

Part 4

1 JOHN RICHARD PAY

2 letter that we prepared as if responding to a
3 question, should it have been raised by the SEC
4 concerning license expiry in Nigeria. So it was
5 our position, written as if it was in the form
6 of a letter to the SEC, assuming they would
7 asked us a question, which at that time they had
8 not. It was felt helpful. I can't remember who
9 suggested it. It was felt helpful to write it
10 in those terms so that we would have documented
11 on the shelves the activities that would be
12 necessary, but at the same time documentary to
13 internal views.

14 Q. Who was responsible for drafting
15 this letter?

16 A. I was -- I wrote a lot of it. I
17 corresponded in -- I was assisted in so doing by
18 as I recall Mr. Klusener and Mr. Hooks.

19 Q. Who is Andrew Hooks?

20 A. To be perfectly honest I don't
21 know what his exact job title was, but he was
22 identified to me and was very active in terms of
23 providing advice and guidance on the issue of
24 license, license expiry, license renewal in
25 Nigeria.

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2 Q. Now, if you look at Exhibit 14,
3 which is the e-mail from you to Mr. Hooks and
4 Mr. Klusener, with the cc to Phil Davis and
5 Malcolm Harper, it has three attachments. Have
6 you seen this document before?

7 A. Evidently I must have done.
8 However, until you refreshed my memory of it I
9 didn't recall. You asked me a question earlier
10 about whether Cravath's opinion was sought.
11 Evidently it was. I'm sorry, I didn't remember
12 that.

13 Q. It's okay. If you look at
14 Exhibit 13 for a moment. I know that your name
15 does not appear on the e-mail from Mr. Van
16 Poppel to Mr. Rogers, but I'm just wondering if
17 you have ever seen this document in connection
18 with your work involving the license expiry and
19 SPDC?

20 A. I'm not sure that I have.

21 Q. Do you recall having any
22 discussions with William Rogers or Bud Rogers,
23 as he's known?

24 MR. TUTTLE: Other than what he
25 testified before in project Rockford?

1 JOHN RICHARD PAY

2 MR. HABER: Correct. Well now in
3 the context --

4 MR. TUTTLE: Of this. Your
5 question was open ended on that point.

6 MR. HABER: Okay.

7 THE WITNESS: Since I had
8 forgotten the fact that Cravath was consulted my
9 memory has not been jogged whether or not I
10 spoke to Mr. Rogers. I don't believe that I
11 did.

12 BY MR. HABER:

13 Q. If you go to Exhibit 14 for a
14 moment, and if you turn the page again to the
15 second e-mail on that page. And I again
16 recognized that your name is not on it, but it's
17 an e-mail from Mr. Rogers to Mr. Van Poppel and
18 I believe it's a cc to a C. Taylor at Cravath.
19 Does a Mr. or Ms. Taylor refresh your
20 recollection about someone you may have
21 interacted with at Cravath at this time?

22 A. No.

23 Q. Now, while we're still on
24 Exhibit 14, if you can turn to Harper 0124 and
25 the pages that follow. Is this a draft of the

1 JOHN RICHARD PAY

2 SEC defense letter that you were talking about?

3 A. Yes.

4 Q. Do you recall discussing the work
5 that was done with regard to the license expiry
6 issue in SPDC with Mr. Van der Vijver?

7 A. No, I don't recall any particular
8 involvement of Mr. Van der Vijver in this work.

9 Q. How about involvement by
10 Mr. Coopman?

11 A. I'm sorry. I don't remember.

12 Q. You can put these aside.

13 Now, in talking about the Kluesner
14 review. Do you recall when the term of
15 reference was executed?

16 A. The work proceeded in phases or
17 had been planned to proceed in phases. I
18 believe the original terms of reference for the
19 first phase were concluded, I believe, late in
20 2002.

21 At the end of the first phase,
22 which I understand to have been principally a
23 data gathering phase, there was a term of
24 reference set for a more detailed review, the
25 second phase, and my recollection that was early

1 JOHN RICHARD PAY

2 in 2003, in the first quarter or so,
3 approximately.

4 Q. Did you have any discussions with
5 Mr. Kluesner about the results of -- let's start
6 with the phase one aspect of the study?

7 A. I think I might have discussed the
8 phase 1 results with Mr. Kluesner early in 2003,
9 but my recollection most of the discussion
10 around that work was with Mr. Hoppe.

11 Q. When do you recall talking with
12 Mr. Hoppe about this study?

13 A. At various times, particularly
14 through the year 2003.

15 Q. Do you recall the sum and
16 substance of those discussions?

17 A. As I believe I've already
18 mentioned, as part of the work there was an
19 endeavor to substantiate the audit trail behind
20 various aspects of SPDCs resource inventory,
21 including proved reserves.

22 Throughout the majority of 2003 up
23 until on or around November 14th the substance
24 of the information I was given by Mr. Hoppe was,
25 as I've said before, that certain elements of

1 JOHN RICHARD PAY

2 the portfolio appeared to lack the requisite
3 audit trail, but that -- which would lead to
4 potentially debooking, whereas other elements
5 had been identified which would be capable of
6 being booked as new reserves additions, thereby
7 canceling to a large extent the debookings that
8 may be necessary.

9 Q. Now, when you're referring to the
10 November 14th time frame are you referring now
11 to the second phase of the study?

12 A. Yes. At around that time the
13 second phase had been completed or substantially
14 completed such that as I recall it the proved
15 reserves inventory of SPDC had been categorized
16 into or subdivided into a number of categories
17 according to the relative strength, if you like,
18 of the audit trail.

19 Now, at around that time or
20 sometime before there had been a discussion with
21 Mr. Barendregt who had been planning to make an
22 audit of the SPDC inventory in 2003, but due to
23 ill health was unable to travel to Nigeria.

24 And so I think sometime before
25 November 2003 a team from SPDC had visited

1 JOHN RICHARD PAY

2 Mr. Barendregt to seek guidance, if
3 Mr. Barendregt would have any, in terms of input
4 to phase 3 of the study which was as I recall
5 intended to look at ways in which the audit
6 trail would need to be substantiated and
7 established.

8 It was -- so the discussion I had
9 prior -- the information that was available to
10 me immediately prior to November was the
11 categorization of those proved reserves and it
12 was, I think, part of the fallout from the
13 discussion with Mr. Barendregt and subsequently
14 information received in the middle of November
15 that indicated whilst we had clarity now on the
16 status of the proved reserves through the
17 categorizations indicated, the possibility to
18 offset with debookings by new additions was
19 found not to be there.

20 Q. And that was found as part of the
21 phase 2 aspect of the study?

22 A. I think it was -- my recollection
23 is it was in the context of assessing the
24 results of phase 2 and setting a work path for
25 phase 3.

