

GOM Outlook

Energy Summit 2004

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October 22, 2004

Disclaimer

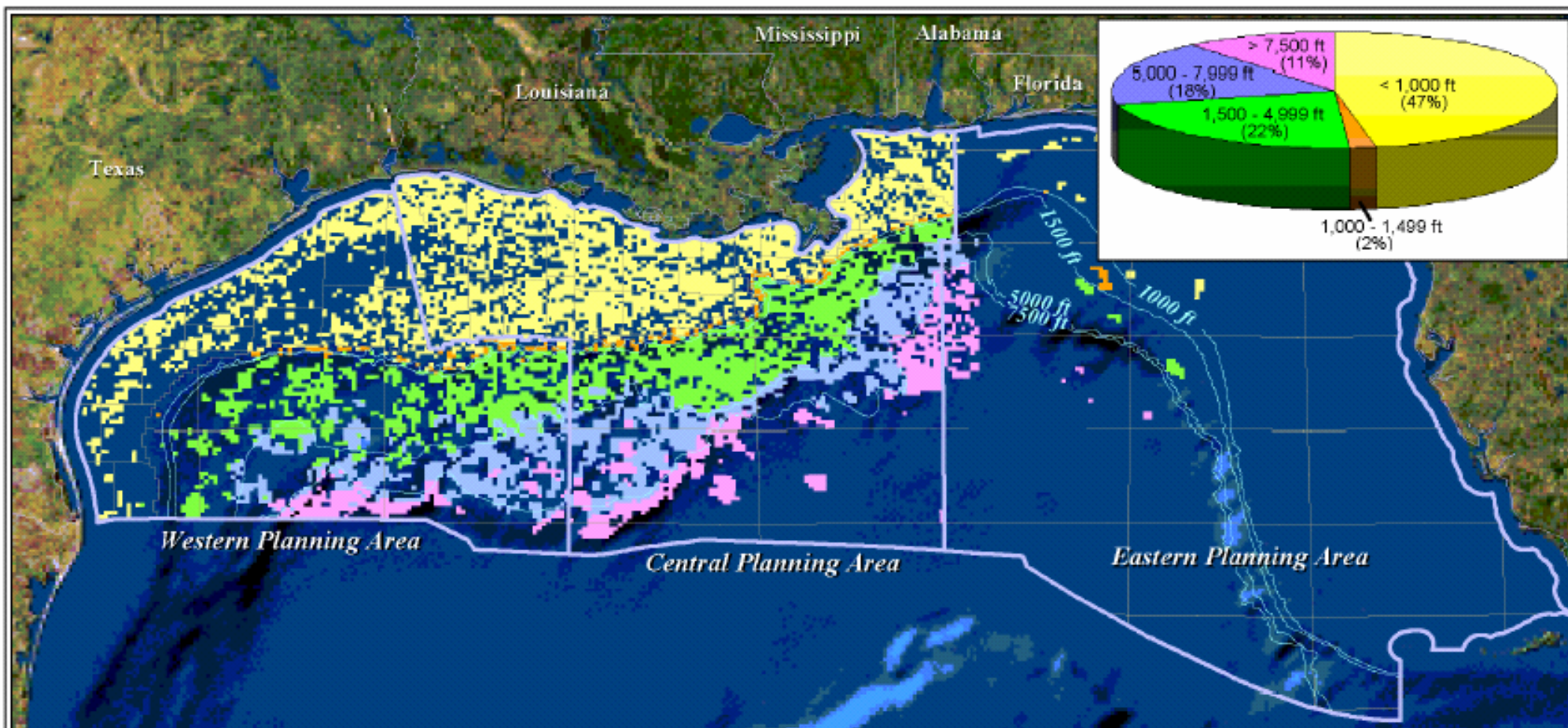


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Gulf of Mexico - Attractiveness

Gulf of Mexico Business Environment



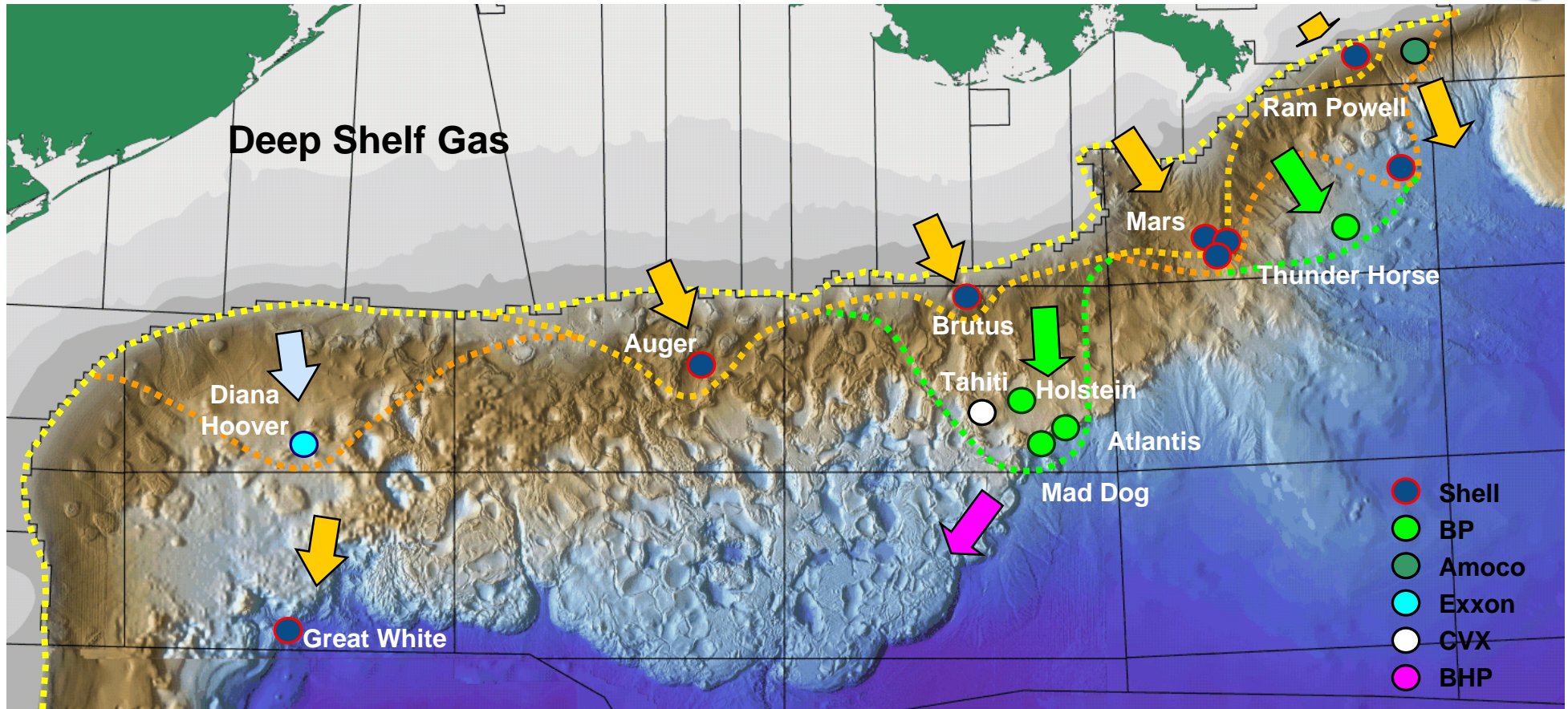
Regulatory

- Currently 3 annual Lease Sales
- Competitive bidding/auction
- 5-10 year leases
- Access issue +/- 50% off limits

