000 (sic) that was  
03:19:14 23 raising the reserve basis?

03:19:18 24 MR. CLARK: 2000 or 2002?

03:19:19 25

LORIN BRASS

Page 340

1 LORIN BRASS, November 9th, 2006

03:19:19 2 BY MS. MARSHALL:

03:19:20 3 Q 2002. Thank you.

03:19:23 4 A I can't recall anything specific.

03:19:27 5 Q And what does "T&OE" drive refer to?

03:19:34 6 A It's another one of the initiatives we  
03:19:36 7 have. It stands for "Technical And Operational  
03:19:37 8 Excellence," and there was again a whole -- a  
03:19:44 9 number of various activities that were identified  
03:19:46 10 to improve the business, both on the technical and  
03:19:48 11 the operational side.

03:19:52 12 Q And what were some of those?

03:19:56 13 A Well, there were teams that were looking  
03:19:59 14 specifically at enhanced recovery; for instance,  
03:20:02 15 waterfloods. There was a team that was looking at  
03:20:06 16 production, ways to improve production rates from  
03:20:10 17 existing wells. There was a team targeted towards  
03:20:16 18 reserves, the maturation of the reserves primarily  
03:20:19 19 from Scope of Recovery to Expectation and Proved.  
03:20:24 20 There was, I think -- well, there was some also  
03:20:29 21 related to the actual facilities where a lot of  
03:20:33 22 the oil and gas are processed. So it spanned  
03:20:37 23 elements of the entire Oil and Gas or most all of  
03:20:41 24 the Oil and Gas operations.

03:20:43 25 Q Did -- was John Pay involved with the

LORIN BRASS

Page 341

1 LORIN BRASS, November 9th, 2006

03:20:47 2 T&OE?

03:20:48 3 A No.

03:20:51 4 Q Did he ever become involved with that?

03:20:54 5 A Not to my knowledge.

03:20:55 6 Q What about John Bell?

03:20:57 7 A Yes.

03:20:57 8 Q That's who I was thinking of. Thank

03:20:59 9 you.

03:21:00 10 A Yes.

03:21:00 11 Q What was his involvement?

03:21:01 12 A When we first started the initiative, he

03:21:04 13 was chosen to lead it.

03:21:07 14 Q Why was he chosen to lead it?

03:21:10 15 A Because he seemed like an excellent

03:21:11 16 candidate, given his experience, background,

03:21:16 17 capabilities, communication skills, et cetera.

03:21:20 18 Q And do you know the time period that he

03:21:23 19 was chosen to lead the T&OE drive or team?

03:21:32 20 A Well, he did that when he left this job.

03:21:37 21 Q Which job?

03:21:38 22 A I'm sorry. The head of Strategy and

03:21:41 23 Planning, and I can't recall when that was.

03:21:57 24 Q Was the T&OE team created to look into

03:22:18 25 ways to raise the reserve basis?

LORIN BRASS

Page 342

1 LORIN BRASS, November 9th, 2006

03:22:22 2 A As I mentioned, one of the teams,  
03:22:24 3 because there were several -- one of the teams'  
03:22:25 4 concentrated on primarily ways to move reserves  
03:22:30 5 from Scope of Recovery, Expectation, into Proved  
03:22:33 6 category.

03:22:34 7 Q Do you know who led that team?

03:22:42 8 A No.

03:22:47 9 Q Where was this team located?

03:22:50 10 A John was there still in, in The Hague,  
03:22:55 11 and most of the team members, although we pulled  
03:22:59 12 several from the Operating Units as well, were  
03:23:02 13 officed at Rijswijk.

03:23:05 14 Q And how long did -- is this team still  
03:23:10 15 in creation, in existence?

03:23:13 16 A I don't think so. It was an initiative,  
03:23:15 17 and it did last for years, but I don't, I don't  
03:23:19 18 think it's in existence as that same name anyway  
03:23:23 19 at this point in time.

03:23:25 20 Q Did you have interaction with this team?

03:23:31 21 A Not particularly.

03:23:34 22 Q Do you know whose idea it was to form  
03:23:36 23 this team?

03:23:38 24 A It was, it was discussed and agreed at  
03:23:41 25 ExCom and even more broadly at the EP leadership



LORIN BRASS

Page 343

1 LORIN BRASS, November 9th, 2006

03:23:45 2 forum. I forget who the sort of founding person  
03:23:49 3 was for that initiative.

03:23:52 4 Q Do you know if any of the teams, any of  
03:23:56 5 the T&OE teams were located in the United States?

03:24:04 6 A I'm not aware of any.

03:24:13 7 Q Okay. Further down under "T&OE" it says  
03:24:18 8 "License Issues." Was anything in particular  
03:24:24 9 going on with respect to license issues that was  
03:24:28 10 raising the reserve basis as you were putting  
03:24:34 11 together the presentation to the CMD?

03:24:36 12 A Well, we were certainly working on the,  
03:24:38 13 uh, specifically the Nigeria license extension,  
03:24:44 14 and I would have interpreted that to, to what he  
03:24:53 15 meant. I don't know when we kicked off --

03:24:54 16 THE REPORTER: To a what? To a meant?

03:24:57 17 THE WITNESS: Meant what he -- sorry.  
03:24:57 18 And the other one we talked about was the Oman  
03:24:59 19 License Extension Team.

03:25:04 20 MS. MARSHALL: I think he said "I would  
03:25:05 21 have interpreted that to be what he meant."

03:25:15 22 THE REPORTER: Thank you.

03:25:15 23 BY MS. MARSHALL:

03:25:15 24 Q And what was "New Projects"?

03:25:19 25 A Well, anything again that was -- for

LORIN BRASS

Page 344

LORIN BRASS, November 9th, 2006

1  
03:25:21 2 instance, this list of FIDs from 2002 to 2006, you  
03:25:25 3 would have seen things like the large Kashagan  
03:25:29 4 field, the Sakhalin activities; you would have  
03:25:35 5 seen things like Angola Block 18, all those major  
03:25:39 6 new projects coming forward.

03:25:41 7 Q What about this "big ticket items NBD"?

03:25:47 8 A "NBD" stands for "New Business  
03:25:49 9 Development." It was an internal label we placed  
03:25:55 10 on the large -- the largest opportunities that we  
03:26:01 11 had in New Business Development. These would not  
03:26:06 12 be major corporate acquisitions, but they would be  
03:26:09 13 various -- associated with various fields around  
03:26:12 14 the world.

03:26:17 15 Q He wrote here, "Please share draft with  
03:26:21 16 me." Do you recall sharing a draft of your  
03:26:23 17 presentation with Mr. Van der Vijver?

03:26:27 18 A Well, I would have done what I said in  
03:26:29 19 the response. I don't recall the review itself,  
03:26:32 20 but yes, I certainly sent him a draft of the  
03:26:35 21 presentation.

03:26:36 22 Q Do you recall whether or not you  
03:26:38 23 received comments?

03:26:43 24 A No, but I would have gotten a response  
03:26:45 25 either that they're fine or that he had some

LORIN BRASS

Page 345

1 LORIN BRASS, November 9th, 2006

03:26:47 2 changes.

03:27:16 3 Q If you turn to Page -- I think this  
03:27:21 4 might be easiest to do it this way. Page 4 of the  
03:27:24 5 Note For Discussion, which is Bates Number 970.

03:27:31 6 A Okay. Do you want me to read it, or --

03:27:35 7 Q No, I'm just going to point you. Under  
03:27:38 8 "2.4, 2003 Upside" it says, "Backfilling 2003 by  
03:27:47 9 accelerating bookings from later years might be  
03:27:49 10 feasible." Do you know what "backfilling" means  
03:27:54 11 in this context?

03:27:59 12 A Well, increasing the reserves booking in  
03:28:09 13 2003, backfilling may have, may have referred to  
03:28:14 14 prior portions of the notes. For instance, in  
03:28:18 15 2002 that is the year we booked the first tranche  
03:28:22 16 of Kashagan, which is a pretty sizable lump, and  
03:28:27 17 originally I think that had been in our Business  
03:28:28 18 Plan for 2003, so by taking that out of 2003 and  
03:28:32 19 moving it to 2002 left a bit of a void in 2003,  
03:28:37 20 and so what he's saying here is: Are there ways  
03:28:40 21 we can do the same thing by changing our drilling  
03:28:43 22 programs, accelerating exploration activities, et  
03:28:47 23 cetera, that are currently on FID lists later?  
03:28:52 24 Can we do things in the field to bring those  
03:28:55 25 forward into 2003?

LORIN BRASS

Page 346

1 LORIN BRASS, November 9th, 2006

03:29:12 2 Q When you booked the first tranche of  
03:29:14 3 Kashagan in 2002, had an FID been made?