1 JOHN RICHARD PAY

2 Q. Do you know if the results of the
3 phase 2 study were presented to the ExCom?

4 A. No.

5 Q. Do you know if the results of the
6 phase 2 study were presented to the CMD?

7 A. No.

8 Q. Do you know if the results of the
9 phase 2 study were presented to Walter van der
10 Vijver?

11 A. No.

12 Q. Do you know if the results were --
13 of the phase 2 study were presented to
14 Mr. Barendregt?

15 A. My understanding is that the
16 information that was available at the time that
17 the SPDC delegation met Mr. Barendregt, that
18 information included a summary of the then
19 results of the study.

20 Q. Now, at the time the phase 2 study
21 had pretty much concluded and the results
22 communicated had Mr. Barendregt conducted his
23 audit of SPDC?

24 MR. ADLER: Objection.

25 THE WITNESS: Well, as I think

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2 I've already said, it was not a full audit of
3 SPDC so, no, he had not conducted an audit of
4 SPDC.

5 BY MR. HABER:

6 Q. Do you know if Mr. Barendregt had
7 conducted a full audit of SPDC in 2003?

8 A. My understanding is he didn't.

9 Q. And the reason he didn't --
10 withdrawn.

11 Do you have an understanding of
12 why he did not conduct a full audit?

13 A. I believe I'm on record as saying
14 he was too ill to travel and, therefore, the
15 full audit had to be postponed but was
16 substituted in the meantime by a visit from
17 personnel from SPDC to visit him in Holland to
18 discuss reserves issues as part of which the
19 Kluesner study results were discussed primarily
20 with a view to seeking his guidance as to what
21 additional work he would consider appropriate to
22 be done between when he met them and the end of
23 the year in order, if possible, to substantiate
24 reserves bookings by the end of the year.

25 Q. Do you know who the personnel from

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2 SPDC were that visited him in Holland to discuss
3 the reserves?

4 A. I can't remember who they were.

5 Q. Before I pass out that document,
6 one other follow-up question on the phase 2
7 results.

8 Do you recall having a telephone
9 conversation with David Kluesner towards the end
10 of November 2003 to discuss this study?

11 A. No, I don't.

12 MR. HABER: Okay.

13 (Pay Exhibit Number 15 was marked
14 for identification.)

15 BY MR. HABER:

16 Q. I'm marking as Pay Exhibit 15 the
17 proved reserves process audit, SPDC Nigeria,
18 dated 18-19 September 2003. The note in the
19 upper left-hand corner reads, 30 September 2003
20 is from Anton Barendregt. Its Bates numbers are
21 V00211034 through V00211043. And there's
22 another range of DB 018009 through DB 018018.

23 I ask you as you're looking this
24 over to -- the first question I'm going to ask
25 you is if you recall seeing this document before

1 JOHN RICHARD PAY

2 today?

3 A. Yes, I do.

4 Q. And, in fact, you are on the
5 circulation distribution list; correct?

6 A. Yes.

7 Q. And the Hans Bakker that is also
8 listed as being from EPS-P. That was your boss
9 at that time?

10 A. Yes. He was the successor to
11 Mr. Nauta.

12 Q. Okay. Had you seen a draft of
13 this audit report before the distribution to the
14 larger number of recipients?

15 A. I can't remember whether I did or
16 not.

17 Q. Do you recall if Mr. Barendregt
18 had provided you with copies of his audit
19 reports before they were finalized?

20 MR. TUTTLE: In general?

21 BY MR. HABER:

22 Q. Yes. During your tenure as group
23 reserves coordinator?

24 A. I seem to recall that, yes, it
25 would be normal for me to receive an advance

1 JOHN RICHARD PAY

2 copy just to correct any factual errors, but
3 that's only for that purpose.

4 Q. Do you recall any instances where
5 you provided a challenge to his conclusions?

6 A. No, I don't. I didn't feel,
7 unless there was misrepresentation of something,
8 I was qualified to comment on then it wasn't my
9 place to comment.

10 Q. If you look down to the second to
11 last paragraph Mr. Barendregt gives a grade, if
12 you will, for his audit finding. And what he
13 says is, "the audit finding is therefore that
14 the present status of SPDC's proved oil reserves
15 is unsatisfactory." Do you see that?

16 A. Yes.

17 Q. Do you recall if in the prior
18 audit of SPDC Mr. Barendregt had given a
19 satisfactory report?

20 A. I don't know if he had. I recall
21 that the one immediately prior to this -- well,
22 in 1999 was also unsatisfactory.

23 Q. Do you recall the 1999 audit
24 report was unsatisfactory?

25 A. If it was '99 or 2000, whenever it

1 JOHN RICHARD PAY

2 was.

3 Q. What was your reaction when you
4 reviewed this report?

5 A. I don't recall any particular
6 reaction. It was consistent with what I was
7 going to understand from in particular the
8 Kluesner study at the time.

9 Q. Do you know how Mr. -- withdrawn.
10 Do you know if the results of this
11 report were provided to Mr. Van der Vijver?

12 A. At the time that the report was
13 issued I believe they were not. They were,
14 however, provided to him later.

15 Q. Do you recall when?

16 A. I believe shortly after the start
17 of project Rockford.

18 Q. When did project Rockford start?

19 A. I'm not sure there was an exact
20 date. I was aware that activity was ongoing
21 upon my return from leave on or around the 25th
22 of November 2003.

23 (Pay Exhibit Number 16 was marked
24 for identification.)

25 BY MR. HABER:

1 JOHN RICHARD PAY

2 Q. We've just marked as Pay
3 Exhibit 16 a string of e-mails, the last of
4 which is from Mr. Van der Vijver, it's dated
5 November 23, 2003, to John Pay, with a cc to
6 John Bell and Frank Coopman. Subject line reads
7 2003 RRR review. The Bates range is V00090852
8 through V00090854. There's also another Bates
9 range of TT 000695 through TT 000697.

10 Have you seen this e-mail
11 correspondence before today?

12 A. This is the -- yes. This is the
13 manner in which I provided those audit reports
14 to Mr. Van der Vijver, the second e-mail.

15 Q. So the second e-mail being the one
16 from you to Mr. Van der Vijver dated
17 November 17, 2003?

18 A. Correct.

19 Q. And if you look at the content of
20 that e-mail you state that the SPDC report, the
21 audit in 1999 got a satisfactory report?

22 A. I misremembered in my recent
23 answer to the previous question.

24 Q. There's also a reference to a good
25 report with regard to Oman?

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2 A. Correct.

3 Q. Do you recall Mr. Barendregt doing
4 an audit of Oman in 2003?

5 A. Yes.

6 Q. And do you recall what the result
7 of that audit was?

8 A. Unsatisfactory.

9 Q. If you look at Mr. Van der
10 Vijver's e-mail of November 23rd to you he says
11 -- and I'm looking at the bottom now after the
12 bullet points, the hyphenated points he says, "I
13 still find it amazing to compare the '99 and the
14 '03 audit write-ups for Nigeria and Oman." Do
15 you see that?

