

Exhibit CC

Page 236

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF NEW JERSEY

Civ. No. 04-3749 (JAP)

(Consolidated Cases)

Hon. Joel A. Pisano

ORIGINAL

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IN RE ROYAL DUTCH/SHELL |

TRANSPORT SECURITIES |

LITIGATION |
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Volume II

Videotaped Deposition of John Richard Pay

Washington, D.C.

Tuesday, January 23rd, 2007

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Reported by: Paula G. Satkin

Videotaped Deposition of

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1 JOHN RICHARD PAY
2 P R O C E E D I N G S
3

4 THE VIDEOGRAPHER: This marks the
5 beginning of tape one, Volume II, in the
6 deposition of John Pay in the matter of Royal
7 Dutch Shell Transport Securities Litigation.

8 Today's date is January 23rd,
9 2007. The time is 10:14 a.m.

10 I would like to remind the witness
11 that he is still sworn in from yesterday.

12 You may begin.

13 Whereupon--

14 JOHN RICHARD PAY
15 a witness, called for examination, having
16 previously been duly sworn, was examined and
17 testified further as follows:

18
19 EXAMINATION BY COUNSEL FOR
20 THE LEAD PLAINTIFF -- RESUMED
21

22 BY MR. HABER:

23 Q. Good morning, Mr. Pay.

24 A. Good morning.

25 Q. Before we get started, I just want

1 JOHN RICHARD PAY

2 to remind you as well that if there's any
3 question that you don't know the answer to,
4 please let me know and, of course, if there's
5 any questions that you don't understand, please
6 let me know and I'll be happy to rephrase and as
7 we did yesterday try to make it clear so you do
8 understand it.

9 A. Okay.

10 Q. Also a reminder that all answers
11 have to be audible, as well, yes or noes, no
12 head nods and uh-huhs and the like.

13 A. Okay.

14 Q. Great. And the other thing, of
15 course, if you need a break let me know, except
16 if there is a question pending and then we'll
17 accommodate you after the answer.

18 A. Okay.

19 Q. Yesterday before we broke you had
20 talked about a proposal for a reserves
21 management process. Do you recall that?

22 A. Yes.

23 Q. Okay. I would like to show you
24 some documents which I believe reflect that
25 proposal.

1 JOHN RICHARD PAY

2 (Pay Exhibit Number 5 was marked
3 for identification.)

4 BY MR. HABER:

5 Q. Mr. Pay, I just ask you to take a
6 look at this document while I identify it for
7 the record.

8 We've just marked as Pay Exhibit 5
9 is an e-mail with an attachment. The e-mail is
10 from John Pay, it's dated September 23, 2002,
11 and the recipient is also John Pay. The subject
12 line is EP Reserve Management. The Bates number
13 is PER 00100076 through PER 00100090.

14 Mr. Pay, does the attachment to
15 this e-mail which reads note for discussion EP
16 proved reserves management. Does this document
17 reflect that proposal for a reserves management
18 process that you talked about yesterday?

19 A. It's a draft of the proposal.

20 Q. Okay. Did you prepare this draft?

21 A. Yes.

22 Q. Did you have anyone assist you in
23 preparing the draft?

24 A. In preparing the draft that you
25 see -- that we see here, I don't recall, but the

1 JOHN RICHARD PAY

2 cover note is it looks as though it's a message
3 from me to me. There were several blind copies
4 on that and I was seeking comments and input
5 from various people around the group on the
6 document.

7 Q. That's actually one of the
8 questions I was going to ask you. Do you recall
9 who the blind copy people were?

10 A. There were many. I think I
11 explained yesterday that I had a network of
12 contacts within the operating companies upon
13 whom I relied for the submission of the reserves
14 data and I recall that I selected several
15 members of that group. I can't specifically
16 recall all of their names.