03:29:21 4 A There was a Declaration of Commerciality  
03:29:26 5 in 2002, so the partners had given notice to the  
03:29:31 6 government that we are ready to proceed with the  
03:29:34 7 project. It's called a Declaration of  
03:29:36 8 Commerciality. I don't recall the exact date of  
03:29:39 9 the FID, but that was a significant commitment  
03:29:42 10 towards the project when you declare  
03:29:44 11 commerciality.

03:29:45 12 Q And had that happened earlier than had  
03:29:47 13 been anticipated?

03:29:50 14 A I know we always were a bit pessimistic  
03:29:53 15 how soon that would occur, and for our Business  
03:29:55 16 Plans we would generally, outside the partnership,  
03:29:59 17 keep our startup a little later than what the  
03:30:03 18 other partners were carrying, what the operator  
03:30:05 19 was carrying.

03:30:29 20 Q And that's what's referred to in the  
03:30:33 21 first paragraph on Page 3 of the note, the first  
03:30:48 22 paragraph under "2002 Latest Estimate"?

03:30:50 23 A Yeah, I'm just reading it.

03:30:52 24 Q Okay.

03:30:53 25 A Yes. Yes.

LORIN BRASS

Page 347

1 LORIN BRASS, November 9th, 2006

03:31:19 2 Q Now, if you look at the next paragraph,  
03:31:21 3 there's a discussion about the UFDC, and it refers  
03:31:29 4 to a "\$3-5 per boe comfort zone."

03:31:41 5 A Uh-huh.

03:31:42 6 Q Can you explain to me what that comfort  
03:31:45 7 zone is.

03:31:47 8 A Yeah, as I recall, again two or three  
03:31:51 9 organizations collect data from all the Oil and  
03:31:54 10 Gas industry, and they display what the industry's  
03:32:00 11 performance is in a number of categories,  
03:32:02 12 including Finding and Development costs. And in  
03:32:05 13 general our competitors and others would be in  
03:32:10 14 that range, and, of course, there's a wide spread  
03:32:14 15 always, and so being in that range would be good,  
03:32:18 16 because you're right up with the competition.

03:32:21 17 I think the other element is the  
03:32:24 18 investment community, the analysts, would start to  
03:32:27 19 raise their eyebrows if Finding and Development  
03:32:32 20 costs go higher, and again not recalling  
03:32:35 21 specifically, but I'm assuming, you know, once you  
03:32:37 22 get over five dollars, you're going to be  
03:32:39 23 answering a lot more questions from the analyst  
03:32:43 24 community about your Finding and Development  
03:32:44 25 costs.

LORIN BRASS

Page 348

1 LORIN BRASS, November 9th, 2006

03:32:45 2 Q So is that a figure that was closely  
03:32:46 3 followed within the company?

03:32:48 4 A Yes, we followed it, because it was an  
03:32:51 5 industry number that people talked about and the  
03:32:54 6 analysts used. We found it to be a very poor  
03:32:57 7 measure of performance, and therefore we didn't do  
03:33:00 8 a lot of internal work with it other than produce  
03:33:03 9 the number and know how we stacked up with the  
03:33:06 10 competition.

03:33:15 11 Q So according to this, even if reserves  
03:33:19 12 could be fully replaced, the figure would be  
03:33:22 13 reduced only to \$6.4 per boe. Is that for the  
03:33:35 14 year 2002?

03:33:37 15 A Yes.

03:33:39 16 Q And do you know what is meant by "even  
03:33:41 17 if reserves could be fully replaced"?

03:33:45 18 A It's just saying \$9.40 is what you get  
03:33:50 19 with our current estimate of Reserves Replacement  
03:33:51 20 Ratio, and just as a "what if," what if we had a  
03:33:56 21 hundred percent reserve replacement, just to say  
03:33:57 22 that even if we did that good, which we're not  
03:34:00 23 going to do, we still wouldn't be in the comfort  
03:34:03 24 zone, so he's simply saying its still -- we're  
03:34:04 25 saying it's still a high number.

LORIN BRASS

Page 349

1 LORIN BRASS, November 9th, 2006

03:34:06 2 Q Why wouldn't a hundred percent Reserves  
03:34:09 3 Replacement Ratio get you into that comfort zone?

03:34:15 4 A It's a simple math of how much --

03:34:18 5 Q Simple for you, right?

03:34:20 6 A It's just finding all the money we spent  
03:34:22 7 in 2002 divided by all the barrels we would have  
03:34:26 8 booked, which would have been what we produced.  
03:34:30 9 So that math still comes up with a number, and,  
03:34:33 10 you know, what's happening here again is that our  
03:34:38 11 capitalists are having to see quite some increases  
03:34:40 12 because of these major projects. I'm not sure we  
03:34:43 13 raised the ceiling a lot yet by 2002, but our  
03:34:46 14 spend rate was going up because of all these  
03:34:49 15 projects.

03:34:51 16 Q So in order to get the UFDC in the  
03:34:54 17 comfort zone, the Reserves Replacement Ratio would  
03:34:58 18 have to have been well over a hundred?

03:35:01 19 MR. CLARK: Objection.

03:35:01 20 THE WITNESS: Right, or the, or the  
03:35:03 21 costs would have had to come down, one or the  
03:35:06 22 other or both.

03:35:17 23 BY MS. MARSHALL:

03:35:17 24 Q Now, if you look at the, toward the  
03:35:20 25 bottom of the page under "2002 Upside," it says,

LORIN BRASS

Page 350

1 LORIN BRASS, November 9th, 2006

03:35:31 2 "Further upside may stem from organic revisions to  
03:35:36 3 the acquired Enterprise portfolio. Review of  
03:35:43 4 their practices show that they were conservative  
03:35:46 5 in their approach to SEC reserves declarations  
03:35:50 6 compared with Shell."

03:35:58 7 How were they conservative in their  
03:36:01 8 approach to the SEC or reserves declaration  
03:36:03 9 compared with Shell?

03:36:06 10 MR. MORSE: Objection to form.

03:36:12 11 THE WITNESS: Yeah, I don't recall.

03:36:14 12 BY MS. MARSHALL:

03:36:14 13 Q Do you recall conversations regarding  
03:36:20 14 whether Enterprise was conservative in their  
03:36:23 15 approach to SEC reserve declarations compared with  
03:36:26 16 Shell?

03:36:27 17 A Only the topic. I don't recall any of  
03:36:28 18 the content.

03:36:37 19 Q Do you recall how Shell learned what  
03:36:41 20 Enterprise's approach to SEC reserve declarations  
03:36:45 21 was?

03:36:47 22 A Only after having enough time to work  
03:36:49 23 with their data. Some of the people, of course,  
03:36:53 24 we hired, and so we could talk to them as well,  
03:36:56 25 but it took some time to really understand how



LORIN BRASS

Page 351

1 LORIN BRASS, November 9th, 2006

03:36:59 2 they did their work, so this is still a relatively  
03:37:03 3 early days. We basically -- yeah, this is July,  
03:37:07 4 so the acquisition is essentially just, just  
03:37:11 5 happening at this point in time.

03:37:23 6 Q It says, "Application of the Shell  
03:37:24 7 Guidelines should yield a few tens of millions of  
03:37:28 8 barrels, possibly with more to come from the  
03:37:30 9 natural flow of revisions within the portfolio."  
03:37:34 10 Do you recall which year's Guidelines this was  
03:37:38 11 referring to?

03:37:39 12 A No.

03:37:46 13 Q Since it had become a point of  
03:37:54 14 discussion in early 2002 that there was a  
03:37:59 15 discrepancy between the SEC Rule and the Shell  
03:38:02 16 Guidelines, were the Shell Guidelines revised?

03:38:08 17 A Work was begun to revise the Guidelines.  
03:38:11 18 I don't recall exactly when those were completed.

03:38:26 19 Q If you turn to the sixth page of the  
03:38:31 20 note under "Historical Context," the second  
03:38:34 21 paragraph, it says, "With the benefit of  
03:38:37 22 hindsight, some of the organic revisions made in  
03:38:40 23 recent years now appear somewhat aggressive;  
03:38:42 24 principally Australia (Gorgon, struggling to reach  
03:38:46 25 maturity) and SPDC (bookings continued on the back

LORIN BRASS

Page 352

1 LORIN BRASS, November 9th, 2006

03:38:50 2 of expected production growth that has still to  
03:38:53 3 materialize, contributing to a bow-wave problem in  
03:38:57 4 the remainder of the license)."

03:38:59 5 Do you recall whether or not you agreed  
03:39:00 6 with that statement at that time?

03:39:08 7 A By mid-2002, I, I think I would agree  
03:39:12 8 with that statement.

03:39:23 9 Q If you look to Page 13 of the note, it's  
03:39:36 10 titled "Attachment 1d," and it's titled "Possible  
03:39:40 11 Constraints on Within-License Resources  
03:39:42 12 (at 1.1.2002)." Do you know who compiled this  
03:39:49 13 list?

03:39:50 14 A John Pay.