16 A. Yes.

17 Q. Do you recall having any
18 communications with Mr. Van der Vijver where you
19 discussed the reports for Oman and SPDC with him
20 and the discussion involved a comparison of the
21 prior reports and the reports in 2003?

22 MR. TUTTLE: Objection to form.

23 BY MR. HABER:

24 Q. You can answer.

25 A. No, I don't. This e-mail was

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2 written while I was on leave and so I didn't
3 read it at the time it was sent. By the time I
4 returned from leave, as I recall on or around
5 the 25th of November, Mr. Coopman had already
6 set in his mind that a debooking would be
7 necessary, leading -- that was effectively
8 project Rockford. I don't recall then having a
9 discussion with Mr. Van der Vijver on the audit
10 reports.

11 Q. Do you recall having a discussion
12 with Mr. Coopman? And I take it this may be in
13 the context of what started project Rockford,
14 again on this issue of the reports?

15 MR. TUTTLE: Object to form. Can
16 we just get that back one more time, because I'm
17 not sure I followed that.

18 BY MR. HABER:

19 Q. Okay. All I want to know is you
20 said you don't recall having the conversation
21 with Mr. Van der Vijver when you were on leave.
22 When you came back did you have a conversation
23 about the audit reports for Oman and SPDC with
24 Mr. Coopman?

25 A. Since it was the audit reports and

1 JOHN RICHARD PAY

2 the ancillary information that was coming in,
3 especially from SPDC that had caused those to
4 come to the conclusion that a recategorization
5 would be necessary, yes, I had discussion with
6 Mr. Coopman. Whether I discussed in detail
7 these particular reports, I can't recall.

8 Q. Do you recall any discussions with
9 Mr. Coopman at this time, November/December,
10 time frame where Mr. Barendregt's ability to
11 conduct the audits was called into question?

12 MR. TUTTLE: Object to form.

13 THE WITNESS: No, I don't.

14 BY MR. HABER:

15 Q. Do you recall any discussion with
16 Mr. Coopman where Mr. Barendregt's judgment as a
17 reserves auditor was questioned?

18 MR. TUTTLE: Object to form,
19 foundation.

20 THE WITNESS: No.

21 BY MR. HABER:

22 Q. Do you recall any discussion with
23 Mr. Van der Vijver at or about this time where
24 Mr. Barendregt's judgment as a reserves auditor
25 was questioned?

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2 MR. TUTTLE: Same objection.

3 THE WITNESS: Actually, no.

4 BY MR. HABER:

5 Q. If you look at the next part of
6 that sentence that we were just talking about it
7 says, "We better categorize the differences to
8 have a logical explanation." Do you know who
9 was tasked with that?

10 MR. TUTTLE: Object to form,
11 foundation.

12 BY MR. HABER:

13 Q. That project?

14 MR. TUTTLE: Sorry. I was waiting
15 for the end.

16 THE WITNESS: My recollection is
17 that each individual item specified here by
18 Mr. Van der Vijver was not specifically
19 allocated to any particular person. Mr. Coopman
20 and I principally prepared a response to this
21 e-mail. I'm not sure it actually addressed each
22 individual item that Mr. Van der Vijver talks
23 about here and I don't recall that sentence that
24 you referred to being addressed specifically in
25 that reply.

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2 BY MR. HABER:

3 Q. Do you know to whom a logical
4 explanation would have to be made?

5 MR. TUTTLE: Object to form, calls
6 for speculation.

7 THE WITNESS: Indeed you would
8 have to ask Mr. Van der Vijver, I think.

9 BY MR. HABER:

10 Q. I was wondering if you had an
11 understanding as to whom he was referring?

12 A. No, other than a logical
13 explanation would be required for a number of
14 purposes I can imagine.

15 MR. HABER: We have to change the
16 tape but while we're doing that I'm going to
17 mark another exhibit.

18 THE VIDEOGRAPHER: This marks the
19 end of tape two, Volume II in the deposition of
20 Mr. Pay. We're going off the record. The time
21 is 3:30 p.m.

22 (A brief recess was taken.)

23 THE VIDEOGRAPHER: This marks the
24 beginning of tape three, Volume II in the
25 deposition of Mr. Pay. We are back on the

1 JOHN RICHARD PAY

2 record. The time is 3:47 p.m.

3 (Pay Exhibit Number 17 was marked
4 for identification.)

5 BY MR. HABER:

6 Q. We've just marked as Pay
7 Exhibit 17 the SEC Proved Reserves Audit for PDO
8 Oman which was conducted on October 25th through
9 28, 2003. The note is dated in the upper
10 left-hand corner, November 29, 2003.

11 There are two Bates ranges on this
12 document. The first is V00102442 through
13 V00102456. The second range is OM 000590
14 through OM 000604.

15 A. Yes.

16 Q. Mr. Pay, have you seen this report
17 before today?

18 A. Yes.

19 Q. And, again, you are on the
20 circulation, the distribution list; correct?

21 A. Yes.

22 Q. Do you recall being provided a
23 draft of this report before it was formally
24 circulated?

25 A. If formal circulation occurred on

1 JOHN RICHARD PAY
2 the 29th of November, 2003, as seems to be
3 indicated I'm quite sure I saw a draft of it
4 before that date.

5 Q. Do you recall having any
6 discussions with Barendregt about his findings?

7 A. I don't recall any particular
8 discussion with Mr. Barendregt.

9 Q. As you see, at the bottom of the
10 first page, PDO was given an unsatisfactory
11 report; correct?

12 A. Correct.

13 Q. Did you have any reaction to that
14 finding by Mr. Barendregt?

15 A. It did not surprise me.

16 Q. Why didn't it surprise you?

17 A. During the course of 2003, earlier
18 in 2003, I believe, possibly in May, I had made
19 a visit to Oman to better understand the basis
20 for the reserves estimates for PDO and I had
21 come to the conclusion that a significant
22 portion of the PDO reserves might not be
23 substantiated by the required level of technical
24 and commercial maturity.

25 Q. Did anyone accompany you when you

1 JOHN RICHARD PAY

2 visited Oman?

3 A. No.

4 Q. Did you take any notes of your
5 visit?

6 A. I believe I prepared a two or
7 three page summary of my visit.

8 Q. Was that summary in a typed format
9 or a handwritten format?

10 A. Typed. I believe it was -- I
11 shared it with the people I had visited in Oman,
12 after the fact.

13 Q. Who are the people that you met in
14 Oman?

15 A. One was a Mr. Briyya, who was my
16 reserves focal point in Oman, B-R I believe the
17 spelling is B-R-I -- I believe the spelling is
18 B-R-I double Y A. Another was Mr. Stewart
19 Clayton. And the third was Dave Kemshell,
20 K-E-M-S-H-E-L-L.