17 Q. I take it just from the cover
18 e-mail here Sarah Bell was one of the blind
19 copied people?

20 A. It certainly would appear to be.

21 Q. Do you recall if Remco Aalbers was
22 one of the blind copy recipients?

23 A. Yes, I believe he was.

24 Q. Do you recall if Rod Sidle was one
25 of the blind copied recipients?

1 JOHN RICHARD PAY

2 A. I don't recall if he was.

3 Q. Do you recall if Jan-Willem Roosch
4 was a blind copy recipient?

5 A. I don't recall if he was.

6 However, he was not working for the company at
7 that time and therefore I would be surprised if
8 he was.

9 Q. At that point he had retired; is
10 that correct?

11 A. Correct.

12 Q. Do you know if Mr. Roosch was
13 doing any consulting work for the company?

14 A. At that time I don't believe he
15 was.

16 Q. Did there come a time when he was
17 that you're aware of?

18 A. Yes. He is presently engaged in a
19 consultative role. I invited him to come back
20 on a contract to help us with project Rockford
21 at the end of 2003, early 2004.

22 Q. Why did you ask Mr. Roosch to
23 assist you -- assist the team in project
24 Rockford?

25 A. Because I needed assistance in

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JOHN RICHARD PAY

managing the data and compiling and working with the data and since I knew Mr. Roosch well and he had been involved in a previous exercise, as we discussed yesterday, it seemed an obvious thing to do.

Q. Now, before you circulated this draft did you show a copy of the draft to Mr. Brass?

A. I can't recall whether I did or not.

Q. Do you recall if you showed a copy of this draft to Mr. Nauta?

A. Again, I can't recall whether or not I did.

Q. And the same question with regard to Mr. Harper?

A. And the same answer.

Q. From your testimony yesterday, this proposal came out of conversations that you had with Mr. Brass; correct?

A. Mr. Brass had asked me to prepare a proposal, as we discussed yesterday, and this is in effect my first draft of my intended response to Mr. Brass.

1 JOHN RICHARD PAY

2 Q. Do you recall providing Mr. Brass
3 with a copy of the draft of this note? Not
4 necessarily on September 23rd, but at any time?

5 A. My recollection is that a draft
6 was given to him.

7 Q. Okay. Do you recall if he
8 provided any commentary or any suggestions?

9 A. No, I don't recall any specific
10 commentary he might have given.

11 Q. Do you recall receiving any
12 comments from any of the people who were blind
13 copied on this e-mail?

14 A. Yes. There were several
15 respondents to the message giving -- sorry, to
16 the e-mail, giving comments on the proposals.
17 That was the purpose I had asked, I sent the
18 e-mail to them to seek their comments.

19 Q. And why did you select these
20 people to send them a copy?

21 A. Well, they were colleagues working
22 in the business of resource volume management
23 including proved reserves and I would
24 characterize it as a group of peers or
25 co-workers whose opinions I valued and who

1 JOHN RICHARD PAY

2 ultimately would be involved in implementing
3 this proposal if it would be accepted or
4 approved. And therefore since they would be
5 required to work with the proposal if it was
6 accepted I was keen to understand what their
7 views on it would be.

8 Q. Okay. If you look at the e-mail
9 that you sent, which is the first page of this
10 exhibit, and I'm looking at the bottom of the
11 second paragraph, which is really the full one,
12 it says, "please do not distribute the document
13 further. Please delete it from your system when
14 you have finished with it. I will send you a
15 copy of the final version on request."

16 Why did you request that the
17 recipients delete the draft note after they
18 reviewed it?

19 A. I was simply keen that this early
20 draft of the proposal did not -- was not
21 retained on file in people's offices purely from
22 the fact that I anticipated there might be
23 changes and I didn't want an early draft to be
24 lying in people's cupboards or current document
25 in people's offices. It was use not the final

JOHN RICHARD PAY

version. So as I clearly indicate here, I was more than happy to send a finalized version, but I didn't want early drafts to be preserved in case they be mistaken for the final draft.

Q. Is that something you had done customarily with draft notes that you circulated to people for comment?

A. Generally, no.

Q. So what set this draft note apart from the ordinary note that you would circulate?

A. The fact that it's introducing an or proposing a new procedure, which is replacing procedures in existence in the operating units.

Q. Now, in the next paragraph it says, "ExCom has requested a proposal for modifications to the way in which EP approved reserves (for external disclosure) should be managed." How did you come to know the ExCom had requested a proposal to modify these procedures?

A. Since Lorin Brass had asked me to prepare such a proposal.

Q. I notice here the sentence also has in the parenthetical for external

1 JOHN RICHARD PAY

2 disclosure. Was there a difference between
3 internal reporting, if you will, and external
4 disclosure?