03:39:51 15 Q Do you know if an effort was made to  
03:39:52 16 make this list complete?

03:39:58 17 A Yes. This would be, this would be a  
03:40:00 18 very complete list.

03:40:12 19 Q And were the possible constraints --  
03:40:27 20 strike that. If you look at the document, it's  
03:40:29 21 organized under different headings. Do those  
03:40:31 22 headings describe what the possible constraints  
03:40:36 23 within license were summarized to be?

03:40:40 24 MR. CLARK: Objection to form.

03:40:51 25 THE WITNESS: I'm just reading through

LORIN BRASS

Page 353

1 LORIN BRASS, November 9th, 2006  
03:40:52 2 them a minute.  
03:40:53 3 BY MS. MARSHALL:  
03:40:53 4 Q Sure.  
03:40:54 5 A By and large, yes.  
03:41:27 6 Q If you turn to Attachment 1g, which is  
03:41:29 7 on Page 16, what did you understand this list to  
03:41:47 8 be?  
03:41:48 9 A It's, it's taking now just an  
03:41:52 10 Operating-Unit-by-Operating-Unit description of  
03:41:55 11 what some of the challenges are, whether it's on  
03:42:02 12 resources, so not, they're not -- it's not just a  
03:42:05 13 listing of the challenges for Proved Reserves;  
03:42:06 14 it's, it's for all categories of reserves for  
03:42:10 15 Expectation Reserves, for Scope of Recovery, et  
03:42:14 16 cetera.  
03:42:19 17 MS. MARSHALL: I'm going to show you a  
03:42:20 18 document which we'll mark as Exhibit Number 12.  
03:42:37 19 It's Bates number V00230877 through 903.  
03:42:52 20 (Exhibit No. 12 was marked for  
03:42:52 21 identification and attached to the deposition  
03:42:52 22 transcript.)  
03:44:34 23 THE WITNESS: Okay.  
03:44:37 24 BY MS. MARSHALL:  
03:44:37 25 Q Do you recognize this document? And I'm

LORIN BRASS

Page 354

1 LORIN BRASS, November 9th, 2006

03:44:41 2 less concerned with the first two pages, which is  
03:44:44 3 the e-mail exchange or the attachment which begins  
03:44:49 4 on Page 879.

03:44:53 5 A Yes. I guess it just starts twice,  
03:45:03 6 though, a little bit, doesn't it?

03:45:06 7 Q Does it? I don't know.

03:45:08 8 A It just seems like a repeat of the first  
03:45:10 9 two pages.

03:45:11 10 Q Yeah, I believe this is the way the  
03:45:12 11 document was produced to us.

03:45:14 12 A Yeah, that's fine.

03:45:15 13 Q So maybe if we start at Page 882, that  
03:45:19 14 might be cleaner.

03:45:21 15 A Yes.

03:45:23 16 Q Can you tell me what this document is.

03:45:25 17 A This is a -- this is what I told I'd  
03:45:31 18 send to Walter the next day in that last note, so  
03:45:33 19 this is a draft. It's not complete. This is a  
03:45:39 20 draft of the presentation to CMD.

03:45:41 21 Q And is that a presentation that you made  
03:45:43 22 to the CMD?

03:45:44 23 A Yes.

03:45:45 24 Q And how did the final version differ  
03:45:49 25 from the draft?

LORIN BRASS

Page 355

1 LORIN BRASS, November 9th, 2006

03:45:50 2 A There's some, there's some charts near  
03:45:53 3 the back that obviously aren't complete, 894, 895,  
03:46:04 4 so -- plus I know he's -- yeah, other than that, I  
03:46:08 5 couldn't be able to -- you know, the rest all  
03:46:11 6 looked familiar, but there may have been some  
03:46:14 7 minor edits here and there that got made for the  
03:46:17 8 final presentation.

03:46:18 9 Q Now, was the CMD given copies of the  
03:46:22 10 presentation, or was it just a visual  
03:46:26 11 presentation?

03:46:29 12 A It was customary -- it was not customary  
03:46:32 13 at that time to give them a copy of the  
03:46:34 14 presentation before the meeting.

03:46:36 15 Q Did they get a copy of the presentation  
03:46:38 16 after the meeting?

03:46:39 17 A They normally wouldn't. They're offered  
03:46:41 18 one, but they normally wouldn't need one or  
03:46:44 19 wouldn't take one.

03:46:47 20 Q Do you recall the CMD meeting where you  
03:46:50 21 made this presentation?

03:46:51 22 A Yes.

03:46:52 23 Q What do you recall about that meeting?

03:47:00 24 A Well, having read the note, I think  
03:47:05 25 everyone understood what the issues really were;

LORIN BRASS

Page 356

1 LORIN BRASS, November 9th, 2006  
03:47:07 2 therefore, it wasn't a -- it was a good  
03:47:13 3 discussion, but there wasn't a large controversy,  
03:47:15 4 et cetera, at the meeting. People appreciated  
03:47:18 5 that there was a problem. They began to  
03:47:20 6 understand the problem much better. They looked  
03:47:23 7 for us to do all we can to, on the way forward, to  
03:47:27 8 continue to improve upon the situation we're in  
03:47:31 9 with reserves, so, you know, I would categorize it  
03:47:36 10 as meaningful questions and meaningful discussion  
03:47:39 11 around the topic at hand in a very business-like  
03:47:45 12 manner.

03:47:47 13 Q Do you recall whether, prior to the  
03:47:55 14 presentation to CMD, there was any concern  
03:48:01 15 regarding Mr. Watts' reaction?

03:48:06 16 A Well, I was wondering a little bit what  
03:48:09 17 the reaction might be myself, but -- and whenever  
03:48:15 18 I wasn't as explicit as Walter wanted me to be, he  
03:48:19 19 would chime in and make comments that were very  
03:48:22 20 explicit about his views, and Mr. Watts  
03:48:25 21 understood. There was discussion. There was  
03:48:28 22 no -- there was no negative reactions.

03:48:32 23 Q Why were you wondering a little bit  
03:48:35 24 about what their reaction might be prior to the  
03:48:37 25 meeting, Mr. Watts' reaction might be prior to the

LORIN BRASS

Page 357

1 LORIN BRASS, November 9th, 2006

03:48:42 2 meeting?

03:48:43 3 A Well, we've hit on the topic but haven't  
03:48:46 4 really said it directly. It's this issue of the  
03:48:48 5 bookings made in earlier years which now are not  
03:48:50 6 available to be made. I'm not saying they were  
03:48:53 7 erroneously made, but they were made earlier, and  
03:48:57 8 hence when we are now spending the money and  
03:49:00 9 signing the FIDs in some of these projects, we are  
03:49:03 10 not able to book reserves. That's a fact, but I  
03:49:06 11 was a bit curious how would the reaction be.

03:49:09 12 Q Is that because the bookings were made  
03:49:11 13 when Mr. Watts was the head of EP?

03:49:17 14 A Some of them. Not all of them. Some  
03:49:19 15 even preceded him, but some of them certainly  
03:49:22 16 were.

03:49:22 17 Q Do you recall whether or not you ever  
03:49:25 18 discussed your concern with Mr. Van der Vijver?

03:49:28 19 MR. CLARK: Objection.

03:49:37 20 THE WITNESS: I really don't recall.

03:49:38 21 BY MS. MARSHALL:

03:49:39 22 Q Do you recall whether or not you ever  
03:49:42 23 discussed with anybody prior to the meeting  
03:49:45 24 what -- whether they were concerned about what  
03:49:53 25 Mr. Watts' reaction was going to be?

LORIN BRASS

Page 358

1 LORIN BRASS, November 9th, 2006

03:49:57 2 A I guess there was curiosity in the  
03:50:00 3 process as to how this meeting would go. I don't  
03:50:03 4 remember any specifics, but it wasn't a new topic.  
03:50:08 5 We had discussed this many, many times with Walter  
03:50:11 6 and with ourselves about when these bookings were  
03:50:14 7 made, and so it wasn't necessarily so focused on  
03:50:20 8 this exact point in time, but there was curiosity  
03:50:23 9 if there would be any kind of reaction.

03:50:27 10 Q Who expressed curiosity?

03:50:32 11 A I don't recall. In these preparations,  
03:50:35 12 the same people we've just talked about ~~were~~ the  
03:50:37 13 ones that were always working on the project.

03:50:40 14 Q And that would be Mr. Pay?

03:50:42 15 A The Johns -- John Bell, John Pay,  
03:50:44 16 myself, et cetera.

03:51:00 17 Q Did Mr. Van der Vijver ever express  
03:51:04 18 frustration that there had been so many bookings  
03:51:07 19 in prior years?

03:51:09 20 A Yes.

03:51:11 21 Q When did he first express frustration?

03:51:14 22 A I don't recall.

03:51:16 23 Q Do you recall how he expressed his  
03:51:18 24 frustration?