21 Q. How long was this visit?

22 A. The visit at the time was, I
23 think, two or three days.

24 Q. Did you meet anyone from the Omani
25 government?

1 JOHN RICHARD PAY

2 A. No.

3 Q. Did you discuss your findings with
4 Mr. Clayton while you were in Oman?

5 MR. TUTTLE: Objection to form,
6 foundation.

7 BY MR. HABER:

8 Q. I'll withdraw.

9 Did you make any findings during
10 the time you were in Oman?

11 A. My recollection is that I
12 expressed concern over the audit trail and the
13 degree of technical and commercial maturity over
14 some of the projects, constituting a significant
15 proportion of the PDO proved reserves inventory.
16 My recollection is that I recall discussing
17 with -- sorry, repeating myself.

18 I recall discussing with the
19 people I mentioned that I visited a suggested
20 plan forward which was founded on plans they
21 already had in place to address this matter.

22 Q. And what were those plans?

23 A. It was essentially in relation to
24 studies plans in terms of field development
25 projects and seeking to define with them a

1 JOHN RICHARD PAY

2 process by which reserves that would not be --
3 were not then planned to be underpinned by the
4 requisite study and technical definition within
5 a reasonable time frame might be reprioritized
6 for such definition.

7 However, I would like to continue.

8 Q. Sure.

9 A. My perception was it was unlikely
10 that such definition would be available in time
11 for the end of the year. I knew this audit
12 would happen, I expected the audit to confirm my
13 views, and that is what happened.

14 Q. You mentioned study plans. Were
15 there any study plans that were developed at the
16 time of your visit?

17 A. I recall that PDO presented me
18 with a five-year study plan covering all of the
19 studies they intended to do within the next five
20 years.

21 Q. Do you know if those study plans
22 were prepared by PDO personnel only?

23 A. They were presented as such. I
24 had no reason to suspect otherwise.

25 Q. Do you know if any service

1 JOHN RICHARD PAY
2 organization provided any assistance in the
3 preparation of the plans?

4 A. No.

5 Q. Did you communicate the findings
6 that you made while you were in Oman to your
7 bosses?

8 MR. TUTTLE: Objection to form,
9 foundation.

10 BY MR. HABER:

11 Q. You can answer.

12 A. I included an entry in the
13 potential reserves exposure catalog indicating a
14 possible volume that might be at risk, pending
15 confirmation from the audit.

16 Q. Other than the potential reserves
17 exposure catalog was there any other means of
18 communicating the findings that you had made?

19 A. Not as I recall.

20 Q. Do you recall communicating your
21 findings to Mr. Van der Vijver?

22 MR. TUTTLE: Objection to form,
23 foundation.

24 THE WITNESS: No, I don't.

25 BY MR. HABER:

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2 Q. If you -- if you look at Pay
3 Exhibit 17, the paragraph, the third to last
4 paragraph, the one that says, "the audit found
5 that PDO's Group share." Do you see that?

6 A. Yes.

7 Q. In the middle of the paragraph
8 towards the bottom there's a discussion of the
9 technical maturity of the projects and then in
10 particular it says, "PDO have recognized this
11 and have embarked on an aggressive study program
12 to address the maturation of the associated
13 projects."

14 Is this the program that you just
15 testified about or is this -- or is the
16 reference here to some other program, if you
17 know?

18 A. I understand it to refer to the
19 same thing.

20 Q. Okay. As part of Rockford were
21 reserves restated in Oman?

22 A. Yes.

23 Q. Do you recall the volume?

24 A. I believe the volume is consistent
25 with the figures that you'll find in here,

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roughly 400 million barrels of Shell share reserves.

Q. And do you recall the reasons that were attendant to the decision to restate the reserves?

A. The confirmation of the lack of technical maturity in relation to those volumes, as was confirmed by the audit report.

Q. Do you recall what it was about the technical maturity that was found to be problematic?

A. My recollection is principally twofold: Either the technical studies had not been progressed to the required level of maturity. In other words, the studies hadn't been concluded. Or the studies were in relation to the application of enhanced recovery techniques which had yet to be proved effective, which would discount them from proved reserves attribution.

Q. Let's take the first issue that you identified, the technical studies had not progressed to the required level of maturity.

What was the required level of

1 JOHN RICHARD PAY

2 maturity?

3 A. According to the guidelines at the
4 time, the internal Shell guidelines on reserves
5 estimating for major projects. And at the time
6 major projects I believe were defined as those
7 requiring more than \$100 million of capital
8 expenditure and that would have applied to many
9 of the projects concerned, according to our own
10 guidelines must have reached VAR 3, which is a
11 milestone in our project maturation system and
12 they had not done so.

13 Q. Also in your answer when you're
14 referring to technical studies had not
15 progressed are you referring to field
16 development plans?

17 A. Usually incremental field
18 development plans. Many of the properties for
19 which -- which we're discussing here are in fact
20 fields which were in production at that time and
21 they're in production today, but the plans
22 specifically addressed further development of
23 those same fields.

24 Q. So the issue was not with the
25 portion of the fields that were actually

1 JOHN RICHARD PAY

2 developing, but for future?

3 A. Incremental development plans and
4 specifications of what those plans should be.

5 Q. Now, the other part of your answer
6 you said that the studies hadn't been concluded
7 or the studies were in relation to the
8 application of enhanced recovery techniques
9 which yet had to be proved effective.

10 What are you referring to there?

11 A. Well, there is specific guidance
12 in the SEC clarification of the regulation SX
13 410 which states that improved recovery
14 techniques must be proved effective before
15 proved reserves can be attributed to them.

16 Q. And how are those techniques to be
17 proved effective?

18 A. Through observation of production
19 conformance, consistent with what had been
20 expected.

21 Q. Do you know who within Shell was
22 providing PDO with the enhanced recovery
23 techniques?

24 A. To the best of my knowledge, PDO
25 was responsible for its own definition of the

1 JOHN RICHARD PAY

2 techniques it would use.

3 Q. Do you know if SEPTAR was
4 providing a definition of techniques to be used?

5 MR. TUTTLE: Objection,
6 foundation.

7 THE WITNESS: The answer is no.

8 MR. FERRARA: Sorry. The answer
9 is, no, they were not or, no, you don't know?

10 THE WITNESS: No, I don't know.

11 BY MR. HABER:

12 Q. Do you know a person by the name
13 of Said Al Harthy or Harthy?

14 A. I'm familiar with the name. I
15 believe he was involved in, I believe he was
16 involved in business planning for PDO.

17 Q. Do you recall meeting with him
18 when you went to PDO?

19 A. I believe we met in the corridor
20 and exchanged a few words. I don't think we had
21 any more substantive discussion than that.

22 Q. Do you know what negative reserves
23 are?

24 A. I'm familiar with the expression,
25 yes.

1 JOHN RICHARD PAY

2 Q. And what is your understanding of
3 that expression?

4 A. It's an issue of arithmetic,
5 primarily. Typically, proved reserves estimates
6 are not updated on a continuous basis.