5 A. No.

6 Q. Is there any reason why you put in
7 the parenthetical for external disclosure?

8 A. Not that I recall.

9 Q. In your experience as the group
10 reserves coordinator did Shell have two separate
11 means of reporting proved reserves, one being
12 internally, the other being externally?

13 A. No, they were one in the same
14 figure.

15 Q. If you look at the -- this
16 paragraph further, the sentence that begins,
17 however. It says, "however, it also proposes to
18 introduce a higher level of management control
19 of the final outcome which seems to be in line
20 with the practices of our competitors and which
21 have," I'm sorry, "and which would have
22 implications for the way in which the year end
23 reserves reporting is carried out." Do you see
24 that?

25 A. I do.

1 JOHN RICHARD PAY

2 Q. Okay. The -- part of the sentence
3 that deals with the practices of Shell's
4 competitors, how did you learn that the proposal
5 seemed to be in line with their practices, their
6 being competitors?

7 A. I explained yesterday the
8 performance of Exxon which had drawn my
9 attention and the attention of others in our
10 company, their performance in reserves
11 replacement was quite stable which would not be
12 expected by chance. I had had a conversation
13 with Rod Sidle who indicated to me a practice
14 which he believed went on in Exxon whereby they
15 had in layman's term a part of unbooked reserves
16 which they used to add as required to manage
17 their year end result.

18 Q. If you turn the page to page 80,
19 that's 100080.

20 A. Yes.

21 Q. On the right hand column of the
22 graphic under ExCom review it says, "float items
23 the manage end result." Are you referring to
24 what you just described is what you believed the
25 practice in Exxon was?

1 JOHN RICHARD PAY

2 MR. TUTTLE: Object to form.

3 BY MR. HABER:

4 Q. You can answer.

5 A. No, not specifically because we
6 did not have a part of unbooked reserves that we
7 could drawn upon.

8 Q. This was the proposal part?

9 A. Correct.

10 MR. TUTTLE: Objection,
11 argumentative.

12 BY MR. HABER:

13 Q. So what else did you mean when you
14 say float items to manage end result?

15 A. This is a shorthand summary
16 notation of a process which I believe is
17 explained more fully elsewhere in the document
18 whereby it appeared to me and still appears
19 today to be an entirely legitimate process in
20 line with the sort of activities we discussed
21 yesterday in terms of the 2002 road map. The
22 compilation of a series of opportunities which
23 may have an influence on reserves replacement
24 performance.

25 An example would be a study or a

1 JOHN RICHARD PAY

2 field development plan that was planned to
3 mature, reach technical and commercial maturity,
4 for example, in the following year. If an
5 opportunity were identified sufficiently early
6 as to allow development works to be accelerated
7 and conducted in a more focused fashion through
8 the giving more resources to that project, for
9 example. Then an opportunity may exist to bring
10 that project to a level of maturity when it
11 reaches project sanction or whatever the
12 required level would be in order to book the
13 reserves in an earlier reporting period than the
14 one that was planned in the business plan.

15 Q. I guess what I'm a little unclear,
16 I don't understand what is meant by float items
17 to manage end results. Can you explain that?

18 MR. TUTTLE: Objection, asked and
19 answered. Same objection.

20 THE WITNESS: It's a description
21 of items such as those I just mentioned where
22 management may determine the traditional
23 resources may be prioritized onto one project
24 onto another in order to achieve the result that
25 I mentioned.

1 JOHN RICHARD PAY

2 BY MR. HABER:

3 Q. Were there other examples that you
4 had in mind when you made this proposal than
5 just accelerating projects that could be
6 projected sanctioned?

7 A. Not specifically.

8 Q. Would it -- at the time you wrote
9 this did it also include the scenario of having
10 reserves that would be deferred from booking
11 sort of as we talked about yesterday in a wait
12 and see manner, would that also be included in
13 what you meant here to float items to manage end
14 result?

15 MR. TUTTLE: Objection to the
16 characterization of prior testimony. You can
17 answer.

18 BY MR. HABER:

19 Q. You can answer.

20 A. It may do under certain
21 circumstances, but the primary objective here
22 was to seek management endorsement of
23 reprioritizing of work within the company.