03:51:22 25 A I recall one example, and I forget the



LORIN BRASS

Page 359

1 LORIN BRASS, November 9th, 2006

03:51:26 2 project that we were about to take FID on. It may  
03:51:30 3 have been one of these that we talked about, but I  
03:51:33 4 don't recall. And his question really is: When I  
03:51:35 5 take this FID, how many reserves are we going to  
03:51:37 6 book? And the answer was: None. They're already  
03:51:40 7 booked. So -- and that wasn't the first, and  
03:51:46 8 hence in that sequence of things then -- and again  
03:51:51 9 this was earlier than now, obviously, so maybe six  
03:51:53 10 months or so earlier or maybe even more, that's  
03:51:57 11 when he started asking, well, give me a full  
03:51:59 12 description now, because if I'm not certain what  
03:52:01 13 we're going to book when we take FIDs, you know, I  
03:52:05 14 want to know. I want to understand what's in the  
03:52:09 15 Business Plan going forward that occurs now.

03:52:15 16 Q Did he ever express surprise when  
03:52:23 17 informed that no bookings could be made in a  
03:52:27 18 project that he was taking to FID?

03:52:34 19 A Can you do that one again.

03:52:36 20 Q Yeah, sure. Earlier you said that his  
03:52:43 21 question was, "When I take this FID, how many  
03:52:46 22 reserves are we going to book? And the answer  
03:52:50 23 was: None. They're already booked." Did he  
03:52:56 24 express surprise when you told him the reserves  
03:52:59 25 had already been booked?

LORIN BRASS

Page 360

1 LORIN BRASS, November 9th, 2006

03:53:01 2 A Yes.

03:53:07 3 Q And was it surprising to you that the  
03:53:15 4 reserves had already been booked, or was that  
03:53:18 5 something you were already aware of?

03:53:20 6 A I guess through the analysis we've done  
03:53:24 7 and also looking back at the records, and  
03:53:30 8 inconsistent with Anton's reviews, et cetera, yes,  
03:53:33 9 we were aware that there was bookings prior to  
03:53:37 10 taking FID. And of course, if we go back far  
03:53:43 11 enough, that was part of our procedures. So even  
03:53:45 12 though, while we're sitting in 2002 in a bit of  
03:53:49 13 newer world when it comes to understanding of  
03:53:51 14 Guidelines and Rules, it didn't necessarily  
03:53:54 15 mean that -- didn't necessarily mean that the  
03:53:59 16 bookings we had made in those prior years were  
03:54:01 17 against those Rules and Guidelines. It's just  
03:54:03 18 sitting in today, the frustration is they're not  
03:54:05 19 there to be booked.

03:54:11 20 Q Do you know whether or not Mr. van der  
03:54:14 21 Vijver ever expressed frustration to Mr. Watts  
03:54:18 22 about this fact?

03:54:30 23 A Not, not -- no.

03:54:50 24 Q Now, during the CMD meeting I believe  
03:55:04 25 you said that some things you didn't go into. I

LORIN BRASS

Page 361

1 LORIN BRASS, November 9th, 2006  
03:55:14 2 can find -- maybe I'll just ask you a different  
03:55:17 3 question. Were you -- while you were making your  
03:55:19 4 presentation, were you conscious of the fact that  
03:55:25 5 Mr. Watts might be sensitive to some of the  
03:55:28 6 information you were presenting because it  
03:55:31 7 involved bookings that had been made while he was  
03:55:34 8 the head of EP?

03:55:38 9 MR. CLARK: Objection to form.

03:55:43 10 MR. MORSE: Objection to form.

03:55:44 11 THE WITNESS: I think I sort of go back  
03:55:46 12 to the statement I made earlier that, yeah, I had  
03:55:49 13 a bit of question as to whether any of these,  
03:55:51 14 particularly that chart, would cause any, any  
03:55:54 15 reaction from Phil.

03:55:56 16 BY MS. MARSHALL:

03:55:57 17 Q Did you temper your -- was your  
03:56:01 18 presentation at all affected by your questions as  
03:56:08 19 to whether the chart would cause any reaction from  
03:56:13 20 Phil?

03:56:14 21 A Well, certainly I would try not, but I  
03:56:17 22 specifically remember in that account that Walter  
03:56:20 23 picked up the baton at that point and made his own  
03:56:22 24 statements, so whatever I might have said, if it  
03:56:26 25 wasn't enough, then Walter, I know on that

LORIN BRASS

Page 362

1 LORIN BRASS, November 9th, 2006

03:56:29 2 particular one -- and it was just again an  
03:56:31 3 explanation to all the CMD colleagues about what  
03:56:33 4 had happened, so he took over kind of the script  
03:56:37 5 at that point.

03:56:38 6 Q Do you recall at what point you passed  
03:56:43 7 the baton?

03:56:44 8 A He took it, but I specifically remember  
03:56:48 9 him making comment on the chart where it showed  
03:56:50 10 the historic bookings. I don't recall other times  
03:56:55 11 like that. I guess I was sensitized to that  
03:56:57 12 particular one a bit more, but he certainly  
03:57:00 13 commented, as was very typical, commented  
03:57:04 14 throughout the presentation when he had remarks to  
03:57:06 15 make.

03:57:07 16 Q Did he express frustration during the  
03:57:10 17 presentation about the historical bookings?

03:57:15 18 A As I recall, it was handled very  
03:57:18 19 professionally, very business-like. It was not an  
03:57:25 20 emotional discussion on his part or anyone else's.

03:57:28 21 Q Were there any questions from any of the  
03:57:29 22 CMD members during the presentation that you can  
03:57:32 23 recall?

03:57:33 24 A There were lots of questions, but, you  
03:57:35 25 know, I don't -- I'm trying to think of an

LORIN BRASS

Page 363

1 LORIN BRASS, November 9th, 2006  
03:57:39 2 example, but I, I --  
03:57:43 3 Q Maybe what we'll do is give you a copy  
03:57:46 4 of the Minutes.  
03:57:47 5 A Okay.  
03:57:52 6 MS. MARSHALL: We'll mark this as  
03:57:53 7 Exhibit 13 for identification. It's LON00031491  
03:58:00 8 through 31521.  
03:58:19 9 (Exhibit No. 13 was marked for  
03:58:19 10 identification and attached to the deposition  
03:58:19 11 transcript.)  
03:58:20 12 BY MS. MARSHALL:  
03:58:21 13 Q I'll direct you to Page 18 of the  
03:58:25 14 Minutes, because I think that's the relevant  
03:58:27 15 portion, and if I'm wrong, you can let me know.  
03:58:39 16 A That certainly looks like the relevant  
03:58:40 17 section.  
03:58:41 18 Q If you want to take a minute and read it  
03:58:43 19 through, that's fine. Why don't we give you a  
03:58:53 20 minute to read it. We can go off the record.  
03:59:00 21 THE VIDEOGRAPHER: We are going off the  
03:59:01 22 record. The time is 3:58 p.m.  
03:59:04 23 (Whereupon, a short recess was taken.)  
04:10:45 24 THE VIDEOGRAPHER: We're back on the  
04:10:45 25 record. The time is 4:10 p.m.

LORIN BRASS

Page 364

1 LORIN BRASS, November 9th, 2006

04:10:48 2 BY MS. MARSHALL:

04:10:49 3 Q Did you have an opportunity to review  
04:10:53 4 Page 18 of the exhibit before you?

04:11:07 5 A Yes.

04:11:07 6 Q Before we turn to the text of the page,  
04:11:11 7 I just want to ask you a couple questions. If you  
04:11:14 8 turn to the front of the page, there's a list of  
04:11:19 9 who is present at the meeting: Mr. Watts, Mr. Van  
04:11:29 10 der Vijver (sic), J. van der Vijver (sic), P.D.  
04:11:35 11 Skinner, W. van der Veer -- I'm sorry. I should  
04:11:39 12 put my glasses on. Mr. Watts, Mr. Van der Veer,  
04:11:43 13 Mr. Skinner, Mr. Van der Vijver and Mr. Brinded,  
04:11:47 14 and Ms. Boynton is listed as "in attendance." Do  
04:11:50 15 you know why that was?

04:11:52 16 A Of course, Judy was our CFO, and she  
04:11:55 17 attended routinely -- she attended CMD meetings  
04:11:59 18 routinely.

04:12:08 19 Q Why was that?

04:12:11 20 A I would, I would have thought because  
04:12:13 21 she was the CFO.

04:12:15 22 Q But she wasn't a member of the CMD?

04:12:18 23 A No.

04:12:30 24 Q Had you had any interaction with her  
04:12:35 25 outside of the CMD meeting regarding the reserves

LORIN BRASS

Page 365

1 LORIN BRASS, November 9th, 2006

04:12:41 2 issue?

04:12:43 3 MS. WICKHEM: Object to form.

04:12:44 4 THE WITNESS: No.

