
From: McKay, Aidan A SIEP-EPB-P
To: Sprague, Bob RM SI-SEPI-EPN
CC:
BCC:
Sent Date: 2001-12-06 13:28:32.000
Received Date: 2001-12-06 13:28:32.000
Subject: FW: Production Forecast & Tragic World Events
Attachments:

Bob,
I accept its important to be nice, but just maybe its also important not to be plain stupid too..... I dont like plain stupid.

(And yes I have all the investor relations presentation speeches, you & everybody else ever made since about 1991).
My book is going to be factual ! It might not sell, but I'll feel better doing it!.

Aidan

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

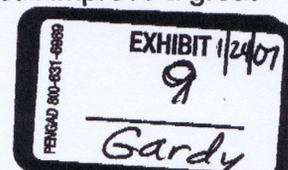
From: McKay, Aidan A SIEP-EPB-P
Sent: 06 December 2001 14:15
To: Gardy, Dominique D SIEP-EPF
Cc: Brass, Lorin LL SIEP-EPB
Subject: RE: Production Forecast & Tragic World Events

Dominique,
My other response did not shake you. Well you asked so here is what I think.....
I'm not politically shrewd, so I offer no expertise in decide if your going to get caught out for telling IR stories (in a transparent world) and what the likely punishments will be!
It may depends if you feel we will do a rock in the pond acquisition in the next 24 months or not.....Cutlass is marginally big enough for this...but has min upside. I desire that we tell a message close to the expectation reality or historical reality.

If I was Walter I would use this tragic event to introduce a little more conservatism (buying flexibility) into our story around both production growth (stating that it will be slower at eg 2 % to 3 %) and also that reserves replacement (potentially still hitting 100 % at the end but not putting it in a target framework). They will simply take everything in that framework for granted, and it will buy us a bit of time but then they will punish us if we fail on any one of them!

You, need to tone down the v/g on production growth to 2-3 % and also RRR of 100 %..... My Walter statement for the charts would be :

"As you can see financial efficiency is well in hand and that production growth and reserves are in really good shape both technically and operationally, but we can still improve a great



deal and we have plans to do so.we are not complacence at all !

The impact of the tragic September 11th events on the world are still evolving in terms of both their economic impact on hydrocarbon demand and on the impact various governments around the world who are resource owners. It is still to early to say conclusively but we do see a slight slowdown, we remain flexible and focussed equally on profitability (our ROACE) and our longer term prospects beyond the next 5 years. We have looked at the rate of growth we are comfortable with and have decided to make adjustments to the engineers estimates and we feel we are comfortable with the 2-3 % growth rate on average over the next five years are very comfortable with our portfolio, but we know well that some of these giant projects (which will be legacy assets of the future) will take time.

I repeat this is not a change.....my predecessors have been reminding you for the last 30 years (including on the devt of the Brent platforms I know so well) that these big new projects in new areas whether its Kashagan or Sakhalin or DW Nigeria or Angola will take time to bring them onstream! As you are all aware, we are not alone in this phenomenon. We are making every effort to ensure this "maturing of new business" goes as fast as possible, but in reality it is not always completely within our control and to an extent we are dependent on political will and gas market demand in some of these projects. This will have an effect to on the rate at which we can "book" proven reserves....

Therefore we continue to aspire to replace 100 % of our reserves but post 11th September we feel a prudent level for planning would be 80 % for the next 3 years growing to 100 % if our efforts in MRH and in gas markets materialise at the pace we expect and are comfortable with. But I want to say this one more time..... we are going to deliver 15 % ROACE at mid cycle prices.....and higher ROACEes above this price point....punto,..... irrespective of minor delays on these big projects which are partially outside my control!"

This approach buys us time and flexibility, and reduces the "obvious doggy factor" in our story just a little. If you don't go this route you run as ever the risk that Raymond or Longwell will correctly say....

"Hell we have more projects than anybody else, more growth than anybody else, you can forecast with a crystal ball for all we care, Exxon is comfortable with 2-3 % growth as we have been since we took Mobil and we will not promise 100 % replacement every year! We have every intention of being the best company at replacing reserves in the business and have the enviable track record over the last decade without methodology games, but a suggestion of 100 % RRR is plain nuts! Look at the facts over the last ten years on ROACE, absolute earnings, production volumes, portfolio spread, RRR devt opportunities & exploration performance. I'll suggest as Rawl did & Garvin did before meyou analysts have got start looking at historical results and actuals and spend less time listening to crap at meetings like these!"

Regards
Aidan

PS Why has nobody else in EP read Bob Spragues IR stories made 95 & 96, without spin doctors or other stuff. It is really good learning if you are remotely fact driven.
[He made the same points as Exxon.....and avoided all this nonsense as far as I can

tell.....!]

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

From: Gardy, Dominique D SIEP-EPF
Sent: 05 December 2001 07:23
To: Bell, John J SIEP-EPB-P; Gardy, Dominique D SIEP-EPF; McKay, Aidan A SIEP-EPB-P; Powell, Ceri CM SIEP-EPB-B; Thorkildsen, Alf A SIEP-EPF
Cc: Brass, Lorin LL SIEP-EPB
Subject: RE: Production forecast

Aidan,

Good start.....but what about the answer?

> -----Original Message-----

> From: McKay, Aidan A.
> Sent: 04 December 2001 15:14
> To: Gardy, D.; Bell, John J.; Powell, Ceri C.M.; Thorkildsen, Alf A.
> Cc: Brass, Lorin L.L.
> Subject: RE: Production forecast

>
>
> Dominique,
> Only just got to this one. Great question....

>
> Q. Will a real world tragic event in any way influence the
> stories we are telling investors.....?
> A. Depends on the degree of truth in the stories being told.....?

>
> Remember Pinocchio....!

>
> Aidan

> -----Original Message-----

> From: Gardy, Dominique D SIEP-EPF
> Sent: 04 December 2001 08:53
> To: Bell, John J SIEP-EPB-P; McKay, Aidan A SIEP-EPB-P;
> Powell, Ceri CM
> SIEP-EPB-B; Thorkildsen, Alf A SIEP-EPF
> Cc: Brass, Lorin LL SIEP-EPB; Gardy, Dominique D SIEP-EPF
> Subject: Production forecast

>
>
> All,

>
> We said at the EP September presentation to analysts that our 3 %
> production growth forecast did not reflect the potential
> impact of post

- > 11.09.
- >
- > What would be our answer to the 2 questions:
- > *How do you see the impact of the post 11.09 on the world environment
- > and the EP business?
- > *Since you have not changed your production forecast it means
- > that post
- > 11.09 should not impact your business:why?,
- >
- > To prepare for these answers a list of what could be impacted in our
- > business would be useful to have.
- >
- > AidanJohn,Ceri:can you work out answers to this with
- > Alf.....Would like
- > to get something by Wednesday closing.
- >
- > Thanks.
- >
- >
- >
- >
- > Dominique Gardy
- > CFO Exploration and Production
- > Shell International Exploration and Production B.V.
- > Carel van Bylandtlaan 30, Postbus 663, 2501 CR The Hague, The
- > Netherlands
- >
- > Tel: +31 070 3777499 7499Email:
- > Internet: <http://www.shell.com/eandp-en>
- >
- >