24 Q. Okay. If you turn back to the
25 first page. The latter part of that sentence

1 JOHN RICHARD PAY

2 that I read into the record, the one that
3 begins, however, which says, "and which would
4 have implications for the way in which the year
5 end reserves reporting is carried out." What
6 did you mean by that?

7 A. I'm referring to the -- again, the
8 greater detail in the process which is
9 documented here whereby decisions regarding, for
10 example, project sanction would be phased in or
11 out of the reporting period depending on the
12 decisions that had been taken earlier in the
13 year to prioritize resources, yes or no, so
14 there would be a requirement to review the
15 status of the projects concerned at the end of
16 the year.

17 Q. Uh-huh. Okay. If you can turn
18 the page to Appendix B, which is on page 86 of
19 the document. It's not actually 86, but the
20 Bates stamp number 86 is clear.

21 A. Yes.

22 Q. The appendix at the top reads,
23 "Appendix B: Potential Reserves Exposure
24 Catalog."

25 Is this the catalog that we were

1 JOHN RICHARD PAY

2 talking about yesterday?

3 A. Yes. Sorry. It is a version of
4 it. There were several drafts.

5 Q. That was my next question. My
6 next question was, was there a formal version of
7 this catalog that preceded September of 2002,
8 that is a final one that had not been updated?

9 A. The catalog was not -- was
10 intended to be reviewed and updated
11 periodically. The first draft of it was dated
12 before September 2002. I believe the first
13 draft was prepared in July 2002 and it was
14 updated periodically.

15 Q. Now, how often was the exposure
16 list intended to be updated?

17 A. I believe as is proposed in this
18 document there would be twice yearly, it was
19 proposed there would be twice yearly updates and
20 reviews of that catalog.

21 Q. Independent of this document, what
22 was the intention with regard to updating the
23 catalog?

24 MR. TUTTLE: Objection to form.

25 MR. HABER: Just so the record is

1 JOHN RICHARD PAY
2 clear, because I don't want -- I would like
3 counsel to understand where I got this from.
4 The answer was, as is proposed in the document.
5 And I just want to know, was there anything
6 other than what's reflected in the document
7 where you had intended on a certain period in
8 time to update this catalog.

9 My question is focused outside of
10 the document. Let me rephrase it.

11 THE WITNESS: Could you repeat the
12 question.

13 BY MR. HABER:

14 Q. With that clarification, all I
15 want to know is other than what's reflected in
16 the document did you have an intention to update
17 the catalog more than twice a year?

18 A. No.

19 Q. And within the year what time
20 frame did you intend to do the update to the
21 catalog?

22 A. I proposed that it should be
23 updated and presented to management at the end
24 of each year and halfway through each year.

25 Q. When you say the end of the year,

1 JOHN RICHARD PAY

2 is that the end of the calendar year -- excuse
3 me -- or at the end of the ARPR process?

4 A. My intention was in December and
5 in June or July.

6 Q. Okay.

7 (Pay Exhibit Number 6 was marked
8 for identification.)

9 BY MR. HABER:

10 Q. Let me show you what's been marked
11 as Pay Exhibit 6. While the witness is looking
12 at the document, let me identify it for the
13 record.

14 Pay Exhibit 6 is a note for
15 discussion that says EP reserves outlook. It's
16 dated in the upper right-hand corner July 22,
17 2003. It's Bates number is V 00010736 through V
18 00010745.

19 A. If I may comment, the pages in the
20 exhibit are not in the correct order, but the
21 document otherwise seems to be complete.

22 Q. Okay. I can only tell you this is
23 how the document was produced to us.

24 A. Okay.

25 Q. Other than the fact that the pages

1 JOHN RICHARD PAY

2 don't seem to be in the correct order, but the
3 content otherwise seems complete, I take it then
4 you have seen this document before today?

5 A. Yes.

6 Q. Did you prepare this document?

7 A. Yes.

8 Q. Did you have anyone assisting you
9 in its preparation?

10 A. Not that I recall.

11 Q. I think yesterday you had
12 testified that with regard to your job you only
13 had one assistant; is that correct?

14 A. Yes. One full-time assistant and
15 actually one part-time assistant who helped with
16 software issues from time to time.

17 Q. So when you were preparing these
18 notes, I take it then it was just you and your
19 assistants who were doing the preparation?