04:12:47 5 BY MS. MARSHALL:

04:12:56 6 Q If you go to the Page 18, it starts out

04:13:08 7 saying you entered the meeting, so I take it to

04:13:11 8 mean that you had not been present during any of

04:13:13 9 the prior agenda items; is that correct?

04:13:16 10 A Yes.

04:13:30 11 Q It says here that "he explained that

04:13:34 12 some of the main challenges facing EP in respect

04:13:37 13 of its reserves outlook related to securing

04:13:40 14 extensions of license periods, finding new

04:13:43 15 material investment opportunities, and in

04:13:45 16 developing a well-thought-through strategy on the

04:13:50 17 timing of booking reserves. For example, in 1966

04:13:54 18 (sic) it may have been preferable, instead of

04:13:57 19 booking all the reserves at once, to have booked

04:14:01 20 these over a longer period."

04:14:04 21 Do you recall giving this example?

04:14:10 22 MR. MORSE: Objection to form.

04:14:13 23 MR. CLARK: 1996.

04:14:14 24 MS. MARSHALL: 1996. Thank you.

04:14:14 25 MR. CLARK: It would be a really long

LORIN BRASS

Page 366

1 LORIN BRASS, November 9th, 2006

04:14:16 2 period if it was 1966.

04:14:18 3 MS. MARSHALL: Yeah.

04:14:22 4 THE WITNESS: I recall -- I mean this  
04:14:25 5 also links to the last sentence of Paragraph 2. I  
04:14:29 6 recall the topic of the vastly unevenness in which  
04:14:38 7 reserves get booked. As we've seen before, 1996  
04:14:42 8 was a very large year. 1998 was another pretty  
04:14:46 9 large year, and under the general principle or  
04:14:56 10 thought that consistent performance over a long  
04:15:00 11 period of time is sometimes better for a company's  
04:15:03 12 profile than vast swings in any performance  
04:15:07 13 category.

04:15:11 14 Now, what was the thinking behind these  
04:15:15 15 words, and I was surprised actually when I  
04:15:20 16 reviewed this document for the first time in this  
04:15:23 17 process, that this whole topic of the bookings,  
04:15:27 18 the lumpiness and strategy actually featured so  
04:15:30 19 much, because it was really a very small portion  
04:15:34 20 of the presentation and discussion, but  
04:15:36 21 nonetheless, the process by which we develop our  
04:15:43 22 Business Plan and decide which projects to work on  
04:15:46 23 which lead to these bookings, as we described  
04:15:50 24 earlier, is part of our annual process of  
04:15:53 25 budgeting and business planning. And I mentioned



LORIN BRASS

Page 367

1 LORIN BRASS, November 9th, 2006

04:15:55 2 earlier, too, that, generally speaking, we rank

04:15:59 3 projects on the basis of value, and I was saying

04:16:04 4 then other things flow from that.

04:16:07 5 And when you do it just on value, things

04:16:11 6 like this can occur. Then one year you're going

04:16:14 7 to have drilled wells that tremendously contribute

04:16:17 8 to Proved Reserves, and other years you're not.

04:16:21 9 The same on the revision side on your technical

04:16:23 10 resources, you can decide which projects they work

04:16:27 11 on, and again generally they're working on the

04:16:30 12 projects that have the highest value, and when

04:16:32 13 they get those projects done, reserves are booked,

04:16:34 14 and so the thought was that you can control both

04:16:41 15 those parameters if you were to want to. You can

04:16:43 16 control how you deploy your capital and how you

04:16:46 17 deploy your people, and perhaps you could think

04:16:49 18 about a different mix of how you choose projects.

04:16:53 19 Obviously, you're always going to look

04:16:54 20 at value, but as reserves had become more

04:16:57 21 important, perhaps you do want to feature projects

04:17:01 22 with different size reserves as you develop your

04:17:06 23 plan. So that was, that was the thought behind

04:17:10 24 these comments, that in addition to taking the

04:17:14 25 reserves as they come with the well, you could

LORIN BRASS

Page 368

1 LORIN BRASS, November 9th, 2006

04:17:19 2 mix -- you could change the weighting of your  
04:17:21 3 parameters by which you choose which projects to  
04:17:24 4 work on, and therefore there's a possibility it  
04:17:26 5 could result in a different timing of the  
04:17:28 6 bookings.

04:17:41 7 BY MS. MARSHALL:

04:17:41 8 Q When the bookings had been made in 1996  
04:17:48 9 through 1998, were those bookings made prior to  
04:18:00 10 FID being reached in some cases?

04:18:03 11 A Yes, in some cases.

04:18:10 12 Q If that hadn't happened, would there  
04:18:13 13 have been a more consistent booking through the  
04:18:25 14 years?

04:18:27 15 MR. CLARK: Objection to form.

04:18:33 16 THE WITNESS: I don't know. I'd have to  
04:18:37 17 go back and look at the specific projects in those  
04:18:39 18 years.

04:18:41 19 BY MS. MARSHALL:

04:18:41 20 Q Was that a question you were ever asked  
04:18:43 21 to look at?

04:18:45 22 A As to whether the prebookings amplified  
04:18:50 23 the performance in '96 and '98, we looked at all  
04:18:55 24 the, all these prebookings by -- prior bookings by  
04:18:59 25 year. Those were all examined, so yes, they were,

LORIN BRASS

Page 369

1 LORIN BRASS, November 9th, 2006

04:19:02 2 they were looked at.

04:19:18 3 Q Is it possible that if bookings were  
04:19:24 4 made only after FID had been taken, that would  
04:19:35 5 increase the likelihood of smoothing out the  
04:19:37 6 booking profile?

04:19:38 7 A Not necessarily.

04:19:40 8 Q Is it possible?

04:19:43 9 MR. CLARK: Objection to form; asked and  
04:19:45 10 answered.

04:19:50 11 THE WITNESS: If you were to do what I  
04:19:52 12 said before and in your planning process consider  
04:19:55 13 the size of reserves that go with projects, you  
04:19:57 14 know, that would allow you to help smooth the  
04:20:00 15 profile.

04:20:14 16 BY MS. MARSHALL:

04:20:14 17 Q When -- the statement is in the document  
04:20:17 18 at the bottom of the last, second to the last  
04:20:20 19 paragraph, the third paragraph; it says, "It was  
04:20:22 20 also recognized that some booking practices had  
04:20:26 21 been too aggressive in the past." Was that  
04:20:32 22 recognized by the Committee during the meeting?

04:20:42 23 MS. WICKHEM: Object to the form.

04:20:45 24 THE WITNESS: Yeah, and I, I suppose,  
04:20:48 25 you know, I would also not have recalled that we

LORIN BRASS

Page 370

1 LORIN BRASS, November 9th, 2006  
04:20:51 2 used those words, but perhaps there were those  
04:20:57 3 words "being too aggressive." It was recognized  
04:21:02 4 as, as per the discussion I had between Walter  
04:21:09 5 also making a contribution to the discussion at  
04:21:13 6 that point, so it was very clear from the charts,  
04:21:17 7 you know, that there had been bookings made under  
04:21:21 8 some different premise, Guidelines, et cetera,  
04:21:24 9 which caused those bookings to be made prior to  
04:21:28 10 FID and hence were not available for booking when  
04:21:31 11 FIDs were taken now or in 2002/2003. That was  
04:21:37 12 recognized.

04:21:50 13 BY MS. MARSHALL:

04:21:50 14 Q Was there discussion about whether the  
04:22:00 15 Shell Guidelines were aligned with -- had been  
04:22:09 16 consistently aligned with the SEC Rule regarding  
04:22:13 17 proved bookings at the CMD meeting?

04:22:17 18 MR. CLARK: Objection to form.

04:22:23 19 THE WITNESS: Oh, I'd have to go back  
04:22:24 20 and just refresh myself from the presentation, but  
04:22:27 21 I'm nearly positive they were.

04:22:30 22 BY MS. MARSHALL:

04:22:30 23 Q If you look at the first sentence of  
04:22:33 24 the -- the first sentence of the second paragraph  
04:22:50 25 where it says, "With regard to when reserves could

LORIN BRASS

Page 371

1 LORIN BRASS, November 9th, 2006

04:22:52 2 be booked, it was noted that the SEC was  
04:22:55 3 tightening its requirements in this area."

04:22:57 4 A Yeah.

04:23:04 5 Q Was it your understanding that the SEC  
04:23:05 6 was tightening its requirements, or was it your  
04:23:10 7 understanding that the Shell Guidelines had not  
04:23:17 8 been in compliance with the SEC Rule?

04:23:20 9 MR. CLARK: Objection to form.

04:23:32 10 THE WITNESS: It was my understanding  
04:23:35 11 that definitely the second part of what you said  
04:23:37 12 is true, that we bring our Shell Guidelines --  
04:23:43 13 there was a gap between our Shell Guidelines and  
04:23:45 14 the SEC Guidelines as to when to book reserves.  
04:23:48 15 It was also my understanding that there was  
04:23:52 16 further clarifications upon the SEC Guidance as to  
04:23:55 17 booking and reserves.