7 Typically, estimates might be made
8 when a field development plan is prepared.

9 Production pursuant to that plan
10 might then occur through the execution of the
11 activities that are planned on bringing the
12 facilities and wells into production.

13 It can happen that if in the
14 intervening years no updates to the -- no
15 revision is made to the proved reserves estimate
16 that the amount of production that has occurred
17 in the intervening years actually exceeds the
18 proved reserves estimate originally placed on
19 the books, causing the apparent amount of
20 reserves left to be produced to be negative.

21 And it's essentially an issue
22 that's created when an estimate of proved
23 reserves is registered in the database or
24 whatever system is used to capture the
25 information and is then not updated in

1 JOHN RICHARD PAY

2 subsequent years.

3 Q. When you went to Oman did you find
4 that there was an issue of negative reserves
5 with PDO's reporting?

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

8 Q. Okay. Have you heard of the
9 acronym STOIIP, S-T-O-I-I-P?

10 A. Yes.

11 Q. What does that stand for?

12 A. It stands for stock tank oil
13 initially in place.

14 Q. Do you recall a STOIIP review
15 being conducted in Oman during your tenure as
16 GRC?

17 A. Now that you mention it it rings a
18 bell, but I'm struggling to remember the detail
19 of it.

20 Q. Do you know what the focus of what
21 a STOIIP review is?

22 A. Yes, indeed. STOIIP is a measure
23 of the amount of oil that is present in a
24 reservoir at initial conditions upon discovery.
25 By developing a reservoir a proportion of the

1 JOHN RICHARD PAY

2 STOIIP can be produced. Typically, not a very
3 high proportion. It's typical that an oil
4 reservoir if an average -- on average one would
5 expect to produce maybe 30 or 35 percent of the
6 STOIIP over the lifetime of the field. Many of
7 the reservoirs in Oman have been on production
8 for a long time, maybe are approaching that 30
9 to 35 percent recovery point and, therefore,
10 being close to being exhausted in terms of their
11 primary development many of the enhanced oil
12 techniques that I previously referred to are in
13 effect targeting the 65 to 70 percent of STOIIP
14 that is still sitting in the reservoir and which
15 may be exploited by additional recovery
16 techniques.

17 So a STOIIP review, to me would
18 suggest an inventory is being made of the amount
19 of oil that was originally in place for each
20 reservoir, how much is left to be produced, and
21 which might therefore be targeted by additional
22 recovery techniques.

23 Q. So with regard to Oman this would
24 be -- such a review would be conducted with
25 regard to fields that were already producing but

1 JOHN RICHARD PAY

2 for which there was a belief that there would be
3 incremental production in a future date; am I
4 correct?

5 A. That might be one reason why such
6 a review would be done.

7 Q. With regard to Oman do you have
8 any recollection having discussed this now as to
9 reasons why a STOIIP review was conducted?

10 A. My recollection and my memory has
11 been refreshed a little by the discussion we
12 just had, that a review was in progress
13 primarily for that purpose.

14 Q. Again, having discussed this, do
15 you recall when the review commenced?

16 A. My recollection is that it was in
17 progress in or around 2003. I can't remember
18 specifically the time.

19 Q. And, again, just trying to refresh
20 your recollection, do you recall if it was being
21 conducted during your visit to Oman? That is
22 was it in progress?

23 A. Thank you for reminding me.

24 I don't mean to be --

25 Q. That's okay.

1 JOHN RICHARD PAY

2 A. I believe it was. Actually, I
3 remember walking into a room and having a brief
4 discussion with a team that was looking at the
5 portfolio. And now that you've reminded me I
6 think that is the study they were engaged with.

7 Q. Do you recall who that -- who the
8 members of that team were?

9 A. Not in -- not in detail. I can
10 remember one or two individuals. I think Wim
11 Swinkels, S-W-I-N-K-E-L-S, was on the team.

12 THE REPORTER: I'm sorry, the
13 first name?

14 THE WITNESS: W-I-M.

15 BY MR. HABER:

16 Q. Do you know who the other person
17 was?

18 A. I seem to recall there were five
19 or six people in the room. It was a relatively
20 brief visit. No, I can't recall who else.

21 Q. I'm sorry?

22 A. No. If I gave you a name I'm
23 guessing. I think I know, but I don't know for
24 sure.

25 Q. Do you know where Mr. Swinkels

1 JOHN RICHARD PAY

2 worked within Shell?

3 A. At that time, no, I don't.

4 Q. Do you know if he worked at PDO?

5 A. No, I don't.

6 Q. Who -- who was responsible for
7 conducting STOIIP reviews?

8 A. I don't know.

9 Q. Did Shell have a particular
10 service organization responsible for conducting
11 STOIIP reviews?

12 A. Well, first of all I answer your
13 question by saying it's not a routine type of
14 thing to do.

15 This sounds like a study that had
16 been -- to me it sounds like a study that had
17 been commissioned by PDO for their own
18 particular purposes.

19 Q. When you say a STOIIP review is
20 not a routine review, can you recall any other
21 instances during your tenure as group reserves
22 coordinator where a STOIIP review had been
23 conducted?

24 A. Well, clarify my previous answer
25 in terms of STOIIP reviews that would go through

1 JOHN RICHARD PAY

2 the entire portfolio of an operating unit are
3 not typically things one encounters happening on
4 a routine basis.

5 However, as part of an individual
6 field or reservoir assessment the starting point
7 is always an assessment of STOIIP. This is the
8 starting point of the evaluation.

9 So STOIIP is calculated for
10 individual assets on an individual basis. But
11 to look at the whole portfolio of an operating
12 unit, I can't recall any other instance of that
13 happening.

14 Q. Now, was there any license expiry
15 issue in Oman that you recall?

16 A. Yes. My understanding is that the
17 license, PDO's operating license was due to
18 expire, I think in either 2012 or 2014, I'm not
19 entirely clear on the date just now. And that
20 presented a similar issue to that prevalent in
21 SPDC, which we've already discussed.

22 Q. Do you remember how that issue had
23 been resolved, if it had been resolved?

24 A. There was discussion. I was
25 involved in discussions with the regional

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JOHN RICHARD PAY

advisor for the Middle East situated in The Hague who advised me that negotiations were in progress to seek a license extension.