Commercial

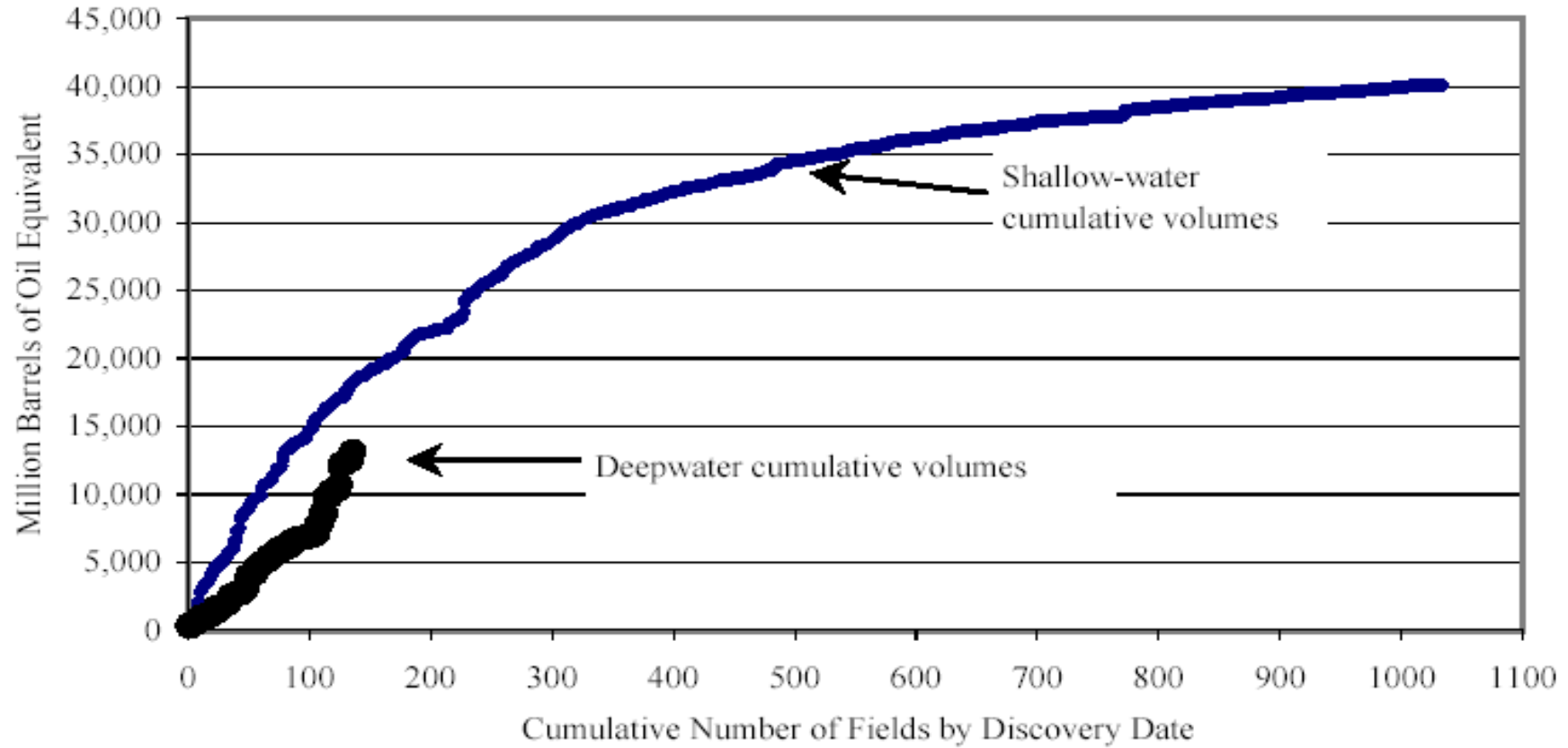
- Hyper- competitive – 70 plus Operators
- 3 mile sq. leases drive complex JV's
- Tax royalty – stable terms

Gulf of Mexico - Exploration Frontlines



- 1983 Paradigm - "No sand beyond the shelf edge"
- 1990 Ram Powell (1985) – 1st discovery, Auger (1987) – 1st DW Hub, Mars (1989) – Giant Field
- 1995 Declining field sizes in discovered plays
- 2000 New Play Models - Atlantis (1998), Thunder Horse (1999) – Giant Fields
- 2003 New Plays - Frontier areas with technical challenges Great White (2002) – opens Perdido play

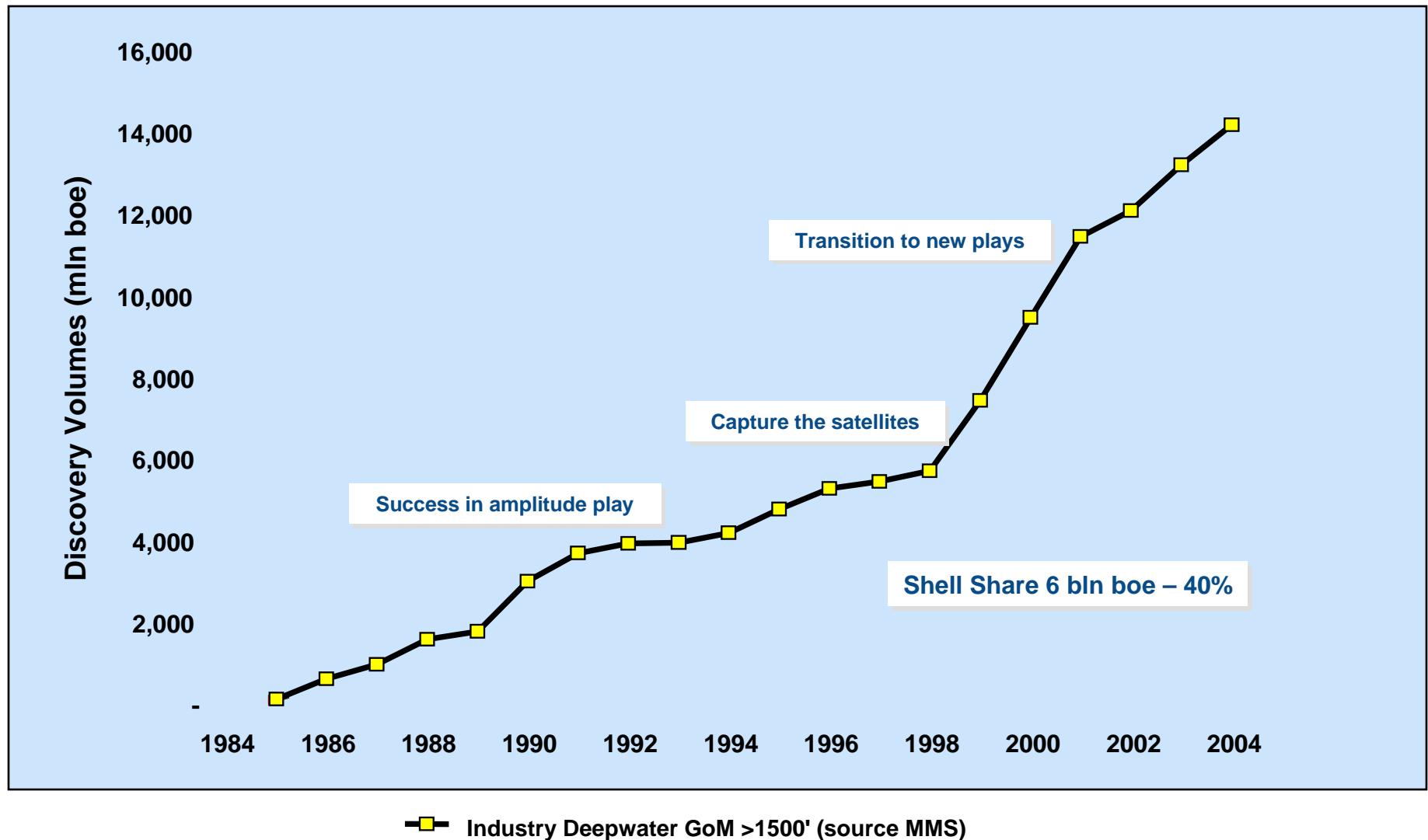
Gulf of Mexico – Creaming Curves



Deepwater Gulf of Mexico 2002: America's Expanding Frontier – OCS Report MM 2002-021