04:24:01 18 BY MS. MARSHALL:

04:24:02 19 Q The statement that says "It is  
04:24:03 20 considered unlikely that potential over-bookings  
04:24:05 21 would need to be de-booked in the short term"; do  
04:24:15 22 you know if that was something that CMD considered  
04:24:20 23 during the meeting?

04:24:23 24 A I recall being asked the specific  
04:24:25 25 question, "Do we need to de-book now?" And my

LORIN BRASS

Page 372

1 LORIN BRASS, November 9th, 2006

04:24:30 2 response was along these lines, that given the

04:24:37 3 expert advice we have from the likes of Anton and

04:24:40 4 others, that we don't have to book (sic) now, but

04:24:44 5 if these discrepancies remain, like license

04:24:50 6 extensions issues, then de-bookings would have to

04:24:55 7 occur.

04:24:57 8 MR. CLARK: I think you're -- just an

04:24:59 9 issue on the record. I think he said -f and it

04:25:02 10 was correctly recorded -- that "we don't have to

04:25:05 11 book now." That may be what he meant, but I think

04:25:09 12 he meant "de-book."

04:25:11 13 THE WITNESS: Did I say "book"?

04:25:13 14 MR. CLARK: Yeah.

04:25:15 15 THE WITNESS: Sorry. De-book.

04:25:19 16 MS. MARSHALL: Yeah, I think that's

04:25:19 17 accurate.

04:25:23 18 BY MS. MARSHALL:

04:25:23 19 Q Do you recall who asked that question?

04:25:30 20 A My recollection is that it was Phil.

04:25:37 21 Q Do you recall any other specific

04:25:38 22 questions you were asked?

04:25:43 23 A This helped refresh some -- I know there

04:25:46 24 was a question about whether we had enough

04:25:48 25 technical expertise, for instance.

LORIN BRASS

Page 373

1 LORIN BRASS, November 9th, 2006

04:25:54 2 Q Whose question was that?

04:25:55 3 A I don't recall.

04:25:56 4 Q Why was there a question about whether  
04:25:58 5 or not EP had enough technical expertise?

04:26:04 6 A I think it was us having shared our  
04:26:08 7 concerns and issues about reserves as being a  
04:26:12 8 challenge for us. It seemed like a logical  
04:26:15 9 question. Well, when you're faced with this  
04:26:18 10 challenge, do you actually have enough capability  
04:26:21 11 and expertise in your organization to rise to  
04:26:25 12 improving upon this challenge?

04:26:43 13 Q Do you recall why it was explained to  
04:26:54 14 you that the potential over-bookings would  
04:27:01 15 unlikely be needed to be booked in the short term?

04:27:05 16 MR. CLARK: Objection; misstates prior  
04:27:06 17 testimony.

04:27:14 18 THE WITNESS: As I said, when asked the  
04:27:15 19 question "do they need to be de-booked now," my  
04:27:18 20 answer was: As of July as we sit here in this  
04:27:22 21 room, no. And I based that primarily on Anton's  
04:27:27 22 reports which supported the bookings that we had  
04:27:29 23 for the prior year.

04:27:30 24 BY MS. MARSHALL:

04:27:31 25 Q Why did Anton not think that you needed

LORIN BRASS

Page 374

1 LORIN BRASS, November 9th, 2006

04:27:33 2 to de-book then?

04:27:34 3 MR. CLARK: Objection to form.

04:27:40 4 THE WITNESS: I think that the contents  
04:27:41 5 of his rationale are listed in his report year on  
04:27:49 6 year, each year.

04:27:51 7 BY MS. MARSHALL:

04:27:52 8 Q Did you speak with Anton prior to the  
04:27:55 9 presentation that you made to the CMD?

04:28:01 10 A I don't recall.

04:28:07 11 Q Do you recall whether or not you had  
04:28:12 12 ever specifically talked to him about whether or  
04:28:15 13 not the potential over-bookings would need to be  
04:28:21 14 de-booked in the short term?

04:28:24 15 A I don't recall specific conversation,  
04:28:27 16 but again in his reports he's pretty explicit  
04:28:30 17 about his views on each of the major issues we've  
04:28:34 18 talked about, and he makes those comments in those  
04:28:36 19 reports.

04:28:41 20 Q Had you had any conversations since the  
04:28:42 21 SEC issued its clarification?

04:28:58 22 MR. CLARK: Objection to form.

04:28:59 23 THE WITNESS: Any conversation with,  
04:29:02 24 with Anton?

04:29:03 25



LORIN BRASS

Page 375

1 LORIN BRASS, November 9th, 2006

04:29:03 2 BY MS. MARSHALL:

04:29:04 3 Q Yes.

04:29:09 4 A I certainly had discussions with Anton.

04:29:12 5 I don't recall, you know, the timing.

04:29:16 6 Q Well, did he typically give you his

04:29:20 7 report in January of each year?

04:29:26 8 A Yes.

04:29:28 9 Q He had given you a report in January of

04:29:33 10 2002; is that correct?

04:29:35 11 A Yes.

04:29:36 12 Q You made this presentation in July of

04:29:40 13 2002; is that correct?

04:29:42 14 A Yes.

04:29:43 15 Q Do you recall what, if any, contact you

04:29:45 16 had with Mr. Barendregt between January 2002 and

04:29:51 17 the date of this presentation in July of 2002?

04:30:01 18 A I don't recall.

04:30:16 19 Q Do you recall what you considered the

04:30:17 20 "short term" to be in July of 2002?

04:30:25 21 A What -- again in combining both my own

04:30:29 22 thoughts and referencing Anton's documents as

04:30:31 23 well, I would have thought that if, for instance,

04:30:36 24 the license extension in Nigeria hadn't reached

04:30:39 25 some sort of resolutions in 2002, we would

LORIN BRASS

Page 376

1 LORIN BRASS, November 9th, 2006

04:30:44 2 probably be -- I would be of the mind that the  
04:30:47 3 de-bookings should start occurring in 2003.

04:30:51 4 Q Is that what happened?

04:30:53 5 A We got the license. It was agreed that  
04:30:55 6 we had the license extension, so that issue went  
04:30:58 7 away.

04:31:00 8 Q What about with Oman?

04:31:04 9 A We also got that license extension, but  
04:31:10 10 not in 2002. I forget -- again we talked about  
04:31:14 11 that earlier. It was a more recent time that we  
04:31:16 12 got that license extension.

04:31:19 13 Q Well, in terms of the, all the potential  
04:31:26 14 over-bookings taken generally, did you have a view  
04:31:32 15 of what a short-term view was? Was it six months,  
04:31:40 16 was it a year, was it two years?

04:31:44 17 A I suppose it would be, you know, after  
04:31:49 18 we have done appropriate analysis to see if again  
04:31:56 19 production profiles are now our best understanding  
04:31:59 20 they can be, decline rates the best they can be.  
04:32:05 21 For instance, options throughout license  
04:32:09 22 extensions have been investigated to the best of  
04:32:12 23 our ability, and if all those have led to a  
04:32:19 24 situation where there still seems to be no  
04:32:23 25 evidence that we can resolve this, at that point

LORIN BRASS

Page 377

1 LORIN BRASS, November 9th, 2006

04:32:26 2 in time we'd be de-booking.

04:32:30 3 Q Was there a timetable put in place for  
04:32:41 4 those investigations to be made or completed?

04:32:49 5 A Well, there was -- I don't recall a  
04:32:51 6 timetable. There was a sense of urgency around  
04:32:59 7 the topic, and so there was strong encouragement  
04:33:02 8 to work with diligence to come to our conclusions.

04:33:05 9 Q Were you given any deadlines?

04:33:19 10 A The only deadline that comes to mind was  
04:33:21 11 again with the PDO team, and they were given a  
04:33:25 12 very specific deadline and a project timeline.

04:33:30 13 Q Do you recall what the deadline was?

04:33:32 14 A No, I don't.

04:33:33 15 Q Do you recall whether they met the  
04:33:34 16 deadline?

04:33:36 17 A Yes, within a very tight window, a short  
04:33:40 18 time after that, they did achieve their goal.

04:33:43 19 Q And what was their goal?

04:33:46 20 A The license extension.

04:33:52 21 Q Do you know why -- are you aware that  
04:33:57 22 there were reserves from Oman that were ultimately  
04:34:00 23 restated as a result of the recategorization?

04:34:04 24 A Yes.

04:34:05 25 Q And why, why did that happen?