20 MR. TUTTLE: Objection to form.

21 BY MR. HABER:

22 Q. You can answer.

23 A. In terms of the detailed staff
24 work, yes.

25 Q. In terms of content of these

1 JOHN RICHARD PAY

2 notes, who, if anyone, assisted you in preparing
3 these notes?

4 A. Can you clarify what you mean by
5 assisted me?

6 Q. Provided you with data or other
7 information that enabled you to draft the note?

8 A. I mentioned on several occasions
9 my focal points in the operating units who
10 assisted me to the extent of providing data to
11 me regularly through the year, both at the end
12 of the year in terms of compiling the end of
13 year report, but also we had a monthly reporting
14 system where we invited the operating units to
15 provide information on changes to that plan in
16 terms of what they expected the end of the year
17 position to be. So there was a monthly data
18 gathering process which we called the latest
19 estimate, it applied to things, not only
20 reserves, that was a small part of it, capital
21 expenditure production forecasts, similar key
22 business performances were updated regularly in
23 terms of the latest estimate of performance for
24 the year.

25 Q. Who were the focal points, what

1 JOHN RICHARD PAY

2 was the job position that you're referring to?

3 A. These were typically depending on
4 the size of the operating unit that would either
5 be a full-time position within the operating
6 unit. For the larger ones, persons whose
7 specific task within the operating unit was to
8 manage the hydrocarbon reporting, volume
9 reporting process for their operating unit.

10 Sarah Bell, who we had been discussing, is an
11 example of such a person working in Australia
12 and each of the operating units had similar
13 focal points.

14 Q. Did you have an understanding of
15 the staffing of the reserves coordinator
16 position in competitors such as say Exxon?

17 MR. TUTTLE: Objection,
18 foundation.

19 THE WITNESS: At what time?

20 BY MR. HABER:

21 Q. During your tenure as group
22 reserves coordinator?

23 A. Initially, no. I came to learn
24 during the period probably in late 2003 that
25 indeed Exxon had a central staff comprising some

1 JOHN RICHARD PAY

2 13 people working on the issue.

3 Q. And how did you come to learn
4 that?

5 A. This was information given to me
6 by Rod Sidle.

7 Q. Did Mr. Sidle say how he obtained
8 that information?

9 A. I believe through informal
10 contacts he had with colleagues in other
11 companies.

12 Q. Were there any other competitor
13 companies that you had learned how the position
14 was being staffed?

15 A. During the course of my tenure at
16 the job, the reserves coordinator job, I again
17 established informal professional links with my
18 counterpart in BP and Total, whilst I did not
19 ask them the question directly of how they were
20 resourced. During the course of my conversation
21 with them I formed the opinion that they
22 similarly, were resourced similarly to Shell.

23 Q. To Shell and not Exxon?

24 A. To Shell.

25 Q. Okay. So that would be one person

1 JOHN RICHARD PAY

2 with an assistant or two?

3 A. One person charged with compiling
4 the figures centrally, obviously relying on
5 networks of people around the world.

6 Q. While we're on the note, the July
7 note, let's talk about that and we'll come back
8 to the other note.

9 On the first page it appears to
10 have a signature from Walter van der Vijver and
11 it also in the upper right-hand corner indicates
12 it was sponsored by Mr. Van der Vijver. Do you
13 have an understanding as to why Mr. Van der
14 Vijver would be sponsoring the note?

15 MR. TUTTLE: Objection,
16 foundation. You can answer to the extent you
17 know.

18 THE WITNESS: Well, I don't know
19 specifically.

20 BY MR. HABER:

21 Q. Was it your understanding at the
22 time that all notes that were presented to the
23 ExCom had to be sponsored by a member of the
24 ExCom?

25 MR. TUTTLE: Objection,

1 JOHN RICHARD PAY

2 foundation.

3 THE WITNESS: I had no opinion
4 either way.

5 Q. When you drafted the note did you
6 circulate the note to anyone for their review
7 and comment?

8 THE WITNESS: I can't recall
9 specifically doing so. However, I think it is
10 very unlikely that I would have given it
11 directly to Mr. Van der Vijver without seeking
12 comments from my supervisors.