Royal Dutch / Shell Group of Companies

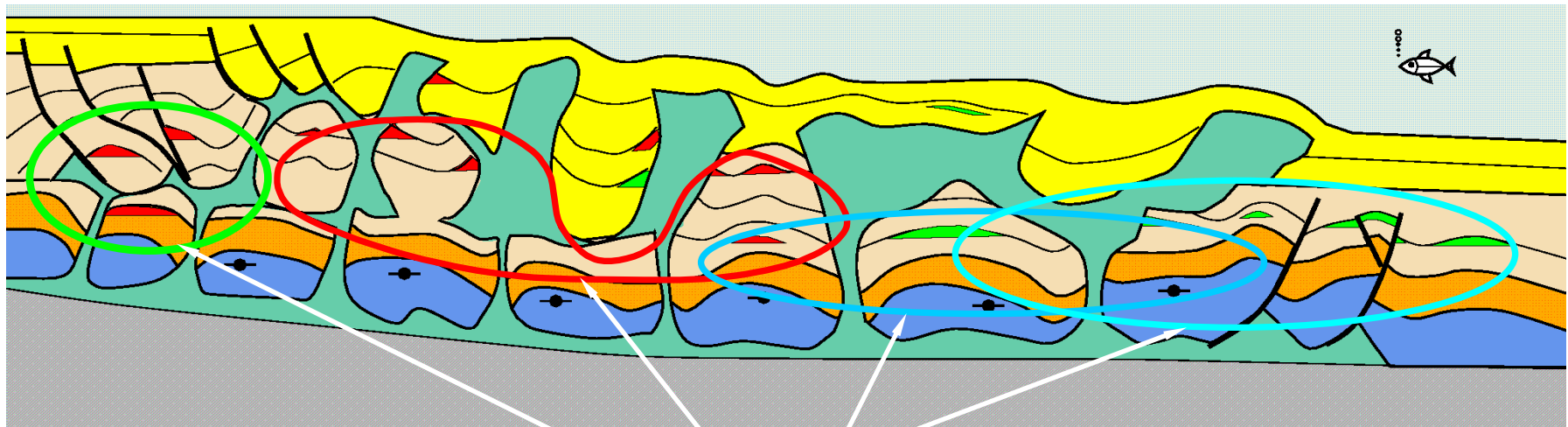
Gulf of Mexico Deepwater resource added by Industry



Gulf of Mexico Plays



Conventional Amplitudes
(above salt)

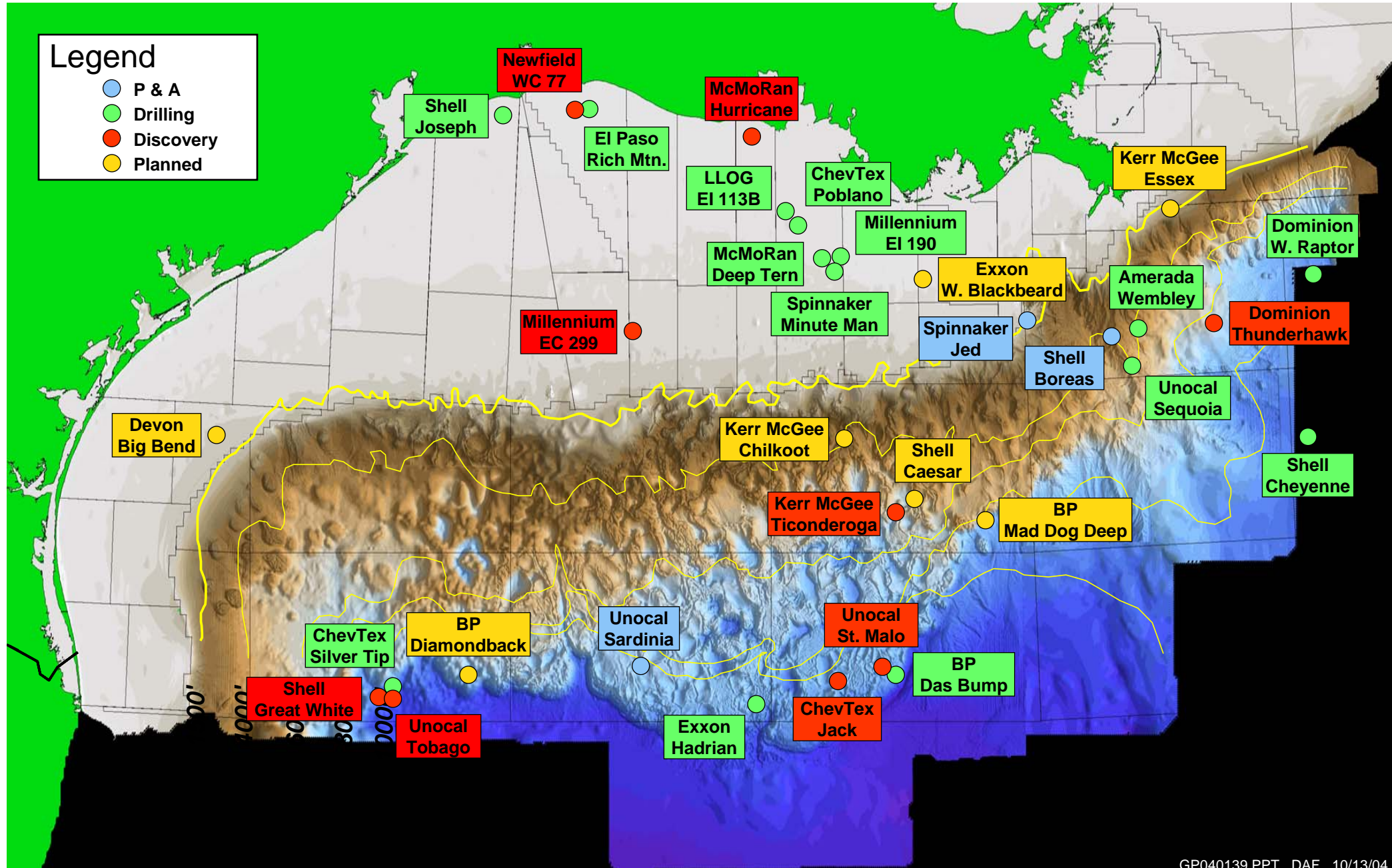


New/Emerging plays
(largely sub-salt)

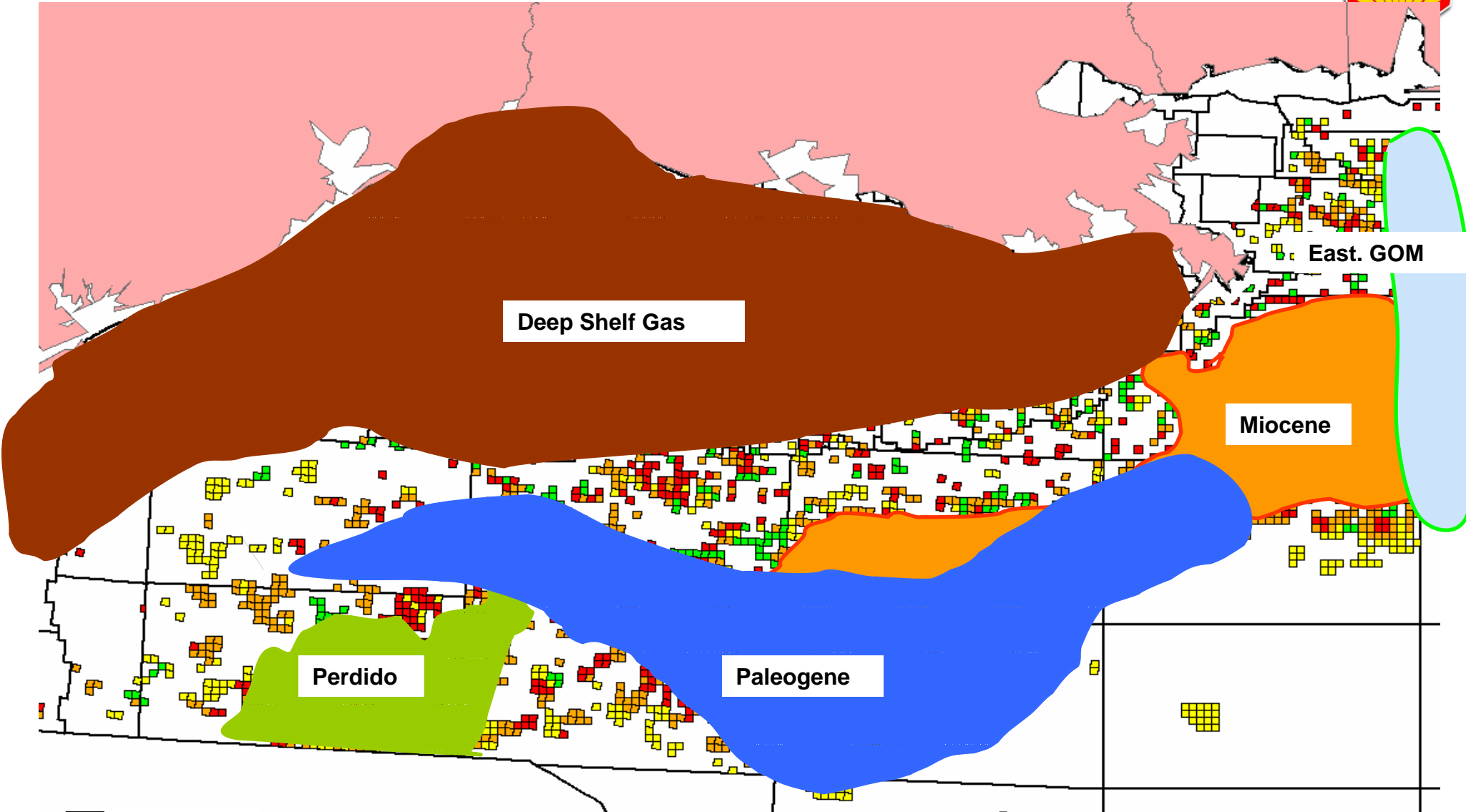
Mineral Management Service 2004 estimate:

- Shelf ultimate recovery	65 bln boe	Yet-to-find - 15 bln boe (Deep Shelf - Gas)
- Deepwater ultimate recovery	71 bln boe	Yet-to-find - 56 bln boe

Significant Gulf of Mexico Wells in 2004



GOM Lease Expiry Outlook



Deep Shelf Gas

Miocene

Perdido

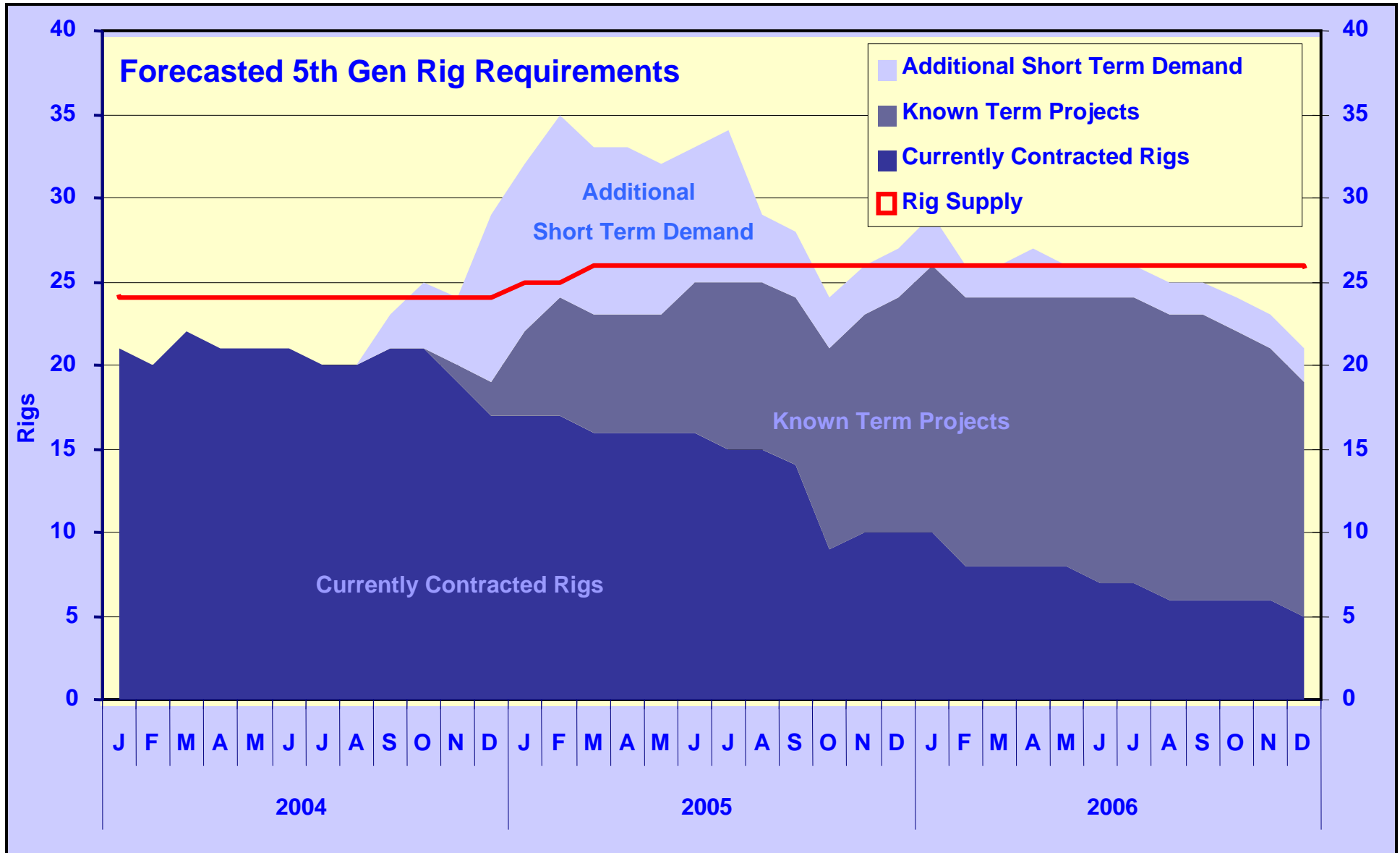
Paleogene

East. GOM

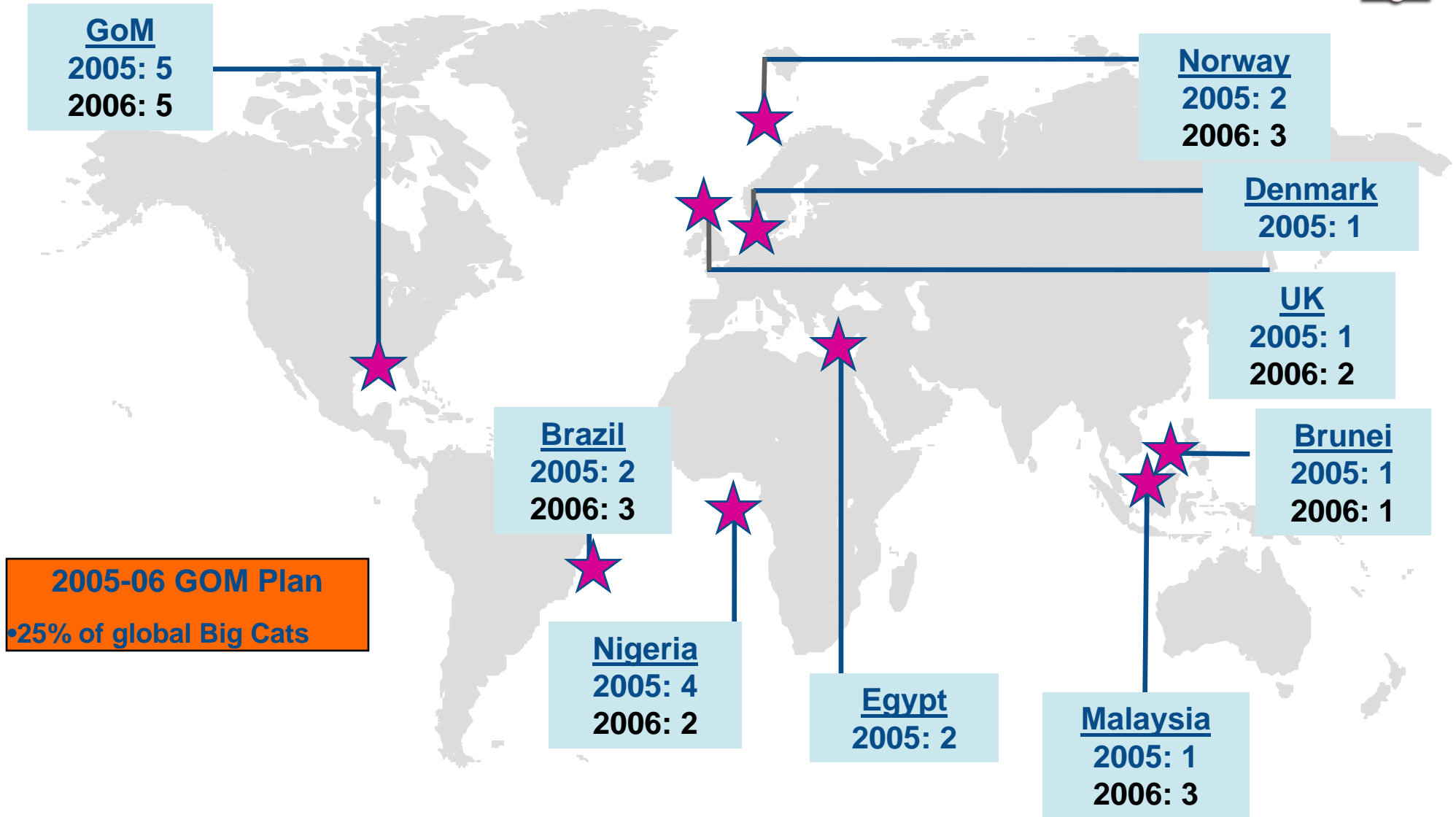
- 2004-5 Expiry
- 2006 Expiry
- 2007 Expiry
- 2008 Expiry

2,400 leases expire from 2005 through 2008 – 600/yr vs 250/yr historical avg.