LORIN BRASS

Page 378

1 LORIN BRASS, November 9th, 2006  
04:34:09 2 MR. CLARK: Objection to form.  
04:34:11 3 THE WITNESS: I don't know.  
04:34:13 4 MS. MARSHALL: I'm going to show you a  
04:34:14 5 document which we'll mark as Exhibit Number 14.  
04:34:20 6 It bears Bates numbers V00230920 through 924.  
04:34:42 7 (Exhibit No. 14 was marked for  
04:34:42 8 identification and attached to the deposition  
04:34:42 9 transcript.)  
04:38:36 10 THE WITNESS: Okay.  
04:38:37 11 BY MS. MARSHALL:  
04:38:37 12 Q Do you recognize this document?  
04:38:38 13 A Yes.  
04:38:42 14 Q Can you explain what it is.  
04:38:47 15 A It's a response to a question that  
04:38:50 16 Walter has asked, and those are the two listed on  
04:38:54 17 top of the second page. And John Pay has provided  
04:39:03 18 answers to these questions, which I then forwarded  
04:39:07 19 to Walter.  
04:39:16 20 Q And were his questions the two questions  
04:39:18 21 that are listed at the top of the Note For  
04:39:20 22 Information that is Bates V00230921?  
04:39:27 23 A We don't have -- well, you either ask me  
04:39:31 24 these questions verbally or we don't have the  
04:39:33 25 e-mail in which he asked them, but I'm reasonably

LORIN BRASS

Page 379

1 LORIN BRASS, November 9th, 2006

04:39:38 2 sure these are the two questions he asked.

04:39:57 3 Q Do you recall whether or not you had any  
04:40:09 4 conversations with Mr. Van der Vijver concerning  
04:40:11 5 any questions that were posed and answered in the  
04:40:17 6 note?

04:40:19 7 A No.

04:40:35 8 Q Did you have any involvement in  
04:40:41 9 preparing the answers to these questions?

04:40:46 10 A No. I would have passed these directly  
04:40:48 11 over to John, and, you know, I may have made a  
04:40:55 12 minor edit to his note, but I doubt that I did. I  
04:41:01 13 think I just accepted his response, read it,  
04:41:04 14 reviewed it and then sent it on to Walter.

04:41:10 15 MS. MARSHALL: I'm going to show you a  
04:41:13 16 document which we'll mark as Exhibit 15 for  
04:41:16 17 identification.

04:41:33 18 (Exhibit No. 15 was marked for  
04:41:33 19 identification and attached to the deposition  
04:41:33 20 transcript.)

04:44:24 21 THE WITNESS: Okay.

04:44:24 22 BY MS. MARSHALL:

04:44:25 23 Q Do you recognize this document?

04:44:28 24 A I did after I looked at it for a while.

04:44:33 25 Q What do you remember about this

LORIN BRASS

Page 380

1 LORIN BRASS, November 9th, 2006

04:44:34 2 document?

04:44:35 3 A Well, we -- I now realize what was  
04:44:39 4 happening is that the note we had sent that we  
04:44:41 5 just reviewed, which is Exhibit 14, was our  
04:44:46 6 preliminary answer to his questions which I sent  
04:44:48 7 to him before he was actually going on a trip and  
04:44:52 8 mentioned to him we'd be doing some further work.  
04:44:56 9 This is the further work that had been done.

04:45:07 10 Q And who was involved in doing the  
04:45:14 11 further work?

04:45:16 12 A John Pay.

04:45:17 13 Q I see that you've cc'd this document to  
04:45:20 14 Ceri Powell. Who is that?

04:45:28 15 A That's Ceri Powell.

04:45:30 16 Q Ceri Powell?

04:45:32 17 A She was Walter's -- I'll use the word  
04:45:37 18 "assistant," but that's not accurate. She was a  
04:45:40 19 technical professional that Walter had reporting  
04:45:45 20 to him, to do a lot of help with the work he had,  
04:45:52 21 that was help that a secretary couldn't do but yet  
04:45:56 22 wouldn't require him to do, so she helped with a  
04:45:59 23 lot of the routine sorting of information and  
04:46:01 24 coordination and all kinds of things.

04:46:02 25 Q And what was Malcolm Harper's role at

LORIN BRASS

Page 381

1 LORIN BRASS, November 9th, 2006

04:46:07 2 that time?

04:46:07 3 A He had replaced John Bell.

04:46:25 4 Q If you look at Page 2 of the Note For  
04:46:30 5 Information, it says on the third paragraph from  
04:46:36 6 the bottom, it says, "In 1999 and 2000, actual  
04:46:56 7 performance was just above a hundred percent, but  
04:46:59 8 these years would have fared considerably worse if  
04:47:03 9 pre-FID bookings had been deferred, reducing to 50  
04:47:09 10 and 70 percent respectively."

04:47:14 11 What is meant by the term "actual  
04:47:17 12 performance"?

04:47:29 13 A Oh, that doesn't strike me in the first  
04:47:33 14 instance as being correct, but I see it's the same  
04:47:36 15 way in both documents. I'm assuming, since he's  
04:47:45 16 talking about Reserve Replacement Ratio, the  
04:47:49 17 hundred percent is a Reserve Replacement Ratio  
04:47:53 18 number, but we know very well that our performance  
04:47:56 19 in those years weren't a hundred percent, so I'm  
04:48:00 20 trying to quickly figure out what that means.

04:48:37 21 I'm sorry. I just can't piece it  
04:48:40 22 together.

04:48:52 23 Q Well, does the actual performance have a  
04:48:55 24 standard meaning within a company?

04:48:58 25 A Well, I would have, I would have thought

LORIN BRASS

Page 382

1 LORIN BRASS, November 9th, 2006

04:48:59 2 certainly that it means the, the actual numbers

04:49:05 3 for those years, the actual performance.

04:49:07 4 Q Meaning the actual Reserve Replacement

04:49:09 5 Ratio?

04:49:10 6 A Yeah. Now, a quick thought came to mind

04:49:15 7 whether -- I think he says earlier that this is

04:49:19 8 all organic, so again I'd have to go back -- in

04:49:29 9 1999 we noted, when we talked earlier, that there

04:49:31 10 were -- you know, if you back out the divestments,

04:49:34 11 the number shot up quite a bit, so it's possible

04:49:37 12 that could then justify or reconcile the hundred

04:49:41 13 percent. Maybe something like that is actually

04:49:44 14 true of 2000 as well, as you back out divestments,

04:49:48 15 but I don't recall there being a lot of

04:49:50 16 divestments in 2000.

04:50:21 17 Q And in terms of the projects that were

04:50:27 18 included in this note, who made the decision

04:50:38 19 regarding which projects would qualify as projects

04:50:43 20 that were booked prior to FID?

04:50:50 21 A Well, John did all the leg work for the

04:50:52 22 note himself, so he would have been the person

04:50:54 23 doing that.

04:51:01 24 Q Do you know whether or not this note was

04:51:09 25 forwarded to the ExCom committee?



LORIN BRASS

Page 383

1 LORIN BRASS, November 9th, 2006

04:51:13 2 A No, I don't know.

04:51:15 3 Q Do you know whether it was forwarded to  
04:51:23 4 anybody than those individuals listed on your "to"  
04:51:31 5 line and the "CC" line?

04:51:34 6 A No, I don't.

04:51:38 7 MS. MARSHALL: I'm going to show you a  
04:51:40 8 document which we'll mark as Exhibit 16 for  
04:51:42 9 identification.

04:51:58 10 (Exhibit No. 16 was marked for  
04:51:58 11 identification and attached to the deposition  
04:51:58 12 transcript.)

04:52:40 13 THE WITNESS: Do you want me to review  
04:52:41 14 it thoroughly, or --

04:52:42 15 BY MS. MARSHALL:

04:52:42 16 Q No, not -- if I want you to review  
04:52:44 17 anything in particular thoroughly, I'll let you  
04:52:46 18 know, but if you could just review it long enough  
04:52:50 19 such that you could identify the document, that  
04:52:52 20 would be fine.

04:52:53 21 A Okay, thanks.

04:53:11 22 Okay.

04:53:11 23 Q Do you recognize this document?

04:53:13 24 A Yes.

04:53:16 25 Q What do you recognize it to be?

LORIN BRASS

Page 384

1 LORIN BRASS, November 9th, 2006

04:53:21 2 A In the, in the effort to overall improve  
04:53:26 3 the process by which we make decisions and book  
04:53:31 4 reserves, we had commissioned John to develop a  
04:53:37 5 more rigorous process. This is a description of  
04:53:42 6 the process, a summary of this process first, and  
04:53:47 7 then a detailed description of the proposed new  
04:53:50 8 process.

04:53:53 9 Q Was this note submitted to ExCom?

04:53:57 10 A Yes.

04:54:01 11 Q Do you recall whether or not a  
04:54:05 12 presentation was made to ExCom regarding the  
04:54:10 13 subject matter of the note?

04:54:16 14 A No, I don't recall.

04:54:21 15 Q Was this note done at anybody's  
04:54:23 16 direction?