13 BY MR. HABER:

14 Q. Do you recall receiving any
15 comments from Mr. Van der Vijver about the note?

16 A. I don't recall, no.

17 Q. Do you recall having any
18 discussions with Mr. Van der Vijver about the
19 content of the note?

20 A. This specific note?

21 Q. Yes. Again so the record is
22 clear, we're talking about Pay Exhibit 6.

23 A. Yes.

24 MR. TUTTLE: Are you asking about
25 the specific text in the note or just

1 JOHN RICHARD PAY
2 conversations generally on the information
3 presented.

4 MR. HABER: Conversations about
5 the content in the note.

6 MR. TUTTLE: I just want to make
7 sure he understands without regard to whether it
8 was about the text in the note itself.

9 MR. HABER: Correct.

10 MR. TUTTLE: Okay.

11 THE WITNESS: Honestly, I can't
12 recall whether or not there were specific
13 discussions. You know, I spoke to Mr. Van der
14 Vijver about reserves at several times. Whether
15 there was any specific discussion on exactly
16 this note, I can't remember.

17 BY MR. HABER:

18 Q. If you take a look at the Bates
19 page 10738.

20 A. Yes.

21 Q. There's a discussion of the latest
22 estimate of the RRR. Do you see that?

23 A. Yes.

24 Q. Do you recall having discussions
25 with Mr. Van der Vijver about the RRR, the

1 JOHN RICHARD PAY

2 latest estimate for the RRR?

3 A. Well, specifically at this time?

4 Q. Yes.

5 A. Really, I can't remember.

6 Q. Do you recall discussing
7 a percent, a RRR percent of 72, which is
8 reflected in this document as the organic RRR?

9 A. I'm going to repeat my prior
10 answer. I can't remember any specific
11 discussion in relation to this note.

12 Q. Okay. Just so the record is
13 clear, when you're referring to specific
14 discussion, are you referring to a discussion
15 with your supervisors?

16 MR. TUTTLE: I think you asked
17 about Mr. Van der Vijver.

18 MR. HABER: Well, okay. Fair
19 enough.

20 BY MR. HABER:

21 Q. You're referring now to Mr. Van
22 der Vijver; is that correct?

23 A. Yes.

24 Q. Do you recall generally discussing
25 the RRR and the percent that's reflected in this

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2 document with Mr. Van der Vijver?

3 A. I'm sorry, is that not the same
4 question?

5 Q. You said specifically. I want to
6 know if you had any general discussions with
7 him?

8 A. I'm struggling to understand what
9 you're driving at with your question. I think
10 you're asking me can I remember a meeting at
11 which I sat down and discussed this document or
12 its content with him, to which my answer is no,
13 I can't remember any such meeting taking place.

14 Q. And the question was broadened to
15 be other than within this document, do you
16 recall having a meeting or discussion with
17 Mr. Van der Vijver about the RRR?

18 MR. TUTTLE: But, again, so the
19 record is clear, the RRR being the 72 percent
20 organic reserve replacement ratio reflected in
21 the document.

22 MR. HABER: No.

23 MR. TUTTLE: Now you want
24 generally any discussion about reserve
25 replacement.

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2 MR. HABER: In or about this time
3 period, yes.

4 THE WITNESS: Since a key part of
5 my job was to keep management including Mr. Van
6 der Vijver apprised of the outlook or the latest
7 estimate for reserves replacement for the
8 reporting year, yes, I had discussions with
9 Mr. Van der Vijver and other members of the
10 management team and made presentations to them
11 as to what the latest estimate was.

12 BY MR. HABER:

13 Q. Now, do you recall having such
14 discussions with regard to the latest estimate
15 for the time period in which this note was
16 drafted, so that would be roughly in July 2003?

17 A. Evidently, since I submitted a
18 note or prepared a note on behalf of Mr. Van der
19 Vijver, the giving of this note to him
20 represented the passing of information. I don't
21 recall specifically sitting down and discussing
22 it with him.

23 Q. Okay. Now, how often were latest
24 estimates provided to the ExCom with regard to
25 the reserves replacement ratio?

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2 A. My proposal in the previous
3 Exhibit 5 that we were discussing was to have a
4 formal review in July of each year of which this
5 was the first example. There were other
6 occasions when on an ad hoc basis I was asked to
7 provide information.