Ultra - Deepwater Rig Requirements



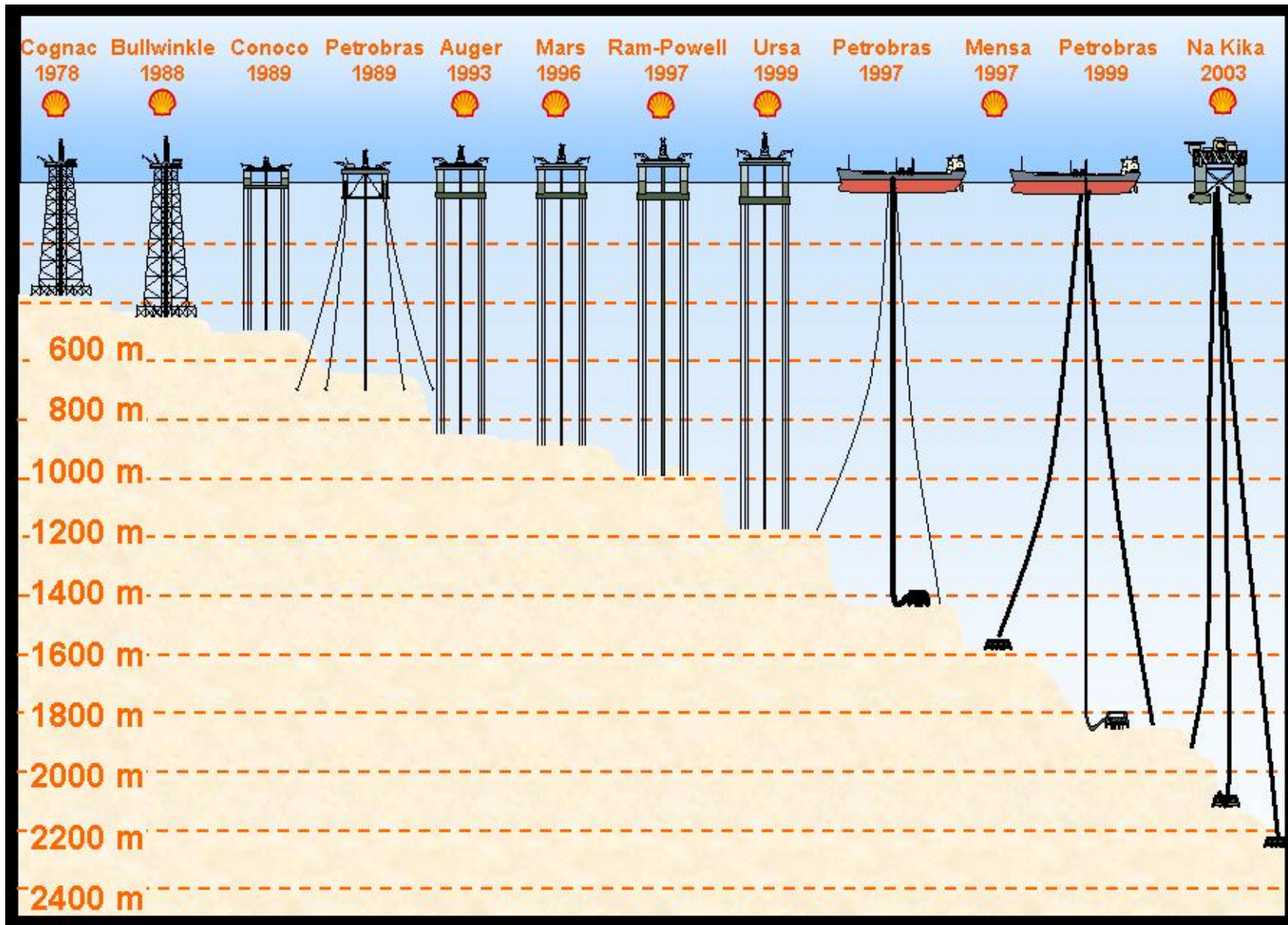
Big Cats planned for 2005 and 2006



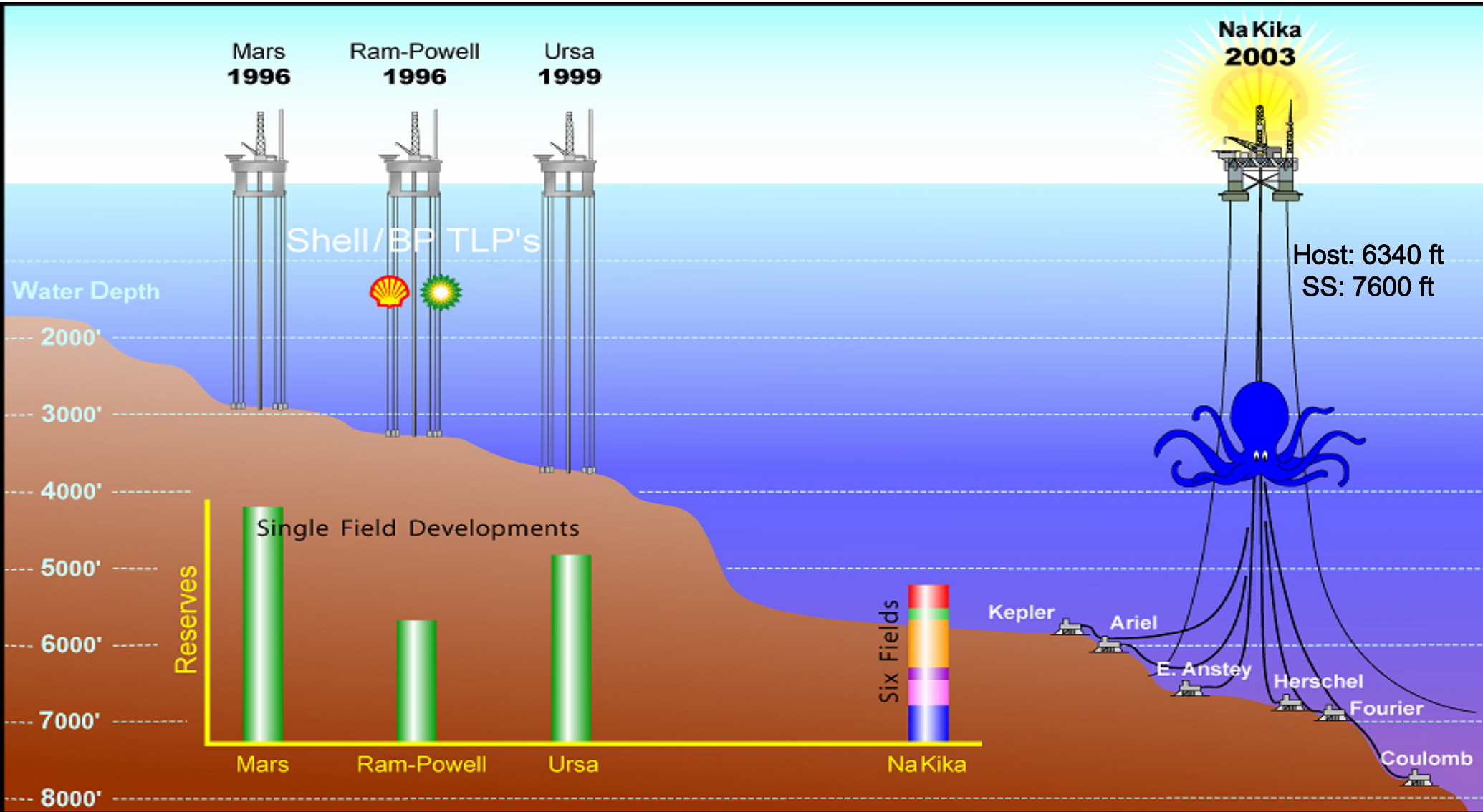


Gulf of Mexico - Technology

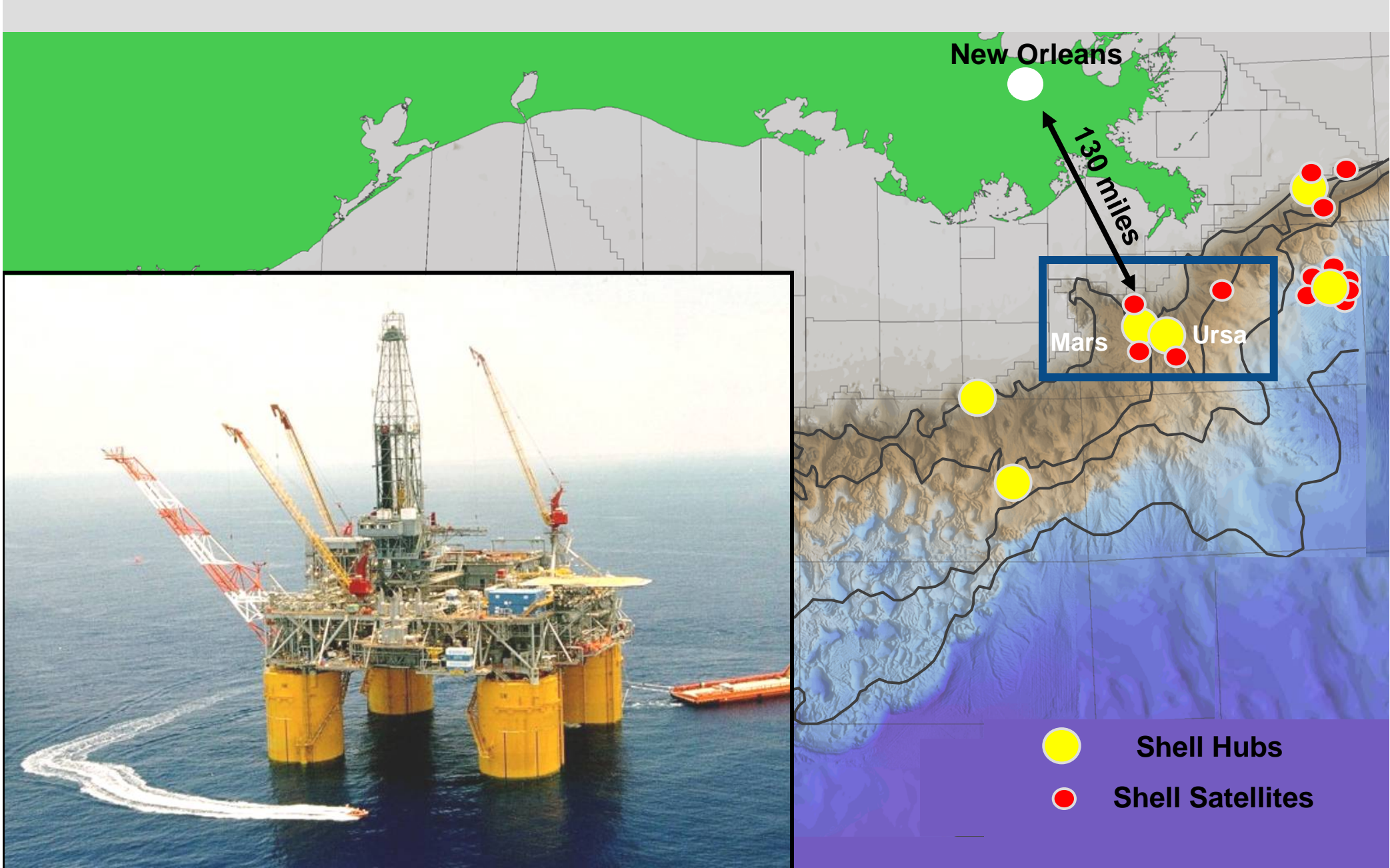