Q. Do you know who was responsible for the negotiations with the Omani government?

A. I don't know who was conducting the investigations.

Q. Do you know if it with use Mr. Van der Vijver?

A. No.

Q. Do you know if it was Mr. Watts?

A. No.

Q. Do you know if it was Ms. Boynton?

A. I don't know who was doing it.

Q. Again, just trying to refresh your recollection?

A. No, I don't know.

Q. Do you know if a legal opinion was sought with regard to the license expiry issue in Oman?

A. No.

Q. With regard to seeking extensions of a license do you have an understanding of what Shell's prior practice had been with regard

1 JOHN RICHARD PAY
2 to the timing when an extension would be sought?

3 MR. TUTTLE: Objection to form,
4 foundation.

5 THE WITNESS: I don't think there
6 was a standard practice, if that is what you're
7 referring to.

8 BY MR. HABER:

9 Q. Well, it is.

10 I want to go back for a moment to
11 presentation to the CMD. I want to mark as the
12 next exhibit, Exhibit 18.

13 (Pay Exhibit Number 18 was marked
14 for identification.)

15 THE WITNESS: Yes.

16 BY MR. HABER:

17 Q. Have you seen -- let me -- sorry,
18 identify for the record.

19 We just marked as Pay Exhibit 18
20 an e-mail from Ingrid De Wit, dated July 18,
21 2002, to Malcolm Brinded. The subject is CMD
22 note pre-reading. It has two attachments, at
23 least that's what's reflected on the e-mail.
24 The Bates range is V00120778 through V00120801.
25 There's another range, DB 07941 through

1 JOHN RICHARD PAY

2 DB 07964.

3 Have you seen this document before
4 today?

5 A. The attachment to the e-mail, yes.

6 Q. And --

7 A. Or I should say the attachment to
8 the cover note, the one that's behind the cover
9 note.

10 Q. The attachment you're referring
11 to, the note for decision reserves outlook?

12 A. Yes. The one beginning on page
13 ending 780.

14 Q. Did you prepare this note for
15 discussion?

16 A. Yes.

17 Q. Were you requested to do so by
18 someone?

19 A. Mr. Van der Vijver, I believe.

20 Q. And do you recall the
21 circumstances surrounding Mr. Van der Vijver
22 requesting you to prepare this note?

23 A. Yes.

24 Q. What did he say? What were the
25 circumstances?

1 JOHN RICHARD PAY

2 A. The circumstances as I understood
3 them to be were in relation to the fact that
4 Shell's Reserves Replacement Ratio in recent
5 years had been below the 100 percent target and
6 were projected to continue below that target in
7 2002 and 2003 and, therefore, I understand that
8 Mr. Van der Vijver was seeking to understand the
9 reasons for that.

10 Q. And in preparing this note were
11 you trying to provide the reasons for the
12 Reserves Replacement Ratio being below
13 100 percent over the past few years?

14 MR. TUTTLE: Object to form.

15 THE WITNESS: No. I would
16 characterize this note as being forward looking.

17 BY MR. HABER:

18 Q. Was there any message or messages
19 that you were trying to convey in preparing this
20 note?

21 A. My intention in this note was to
22 inform as to inform management as to the
23 disposition of our hydrocarbon volumes inventory
24 and to try and help them to understand the
25 reasons why less mature, unproved resource

1 JOHN RICHARD PAY

2 volumes were not maturing to the proved category
3 at the pace that might have been desirable.

4 My intention was also to indicate
5 areas where opportunities to improve that
6 performance might exist.

7 Q. Now, do you know if this note was
8 distributed to members of the CMD as pre-reading
9 material for a meeting?

10 A. The only evidence that it was is
11 the evidence I see before me now from the
12 covenants.

13 Q. Okay. Did you ever get any
14 feedback from any member of the CMD about the
15 content of the note?

16 A. No.

17 Q. Did you receive feedback from
18 Mr. Van der Vijver during the drafting phase of
19 the note?

20 A. It's kind of inconceivable he
21 wouldn't have given me comments at some stage,
22 but I can't remember specifically what the
23 comments might have been.

24 Q. I would like you to turn to page
25 16, and that's the page that ends 120795, it's

1 JOHN RICHARD PAY

2 Attachment 1g. Is this -- withdrawn.

3 What does this attachment show?

4 A. This attachment is entitled,
5 Hydrocarbon Resource Challenges by OU, and it
6 attempts to summarize some of the issues
7 affecting hydrocarbon resource maturation in
8 various different geographical locations.

9 Q. Is this a form of the potential
10 reserves exposure catalog that we've talked
11 about and looked at throughout proceedings
12 yesterday and today?

13 MR. TUTTLE: Object to form.

14 BY MR. HABER:

15 Q. You can answer.

16 A. This is a report that I produced
17 very early in my tenure of the resource
18 coordinator's job. Several of the issues that
19 you find on this attachment to which you've
20 referred were reproduced in the catalog to which
21 you've referred.

22 Q. Do you recall Mr. Van der Vijver
23 commenting on Attachment 1g?

24 A. As I said, I don't remember
25 specific comments received from Mr. Van der

1 JOHN RICHARD PAY

2 Vijver.

3 Q. Other than receiving comments to
4 any of the attachments or the note do you recall
5 any conversations with Mr. Van der Vijver
6 concerning the particular operating unit that's
7 identified in Attachment 1g?

8 A. Can you please repeat the
9 question?

10 Q. What I'm looking for is rather
11 than just looking at this attachment do you
12 recall any discussions with Mr. Van der Vijver
13 around July 2002 where you discuss SPDC, for
14 instance?

15 MR. TUTTLE: Object to the extent
16 asked and answered. We spent a long time these
17 two days on SPDC and I'm quite sure you asked
18 him before if he had conversations with Mr. Van
19 der Vijver. I just want that on the record.

20 MR. HABER: I'm sure I have.

21 However, I'm not certain that I've
22 asked him in particular about July of 2002.

23 BY MR. HABER:

24 Q. Do you recall any discussions with
25 Mr. Van der Vijver in July 2002 about SPDC?

1 JOHN RICHARD PAY

2 A. Sitting here today, no.

3 Q. Do you recall any discussions with
4 Mr. Van der Vijver in July of 2002 where you
5 discussed SNEPCO?

6 A. No, I don't.

7 Q. I believe we did have some
8 testimony about some discussion with Mr. Van der
9 Vijver concerning Australia; is that correct?

10 A. Yes.

11 Q. Do you recall discussing with
12 Mr. Van der Vijver in July of 2002, Brunei?

13 A. No, I do not.

14 Q. How about discussing with Mr. Van
15 der Vijver, Kazakhstan? Again, same time frame,
16 July 2002?

17 A. I'm sorry, I can't help you.

18 Q. If you turn to page 8 of the note
19 under 4. -- 4 and then 4.1, 4 being External
20 Storyline. 4.1, 2001 Investor Relations, was
21 there a reason why you included this section in
22 the note for discussion?

23 A. My recollection is that I was
24 either instructed or advised to after
25 consultation with colleagues.

1 JOHN RICHARD PAY

2 Q. Do you recall who you consulted
3 with?

4 A. Since this was the first example
5 of such a note that I had written, I consulted
6 primarily with a colleague by the name of David
7 Freedman, F-R-E-E-D-M-A-N to seek his guidance
8 as to the type of information I might include in
9 such a document.