8 Q. So during your tenure -- I'm just
9 trying to understand what the process was for
10 providing the latest estimate on the RRR to the
11 ExCom was during your tenure as GRC?

12 A. I would like to draw a distinction
13 between information provided in notes such as
14 this which are somewhat analytical in nature as
15 opposed to purely numerical information which I
16 understand was updated monthly or quarterly as
17 part of the latest estimate process that I
18 summarized earlier, including other factors such
19 as capital expenditure estimates, production
20 forecasts and so forth. A summary of that
21 information I believe was provided monthly, but
22 purely numerical, just numbers, which is
23 distinct from a more analytical type of
24 presentation such as we see here in Exhibit 6.

25 Q. Was the less analytical

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2 information provided to the ExCom on a monthly
3 basis; do you know?

4 A. My understanding is that it was.

5 Q. And who provided that information
6 to the ExCom?

7 A. This was a routine task performed
8 by the Central Finance Group in Expiration
9 Production in The Hague.

10 Q. Who was head of the Central
11 Finance Group for EP?

12 A. Well, the chief financial officer
13 who is Mr. Frank Coopman and obviously he had a
14 staff working for him preparing those figures.

15 Q. Do you know within his reporting
16 line who it was who actually provided those
17 figures?

18 A. I believe Russell O'Brien was the
19 head of the section that prepared those figures
20 and he had a staff of 10, 20 people working for
21 him.

22 Q. Do you recall what the section was
23 that he was the head of?

24 A. I don't recall it by name, but it
25 was the section that dealt with all internal and

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2 external quarterly reports, annual reports and
3 so forth.

4 Q. Now, with regard to the more
5 analytical report such as this note, how
6 frequently were these provided to the ExCom?
7 I'm not talking about your proposal now, I'm
8 talking within the time frame as your tenure as
9 the group reserves coordinator.

10 MR. TUTTLE: Objection to
11 foundation just on the reference as this note
12 being to ExCom. You can answer otherwise.

13 THE WITNESS: I prepared notes
14 similar to this probably three or four times
15 during my tenure.

16 BY MR. HABER:

17 Q. When you say three or four times,
18 do you mean throughout the entire tenure or per
19 year?

20 A. Throughout the entire tenure.

21 Q. With regard to Pay Exhibit 6, do
22 you know if this note was given to the ExCom?

23 A. No.

24 Q. You have no recollection that the
25 note was actually given to the ExCom for an

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2 ExCom meeting?

3 A. No.

4 Q. Okay. If you can turn the page to
5 10739. If you look at the first bullet point it
6 says, "the business faces a severe continuing
7 challenge to meet the target of 100 percent
8 organic RRR in 2003, especially when the effect
9 of the Sakhalin 45 percent minority interest is
10 excluded." Could you explain what you meant by
11 this?

12 A. The severe continuing challenge is
13 in reference to information received from the
14 operating units as part of the business plan and
15 the latest estimate process that I've previously
16 referred to which indicated that the likely
17 volume of proved reserves additions during the
18 year 2003 was unlikely to equal the volume of
19 production and therefore the reserves
20 replacement ratio would fall short of the
21 100 percent target.

22 Q. And what about the reference to
23 Sakhalin minority interest?

24 A. The Sakhalin project is an or was
25 at the time a project in which Shell held I

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2 believe a 55 percent interest and under the
3 rules of financial reporting as I understand
4 them the majority shareholding that Shell had in
5 that venture required that capital expenditure
6 and all other financial parameters be reported
7 on a 100 percent basis. This meant -- this also
8 applied to reserves reporting so that had we
9 disclosed proved reserves for Sakhalin we would
10 have been required to specify 100 percent of the
11 reserves applicable to that project of which our
12 share, of course, was only 55 percent.
13 Therefore, in our external tabulations of proved
14 reserves there would be recognition of
15 100 percent of the reserves, which did not match
16 with our equity. Now, under the reporting
17 requirements of the SEC and FASB the
18 contribution of any minority interest to the
19 figures tabulated had to be summarized in the
20 table, as well, but my observation of the way in
21 which analysts in -- business analysts external
22 to the company used the data from the annual
23 reports was that minority interest contributions
24 were not always deducted from the total in the
25 way that they analyzed the data.

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