04:54:25 17 A Well, I forget the precise timing and  
04:54:30 18 request, but yes, there was -- I think it was  
04:54:35 19 EPB's view, our own view, to propose a more  
04:54:39 20 rigorous process on the basis of all the things we  
04:54:42 21 started to see in reserves, and therefore we did  
04:54:46 22 that. I don't think it was a request from Walter  
04:54:49 23 or one of the ExCom members. I think it's  
04:54:52 24 something we could see the need for and simply put  
04:54:55 25 it together.

LORIN BRASS

Page 385

1 LORIN BRASS, November 9th, 2006

04:55:23 2 Q If you turn to the second page, on Page  
04:55:28 3 2 it says, on the bottom of this document, which  
04:55:32 4 is Bates Number 1199 at the end.

04:55:35 5 A 99? Okay.

04:55:36 6 Q Yeah. It says under -- "Potential  
04:55:50 7 Reserves Exposure Catalogue" under Item 1e is the  
04:55:56 8 title. It says, "An inventory of potential  
04:55:59 9 exposure (reserves at risk of de-booking) will be  
04:56:04 10 reviewed at least annually at ExCom with actions  
04:56:08 11 being agreed."

04:56:13 12 What had been the practice prior to  
04:56:15 13 this?

04:56:20 14 A Well, before we started -- in this  
04:56:23 15 regard, I assume, the exposure category?

04:56:27 16 Q Yes.

04:56:28 17 A Before we start the seeing these  
04:56:29 18 exposures in this process, I don't really -- that  
04:56:34 19 would have been before 2000, so I would not have  
04:56:37 20 known there to be one, but I was not aware that  
04:56:41 21 there was such a catalogue in the prior version,  
04:56:43 22 the prior style of doing things.

04:56:53 23 Q What had been the style of doing things  
04:56:54 24 between 2000 and October of 2002?

04:56:58 25 A Yes. We, of course, then began to have

LORIN BRASS

Page 386

1 LORIN BRASS, November 9th, 2006  
04:57:02 2 that, uh, that catalogue. It was probably not  
04:57:07 3 shared with the ExCom and wasn't shared at the,  
04:57:10 4 you know, at the, at necessarily any frequency  
04:57:13 5 with the ExCom, but we did start to carry that  
04:57:16 6 same exposure list that we've seen a few times  
04:57:18 7 today. I'm trying to remember the first time, but  
04:57:22 8 I think it was in 2001 we started publishing that,  
04:57:26 9 and all we're doing here is taking that same  
04:57:29 10 concept, that same idea, that if there are those  
04:57:32 11 exposures, we'd be sure to show those to ExCom at  
04:57:37 12 least annually.

04:57:39 13 MR. CLARK: Ms. Marshall, it's two  
04:57:39 14 minutes to 5:00. Are you close to wrapping up,  
04:57:40 15 because the witness needs to leave.

04:57:42 16 MS. MARSHALL: No, I have some more  
04:57:43 17 questions.

04:57:43 18 MR. CLARK: All right. Well, he has to  
04:57:44 19 go. We need to go. He needs to go. This is the  
04:57:46 20 second day of the deposition. He has to leave at  
04:57:50 21 5:00.

04:57:50 22 MS. MARSHALL: Yesterday I asked you  
04:57:51 23 whether or not we were going to have a full day  
04:57:53 24 today, and you said yes, and I said good, because  
04:57:55 25 if that's the case, then I'm happy to end at

LORIN BRASS

Page 387

1 LORIN BRASS, November 9th, 2006  
04:57:58 2 5:00 today. I assume yesterday he had a plane  
04:58:01 3 reservation. You did not tell me about it until  
04:58:03 4 this morning..  
04:58:04 5 MR. CLARK: Ms. Marshall --  
04:58:04 6 MS. MARSHALL: I have made every effort  
04:58:05 7 to complete the deposition as quickly as possible.  
04:58:08 8 MR. CLARK: Okay. Well, the deposition  
04:58:09 9 is going to be over in two minutes, so I suggest  
04:58:11 10 you wrap up.  
04:58:12 11 MS. MARSHALL: Well, we are going to  
04:58:13 12 take issue with that.  
04:58:15 13 MR. CLARK: Be my guest.  
04:58:16 14 MS. MARSHALL: Because I have not  
04:58:17 15 completed my questions.  
04:58:20 16 MR. CLARK: You had two days, far in  
04:58:21 17 excess of seven hours, and arguing with me about  
04:58:24 18 it is just wasting more time that you can ask  
04:58:26 19 questions.  
04:58:27 20 MS. MARSHALL: I just want to put on the  
04:58:30 21 record that I did not learn that the witness  
04:58:31 22 needed to leave at 5:00 until today. You did not  
04:58:34 23 mention that yesterday. Had you mentioned it  
04:58:35 24 yesterday, I would have gone longer.  
04:58:38 25 MR. CLARK: It's on the record.

LORIN BRASS

Page 388

1 LORIN BRASS, November 9th, 2006

04:58:48 2 BY MS. MARSHALL:

04:58:48 3 Q Mr. Brass, were you aware yesterday that  
04:58:50 4 you had a plane reservation at 5:00 today, I mean  
04:58:53 5 at 6:15 today?

04:58:56 6 A Yes.

04:58:56 7 Q Was your counsel aware of that  
04:58:57 8 yesterday?

04:59:02 9 MR. CLARK: Just so it's clear on the  
04:59:03 10 record, I think Mr. Ferrara and I discussed it in  
04:59:05 11 your presence yesterday.

04:59:07 12 MS. MARSHALL: You certainly did not.

04:59:08 13 MR. CLARK: All right.

04:59:13 14 MR. MORSE: I heard them discuss it.

04:59:14 15 MS. MARSHALL: It was not discussed with  
04:59:14 16 me.

04:59:14 17 MR. CLARK: Okay. Fine, Caroline.  
04:59:15 18 That's fine. Are you done?

04:59:17 19 MS. MARSHALL: No, I'm not.

04:59:19 20 MR. CLARK: Okay.

04:59:27 21 BY MS. MARSHALL:

04:59:28 22 Q Do you know whether or not this  
04:59:29 23 catalogue was shared with the External Auditors?

04:59:46 24 A The External Auditors? I don't know.

04:59:48 25 Q Was there any discussion about whether

LORIN BRASS

Page 389

1 LORIN BRASS, November 9th, 2006

04:59:50 2 or not this catalogue should be shared with the  
04:59:53 3 External Auditors?

04:59:56 4 A I don't recall.

04:59:59 5 Q Do you know who had access to this  
05:00:09 6 exposure catalogue?

05:00:13 7 A Well, of course, all those in my  
05:00:16 8 organization that worked on the list itself had  
05:00:18 9 access to it. I had access to it. Certainly the  
05:00:25 10 CFO and E&P had access to it, and all the ExCom.  
05:00:34 11 Of course, CMD has now seen it a time or two as  
05:00:38 12 well.

05:00:42 13 MR. CLARK: I want to confer with  
05:00:43 14 Mr. Brass for a second.

05:00:49 15 MS. MARSHALL: Sure.

05:00:52 16 (Discussion was held off the record.).

05:03:38 17 BY MS. MARSHALL:

05:03:38 18 Q Mr. Brass, with respect to the Item  
05:03:44 19 Number 1f under "Scorecards," it says, "Within the  
05:03:50 20 Group there are mixed opinions on the inclusion of  
05:03:53 21 Proved Reserves Additions on OU scorecards. On  
05:03:57 22 the one" -- oh, I'm sorry.

05:04:04 23 (Discussion off the record.)

05:04:04 24 THE WITNESS: I'm on the page with you.

05:04:06 25

LORIN BRASS

Page 390

1 LORIN BRASS, November 9th, 2006

05:04:06 2 BY MS. MARSHALL:

05:04:06 3 Q Okay, thanks.

05:04:07 4 A What paragraph are you on?

05:04:09 5 MR. CLARK: Counsel is not, though, so  
05:04:10 6 what exhibit are we talking about?

05:04:12 7 MS. MARSHALL: The exhibit that we were  
05:04:13 8 just talking about, which is Number 16.

05:04:19 9 MR. CLARK: What section of 16 are we  
05:04:20 10 talking about?

05:04:24 11 THE WITNESS: Page 8 of the document.

05:04:27 12 BY MS. MARSHALL:

05:04:27 13 Q It's Page 2 of the note, which is Bates  
05:04:30 14 ending 1199. We're all on different pages.

05:04:35 15 A Okay, I've got you now. Page 2.

05:04:39 16 Q Item Number 1f.

05:04:41 17 A Yes.

05:04:41 18 Q Under "Scorecards" where it says,  
05:04:43 19 "Within the Group there are mixed opinions on the  
05:04:46 20 inclusion of Proved Reserves Additions on OU  
05:04:48 21 scorecards. On the one hand it is seen to affect  
05:04:53 22 objectivity in reporting; on the other it is seen  
05:04:56 23 as a key means by which appropriate focus is  
05:04:58 24 maintained on this important business performance  
05:05:02 25 parameter."