10 Q. Do you recall having any
11 discussions with Rhea Hamilton?

12 MR. TUTTLE: In 2002?

13 BY MR. HABER:

14 Q. Again, in regard to this section,
15 yes.

16 A. No. I couldn't say for sure that
17 she had taken a job with Mr. Frank Coopman at
18 that time.

19 Q. How about -- do you recall having
20 conversations about this section with Simon
21 Henry?

22 A. I'm reasonably certain I didn't
23 encounter Mr. Henry until much later.

24 Q. If you take a look at this section
25 what was the information upon which you based

1 JOHN RICHARD PAY

2 this section when you drafted it?

3 A. May I read it again?

4 Q. Yes, please.

5 A. Are you referring to 4.1 and 4.2?

6 Q. No. Just 4.1.

7 A. Could you please repeat your
8 question?

9 Q. With regard to preparing 4.1 I
10 asked what was the information upon which you
11 based this section on?

12 A. Well, there would have been a
13 combination of sources of the information. If
14 you're referring specifically to the
15 presentations to investors in 2001 then I would
16 have been given access by, whom I can't
17 remember, to such external presentations.

18 Q. How about reviewing analyst
19 reports that were written by analysts in the
20 investment community?

21 A. I read those as a matter of
22 routine.

23 Q. And why did you read those as a
24 matter of routine?

25 A. Out of professional interest

1 JOHN RICHARD PAY
2 specifically in the way that information that we
3 were publishing and that I in my job was
4 responsible for collating was being used in the
5 analyst community.

6 Q. And with regard to the last
7 paragraph in 4.1, is that an example of an
8 awareness of what the analyst community was
9 saying about Shell?

10 MR. TUTTLE: Objection to form,
11 foundation, document speaks for itself.

12 THE WITNESS: That paragraph does
13 not appear to refer to statements by analysts.

14 BY MR. HABER:

15 Q. The reference says, in "discussing
16 resource volumes." May I ask, who did you mean
17 in discussing resource volumes or with whom did
18 you mean?

19 A. What I meant was when Shell has
20 presented to, in discussions with external
21 parties, such as the analyst community, Shell
22 has stressed and I recall I saw presentations in
23 which statements to that effect had been made
24 that expectation resource based was a more
25 reliable indicator of performance.

1 JOHN RICHARD PAY

2 Q. And what is your understanding as
3 to the reason why it is a more reliable
4 barometer for, as it says here, growth
5 potential?

6 A. My understanding?

7 Q. Yes.

8 A. As an individual, as an engineer I
9 would agree with the statement on the basis that
10 we plan our business and expect to achieve the
11 expectation resource volumes, not the proved
12 reserves volumes, over the full lifetime of a
13 field or a project.

14 Q. Now, in your prior answer when I
15 asked to whom you were referring in this
16 sentence in discussing resource volumes you said
17 with external parties such as the analyst
18 community.

19 Were there other external parties
20 that you were referring to?

21 A. At the time, and I'm pretty sure
22 at the time I was referring exclusively to the
23 type of presentation that would have been made
24 by Shell representatives to shareholders or
25 their representatives or analysts in open forum.

1 JOHN RICHARD PAY

2 Typically the sort of presentation
3 that would be made to a company at the release
4 of annual or quarterly performance figures.

5 I'm not aware of any other
6 discussions that may or may not have been
7 carried out.

8 Q. Okay. With regard to the
9 information as contained in this note, did you
10 believe that you accurately presented all of the
11 information for the CMD's consideration?

12 A. Yes.

13 Q. And did you believe that the
14 information in this note was presented in a
15 clear fashion so that the recipient would
16 understand the messages that were being
17 conveyed?

18 MR. TUTTLE: Objection to form,
19 calls for speculation.

20 MR. HABER: I'm asking what his
21 belief was.

22 BY MR. HABER:

23 Q. Did you believe you presented the
24 information clearly?

25 A. I believe I did.

1 JOHN RICHARD PAY

2 Q. Okay.

3 MR. HABER: Why don't we just take
4 a short break and then we'll go on to one, maybe
5 two more topics, but it should be relatively
6 brief.

7 MR. TUTTLE: Okay.

8 THE VIDEOGRAPHER: We're going off
9 the record. The time is 4:35 p.m.

10 (A brief recess was taken.)

11 THE VIDEOGRAPHER: We are back on
12 the record. The time is 4:46 p.m.

13 (Pay Exhibit Number 19 was marked
14 for identification.)

15 MR. HABER: Mr. Pay, I just handed
16 you what we're marking as Pay Exhibit 19, which
17 is an e-mail with an attachment. The e-mail is
18 from Frank Coopman, it's dated December 2, 2003.
19 It's to John Bell, Matthias Bichsel, John
20 Darley, with a cc to you. The attachment on the
21 e-mail is called Script for Walter on the
22 prove...

23 If you look at the attachment it
24 is called Script for Walter on the proved
25 reserves position. The Bates number is

1 JOHN RICHARD PAY

2 RJW00780060 through RJW00780063.

3 THE WITNESS: Yes.

4 BY MR. HABER:

5 Q. Have you seen this e-mail and
6 attachment before today?

7 A. Yes.

8 Q. Did you have an understanding of
9 why Mr. Coopman sent this e-mail to you and the
10 others listed on here on the e-mail?

11 A. I don't know why he sent it to the
12 people on the to list; Bell, Bichsel, and
13 Darley. He copied it to me I imagine because
14 I'm a co-signatory to it.

15 Q. Did you assist Mr. Coopman in
16 writing this script?

17 A. My name is on the bottom of it as
18 well as his. Yes, I did.

19 Q. Of the two of you who took the
20 lead in preparing the document?

21 A. Mr. Coopman.

22 Q. Do you recall what your
23 contributions to these script were?

24 A. In general?

25 Q. Yes.

1 JOHN RICHARD PAY

2 A. Any matters relating to proved
3 reserves estimates and the numbers involved.
4 Not the materiality section. I contributed to
5 the Fuel and Flare section. I believe that was
6 it.

7 Q. Why was this script prepared?

8 A. In effect this was Mr. Coopman's
9 and my response to the e-mail that I believe we
10 saw previously as Exhibit Pay 16, which was an
11 e-mail from Walter van der Vijver to me, copied
12 to Mr. Bell and Mr. Coopman concerning -- well,
13 we've covered what that document contains.

14 As I have mentioned before, when
15 Mr. Van der Vijver sent that e-mail I was on
16 leave. By the time I returned from leave it was
17 evident to me that Mr. Coopman, informed
18 primarily by the audit results or the emerging
19 picture that we've discussed, particularly in
20 relation to SPDC and PDO had formed in his mind
21 the opinion that a recategorization of our
22 reserves was required and it was in that vein
23 that we prepared this note.