Technological Advance



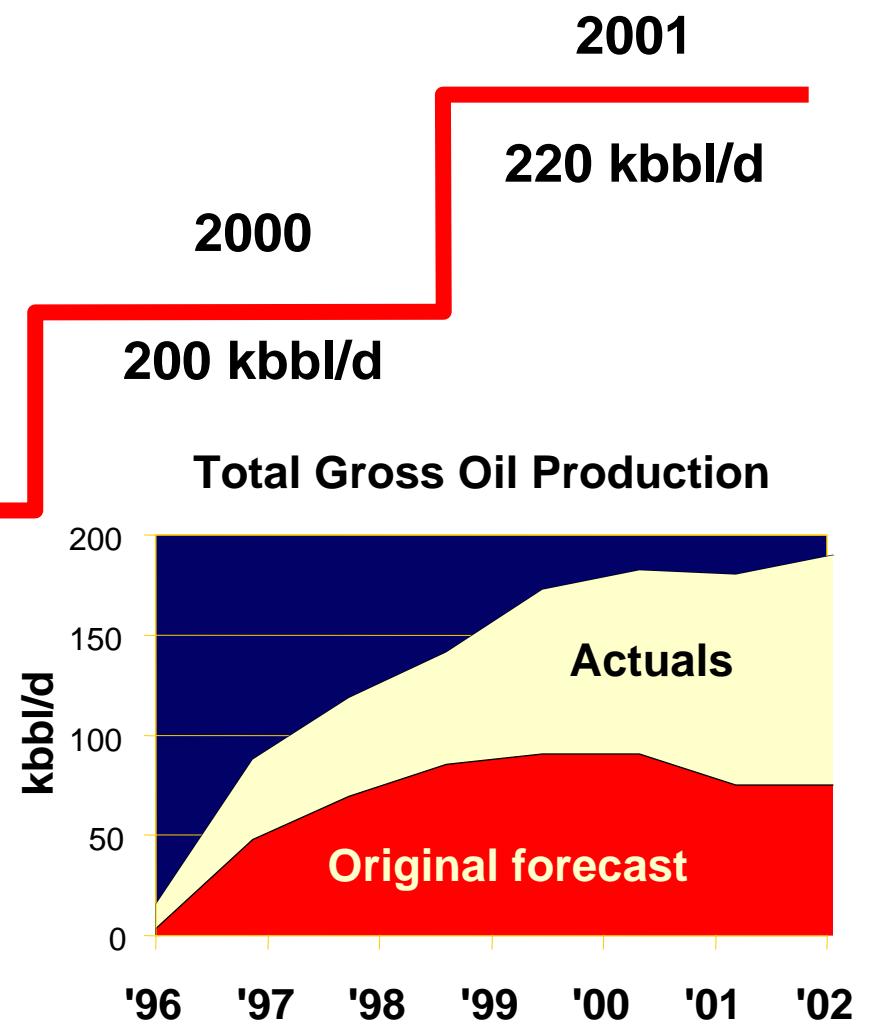
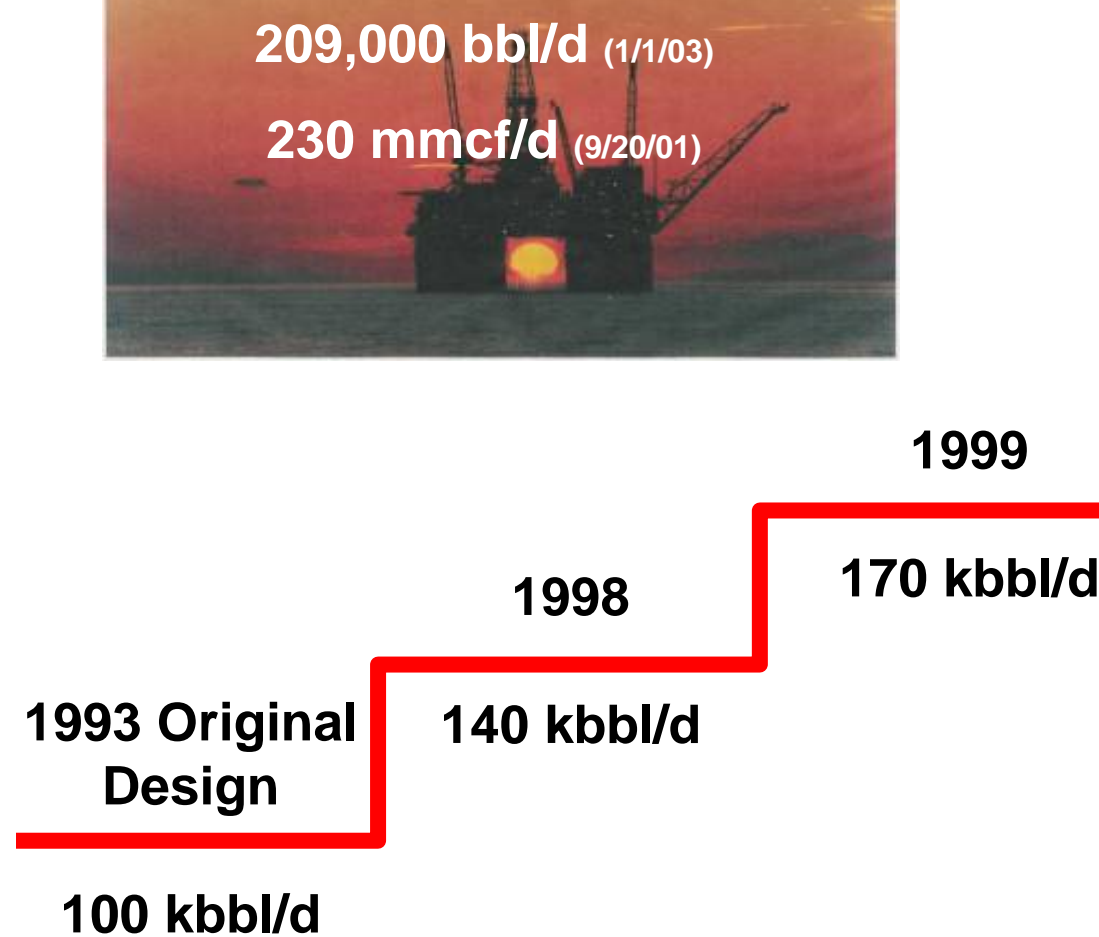
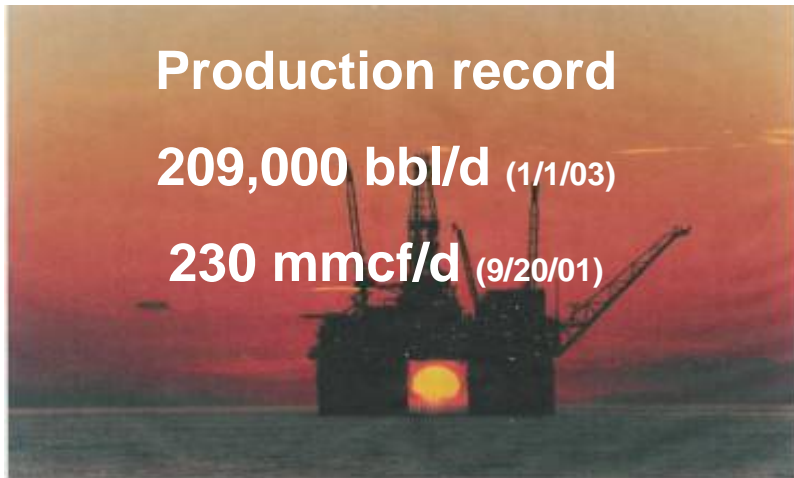
GOM Development Milestones – A Step Change



Mars Basin



Mars Field - "Just In Time" Expansions



Major Projects – Shell Gas & Power



LNG – Gulf Landing Terminal

- 38 miles offshore Louisiana
- A concrete, gravity-based structure, which will be floated to the site and lowered to rest on the seafloor in about 55 feet of water.
- The facility will include a berth for mooring LNG carriers, LNG storage and regasification facilities, and pipelines to connect with existing natural gas pipeline systems in the Gulf of Mexico.
- Gas output will be delivered into as many as five major interstate pipelines serving Louisiana and parts of the US Southeast, Midwest, Northeast and Mid-Atlantic.



Royal Dutch / Shell Group of Companies

Real Time Operations Center - New Orleans



Vision:

- Provide State-of-the-art well visualization
- Efficiently drill and complete wells
- Achieve lowest unit technical cost (UTC)

Achievements:

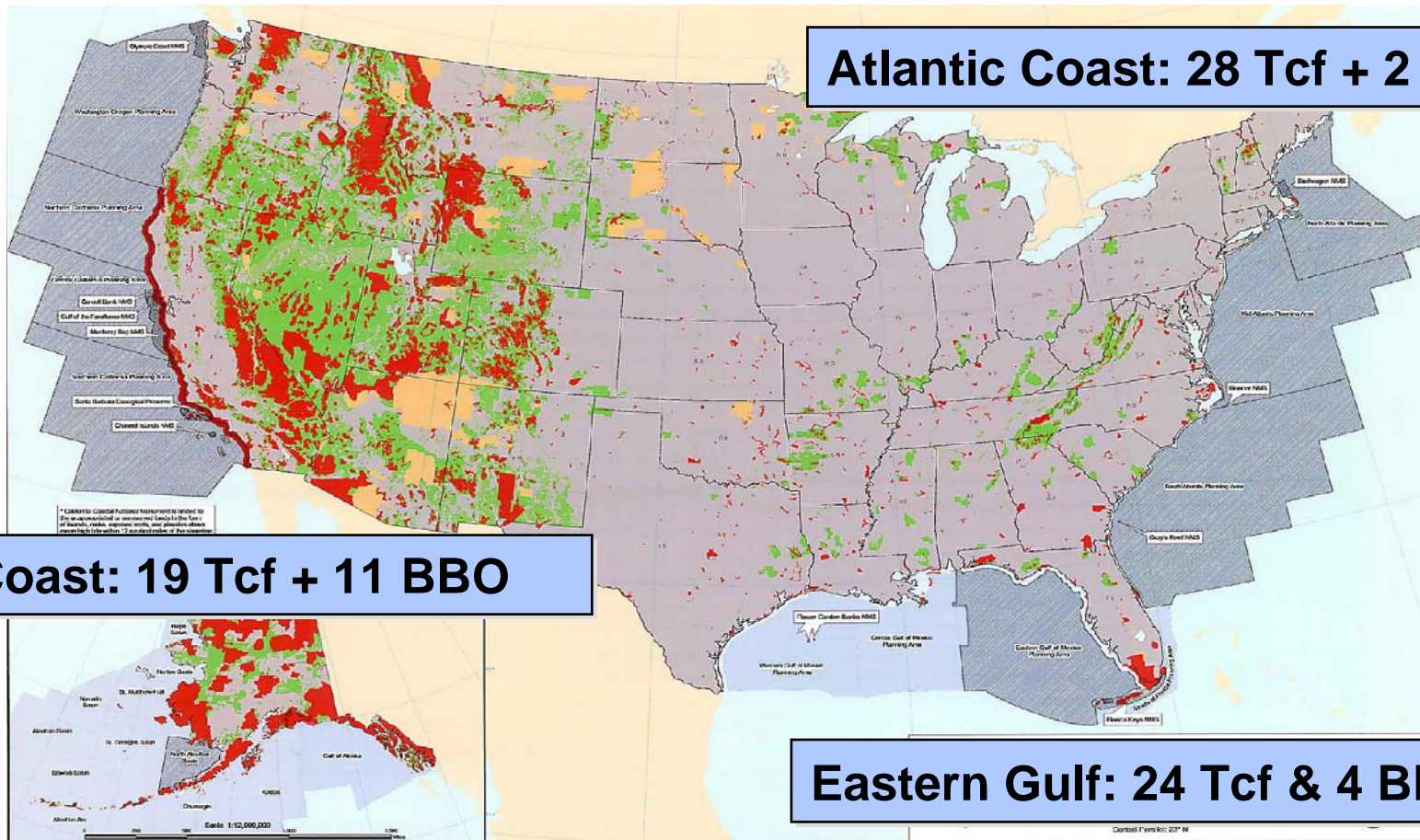
- 17% reduction in trouble time during 2003
- RTOC savings exceeds investment
- Global Reach