24 Q. Was he the one who had determined
25 to write the note or as it's called here, a

1 JOHN RICHARD PAY

2 script?

3 A. Yes.

4 Q. And he approached you to assist
5 him in preparing it?

6 A. Yes.

7 Q. Did he explain why he was seeking
8 your assistance in preparing the script?

9 A. In my capacity as the reserves
10 coordinator and, therefore, in possession of
11 certain factual information that would be
12 required to complete this document.

13 Q. How long did it take you to draft
14 the document?

15 A. My recollection is that this
16 specific document was prepared over a period of
17 a couple of days.

18 Q. When Mr. Coopman had approached
19 you to assist him with the drafting of this
20 document did you agree with his assessment that
21 there should be a recategorization?

22 A. In light of the information that
23 had recently emerged from PDO and SPDC in
24 particular I agreed that it was an appropriate
25 course of action.

1 JOHN RICHARD PAY

2 Q. Did the discussions that you had
3 with -- withdrawn.

4 Did the discussion that you had
5 with Mr. Coopman when he approached you, did it
6 include operating units other than PDO and SPDC?

7 A. Yes. I think some of those are
8 actually specifically mentioned here or rather
9 the Gorgon example is given.

10 Q. Did you and Mr. Coopman discuss or
11 within the discussion contemplate a group-wide
12 analysis of Shell's reserves position?

13 MR. TUTTLE: Are you still on the
14 first discussion with Mr. Coopman?

15 MR. HABER: Yes. When he was
16 approached, yes.

17 THE WITNESS: I don't recall if
18 there was such a discussion upon his first
19 approach to me.

20 BY MR. HABER:

21 Q. Was there subsequent discussions
22 where the scope of a debooking expanded to a
23 review of the group's reserves position?

24 MR. TUTTLE: Objection to form.

25 BY MR. HABER:

1 JOHN RICHARD PAY

2 Q. You can answer.

3 MR. TUTTLE: You can answer.

4 THE WITNESS: Yes. In the sense
5 this note initiated a rapid succession of events
6 in a short period of time, during which it was
7 determined that if a recategorization were to be
8 made it should ensure that no stone was left
9 unturned.

10 BY MR. HABER:

11 Q. In your answer you said -- you
12 say, yes, in the sense this note initiated a
13 rapid succession of events in a short period of
14 time. What events were you referring to?

15 A. The initiation of project Rockford
16 and the events surrounding that.

17 Q. When was -- when was it decided
18 that there would be this project Rockford
19 analysis?

20 MR. TUTTLE: I'm just going to
21 caution Mr. Pay that to the extent that as we
22 move into project Rockford any of his answers
23 involve communications with counsel, again, as I
24 instructed you before, we should step outside,
25 understand what those discussions were and

1 JOHN RICHARD PAY
2 ensure we don't inadvertently waive a privilege
3 by disclosing otherwise confidential
4 communications with counsel. So I realize it
5 may not be exactly applicable to the time period
6 question, but I just want to make sure you
7 understand that as we go forward into project
8 Rockford questions. So.

9 THE WITNESS: Understood.

10 And I'm afraid I'm going to have
11 to ask you to repeat the question.

12 BY MR. HABER:

13 Q. I knew you were going to say that.
14 I asked when was it decided that
15 there would be this project Rockford analysis?

16 A. And you're referring to -- when
17 you say project Rockford analysis you're
18 referring to an analysis of the group's
19 worldwide reserves position?

20 Q. That's correct.

21 A. I can't remember a specific time
22 that it was decided. I would suggest I was
23 perhaps not -- not involved directly in that
24 decision. However, I -- my recollection is that
25 a short period of time after this note was

JOHN RICHARD PAY

prepared I was asked to coordinate the preparation of a larger dossier concerning the entire gamut of the recategorization as we then saw it, essentially addressing the 3.9 billion BOE of reserves that originally fell into the scope.

Q. Who asked you to prepare or coordinate the, if you will, the portfolio of assets to be reviewed?

A. I can't remember who gave me the instruction.

Q. Do you know when the project received its name, project Rockford?

A. I can't remember exactly when that was.

Q. When you were first asked to coordinate the materials was it presented to you as project Rockford?

A. Not that I recall.

Q. Do you recall if the review got its name, project Rockford, in December of 2003?

A. Well, certainly not before, to my knowledge. My recollection is that it was sometime in December 2003. I think you said '4,

1 JOHN RICHARD PAY

2 did you?

3 Q. '3. If I said '4 I meant '3.

4 Now, at the time -- let's step
5 back again and look at the script for Walter.

6 At the time you prepared this
7 script with Mr. Coopman had you communicated the
8 content of this script with the external
9 auditors?

10 A. No -- I don't recall having done
11 so.

12 Q. Do you know if Mr. Coopman had
13 communicated the content of this script to the
14 external auditors?

15 A. I don't know whether or not he
16 had.

17 Q. During the time that you were
18 drafting this script with Mr. Coopman do you
19 recall consulting with the external auditors,
20 advising them of what you were writing in this
21 document?

22 A. No. I don't recall any such
23 discussion.

24 Q. With regard to your work on
25 project Rockford did you have any interaction

1 JOHN RICHARD PAY

2 with the external auditors?

3 A. Yes. The reason I'm hesitating is
4 that I can't remember exactly when that
5 engagement started.

6 Obviously there was engagement
7 after the announcement of the 9th of January,
8 but --

9 Q. The first announcement of
10 recategorization?

11 A. Correct. Yes. I can't remember
12 if there was any engagement before then.

13 Q. When you had had the interaction
14 with the external auditors after the first
15 announcement in January of 2004 do you recall if
16 there was an expression of agreement by the
17 auditors with the recategorization?

18 MR. TUTTLE: Object to form.

19 THE WITNESS: No, I can't
20 remember.

21 BY MR. HABER:

22 Q. Which auditors, KPMG or PWC, do
23 you recall having the interaction with?

24 A. Well, certainly KPMG, since their
25 representatives were physically sitting in our

1 JOHN RICHARD PAY

2 office at the time. I don't recall whether or
3 not I was involved in discussions with PWC.

4 Q. Did KPMG have office space in the
5 center throughout the year?

6 A. No, not to my knowledge.

7 Q. Were they given office space in
8 connection with the ARPR?

9 A. Yes.

10 Q. Can you think of any other time
11 during the year in which the external auditors
12 were given office space in the center?

13 A. Not in connection with my job.

14 Q. Now, with regard to the script,
15 again, do you recall having any discussions with
16 Ms. Boynton about the content of the script?

17 A. I'm pretty sure I never discussed
18 this script with Ms. Boynton.

19 Q. Do you recall having any
20 conversations with Mr. Van der Vijver about the
21 script?

22 A. At what time?

23 Q. After it was presented to him?

24 A. Obviously I had conversations with
25 Mr. Van der Vijver after that time. Whether