Gulf of Mexico - Access

Access: Key to the North American Energy Potential



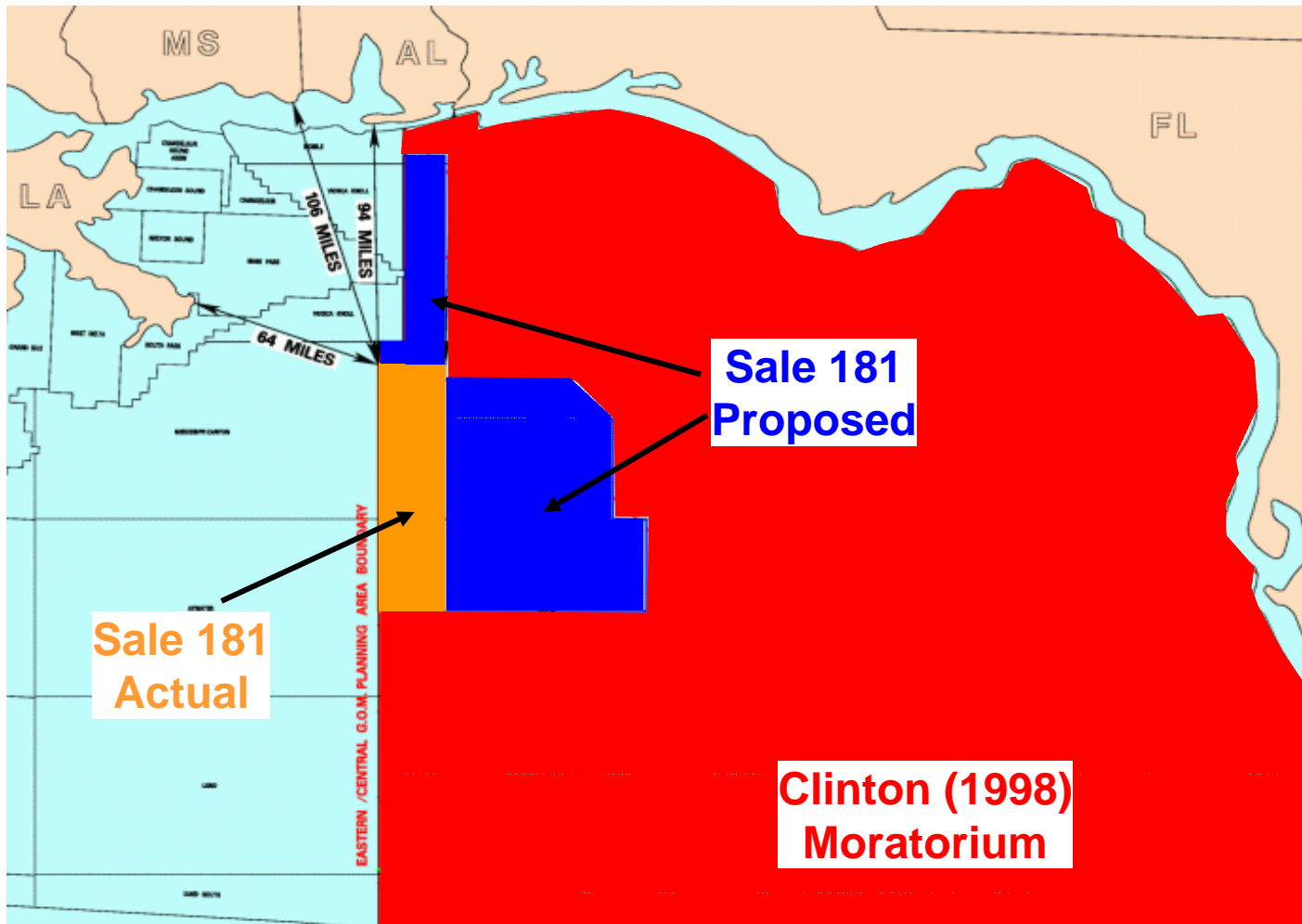
Atlantic Coast: 28 Tcf + 2 BBO

Pacific Coast: 19 Tcf + 11 BBO

Eastern Gulf: 24 Tcf & 4 BBO

-  Federal Lands Open to Energy Leasing
-  Federal Lands Closed to Future Energy Leasing
-  Offshore Planning Areas Closed to Future Energy Leasing
-  OCS Planning Areas

Eastern Gulf of Mexico



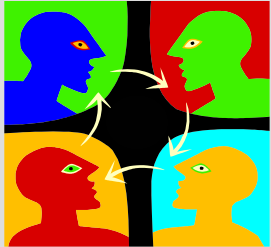
Access Challenges

- NIMBY
- Industry image
- NGO opposition
- Education
- Political support
- Environmental concerns

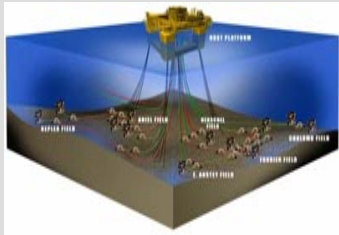
Sustainability in the Offshore



Health and Safety



Engaging stakeholders



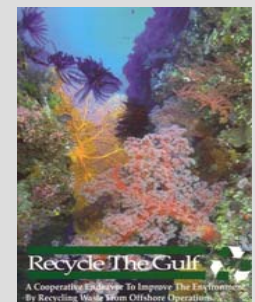
Technology

➤ *Minimizing our impact*



Education and research

Environment





BACKUP

Access: Key to the North American Energy Potential



Environment

- Shift to unconventional
- Demand growth downgraded
- Supply growth difficult
- Short term spare capacity
- Frontier supply – LNG faces major hurdles

Challenges

- NIMBY & industry image
- NGO's and education on access



U.S. Gas Supply is migrating to more remote, technically challenging sources

2004 Exploration – Gulf of Mexico

- Frontier ○
- New Hub ○
- Near Field E&A ○
- Appraisal ○
- DB2 ○

Joseph

Ram Powell G

Coulomb

Deimos

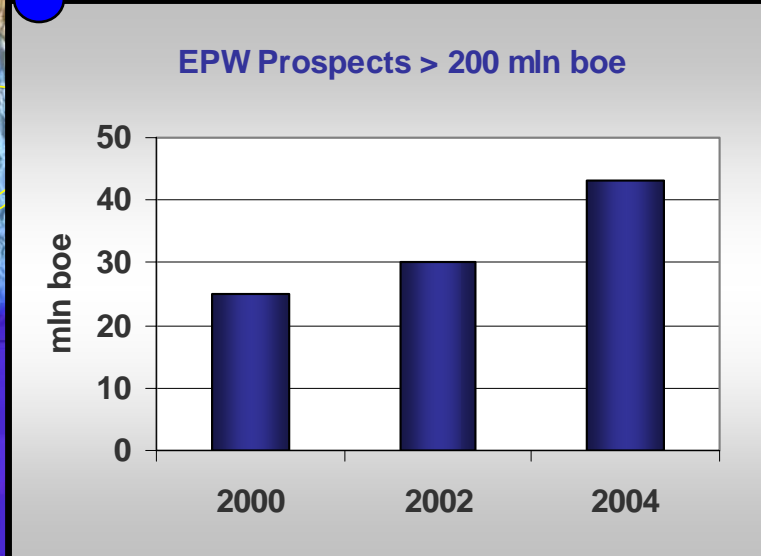
Cheyenne

Tahiti

Tobago

Plesiosaurus

Great White



Major Projects - Nakika



- **First deepwater semi-sub host for Shell**
- **Deepest permanent moored semi-sub**
- **World's largest pipe in pipe risers**
- **First gas lift risers in the GoM**
- **First electrically heated flowlines/risers**
- **One dual frac pac SMART well**
- **Three triple frac pac SMART wells**
- **Excellent ramp-up & up-time**



Issues:

- **Domestic energy second largest contributor to Federal Treasury**
 - Access to off-limit areas of the U.S. is good for the country and Louisiana
- **MMS has been a great steward of our offshore resources**
 - Coastal states competitiveness with OCS, especially in regard to Shelf Deep Gas
 - GOM getting squeezed with no access on the Mexico and Florida flanks
- **Canada, Mexico and U.S. cooperation on cross border resource**
 - Provides growth and stability for each countries economy and citizens
- **Technology key to unlocking plays & reducing footprint**

Public Policy



What can we do?

- Grass-roots programs in the coastal states.
- Provide input into the MMS's next 5-year plan ('07-'12) this winter
- Revenue sharing options with coastal states that support responsible development.
- Stakeholder engagement strategy
- Congressional and Executive Moratoria changes when Public Opinion changes.