Central Finance
Corporate Centre - Controller
Shell International B.V.
PO Box 162
2501 AN The Hague
The Netherlands
Tel +31 70 377 4646
Email B.Deere@shell.com
Internet http://www.shell.com

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

February 19, 2008

RE: File No. S7-29-07, *CONCEPT RELEASE ON POSSIBLE REVISIONS TO THE DISCLOSURE REQUIREMENTS RELATING TO OIL AND GAS RESERVES*

Dear Ms. Morris,

We appreciate the opportunity to respond to the Securities and Exchange Commission's Concept Release on Possible Revisions to the Disclosure Requirements Relating to Oil and Gas Reserves. The examination of the SEC's regulations for reporting reserve quantities is a timely topic in light of the challenges facing the oil and gas industry in supplying the global demand for petroleum. We applaud the SEC's willingness to review its standards in the areas of technological advances and unconventional sources of oil and gas. These matters in particular represent areas where the industry has developed to the point that the regulations are not aligned with the business environment that the companies operate in. Closing this gap will provide better information to the users of the companies' securities filings and related financial statements. It is important that reliable, comparable, complete, and yet high confidence estimates of reserve quantities be included as supplementary disclosures in registrants' public reporting to serve investors' interests.

Oil and gas reserve disclosures are central to an EP company's measure of performance of its portfolio of development and production properties. Accordingly, these disclosures augment its financial statements and Management's Discussion, and Analysis in its public securities filings, etc. since reserve estimates provide users with some expectation as to where companies will direct their strategies and investments. However, disclosures should never undermine a company's competitive position, impose unreasonable costs, or provide incomplete or misleading information.

While we agree public reporting of proved reserves must maintain a high degree of certainty and confidence, we request the staff to consider extending the safeharbors in Rule 175 and Rule 3b-6 to proved reserves disclosure. It should be sufficient for a company to have a reasonable basis to believe that there is reasonable certainty regarding its proved reserves disclosures. A company's judgment with regard to its disclosure of proved reserves should be entitled to the same protection as any other business judgment. The SEC should clarify that an issuer cannot be liable for its estimates of proved reserves unless the party asserting such liability proves that, at a minimum, the issuer lacked a reasonable basis for its estimates.

1. Should we replace our rules-based current oil and gas reserves disclosure requirements, which identify in specific terms which disclosures are required and which are prohibited, with a principles-based rule? If yes, what primary disclosure principles should the Commission consider? If the Commission were to adopt a principles-based reserves disclosure framework, how could it affect disclosure quality, consistency and comparability?

Currently, Rule 4-10 of Regulation S-X is a principle-based rule. It requires that estimates of proved oil and gas reserves be supported with geological and engineering data that demonstrate with reasonable certainty that such reserves can be recovered in future years from known reservoirs under existing economic and operating conditions. Rule 4-10 does not prescribe the means for determining reasonable certainty. The rule neither requires specific geological tests to be conducted nor prevents the use of certain technology to support a company's reasonable certainty determination. Additionally Rule 4-10 does not mention the Gulf of Mexico or why certain technology may support reasonable certainty for reserves found in the Gulf of Mexico but be considered less than reasonably certain, and hence not be applicable, when used for example in the North Sea or deep water provinces such as the Gulf of Guinea.

These additional requirements are actually staff interpretations. The Commission has approved none of these interpretations. Nor have these interpretations gone through the normal notice and comment process. As a result, the staff's view of "reasonable certainty" has drifted from the industry's view. Technology that is routinely used by the large international oil companies to support large investment decisions now cannot be used to support a company's estimate of its proved reserves, developed or undeveloped. While we fully support a principles-based approach, we are most concerned with what happens after the adoption of a principle-based rule. Any approach should reflect how the industry (and/or registrants) makes decisions; further rules should not force deviations from this principle.

We believe that the Commission has used a principle-based approach successfully in the past, albeit not in the area of proved reserves. In this regard, we wish to bring to the Commission's attention its October 1995 Use of Electronic Media interpretive release, 33-7723. In this release the Commission set forth a principle in determining whether electronic delivery of information would satisfy the securities laws. Most notable about this release is that the Commission did not sanction or prohibit the use of a specific technology to deliver information. Rather, the Commission set forth the principle that electronic delivery of information would satisfy the federal securities laws if such distribution resulted in the delivery of substantially equivalent information as if the information were delivered in paper form. The Commission then provided 52 examples of where such delivery would satisfy its requirements and certain cases where it would not. The Commission made clear that other methods of delivery that differed from those discussed may satisfy delivery under the federal securities laws.

Through its principle-based interpretation the Commission made clear that it did not want to pick certain technologies as winners and others as losers under the federal securities laws. Given the significance of a company's proved reserves to its financial position and its ability to access capital markets, we believe the Commission should exercise similar sage judgment and avoid defining certain technology as absolute requirements when estimating proved reserves. If the Commission were to sanction only certain technologies, it could impact the timely reporting of known reserve quantities. Companies would be less likely to expend funds on a technology that would only be a

required assurance step for disclosure when other, better technologies are utilized for providing management with estimates of the reserves in place even though the resultant volumes would not be deemed compliant with disclosure standards. The Commission should make clear that a company may support its disclosures with any technology that would provide, either by itself or in combination with other technology, sufficient geological or engineering data for the company to have a reasonable basis to believe that reasonable certainty exists with regard to its proved reserves.

2. Should the Commission consider allowing companies to disclose reserves other than proved reserves in filings with the SEC? If we were to allow companies to include reserves other than proved reserves, what reserves disclosure should we consider? Should we specify categories of reserves? If so, how should we define those categories?

The principal reserve disclosures of a company should be those of proved reserves. Other types of reserve information would, by definition, have lower levels of certainty associated with the data and would be subject to correspondingly greater fluctuation of estimates. The disclosure of probable reserves (either separately or included in "Proved + Probable Reserves") would provide data that does not, by definition, have a high confidence level of reliability but is only "more likely than not". Such disclosure could be viewed as misinformation or misleading to investors. We believe that users of financial statements would not benefit from data that has a significant inherent volatility. In addition, proved reserves in the context of a higher level of confidence that they will ultimately be produced are more aligned with metrics of revenues, income, profitability and cash flows that investors are most focused on. We recognize, and regulators and the industry should allow, other forms of resource reporting outside filed documents. However, registrants' reserve reporting should be confined to a single proved reserves definition.

3. Should the Commission adopt all or part of the Society of Petroleum Engineers – Petroleum Resources Management System? If so, what portions should we consider adopting? Are there other classification frameworks the Commission should consider? If the Commission were to adopt a different classification framework, how should the Commission respond if that framework is later changed?

We would support the SEC's adoption of the proved reserves definitions of the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists, and Society of Petroleum Evaluation Engineers (collectively the "SPE") utilizing a deterministic approach. SPE interpretation of what constitutes "reasonable certainty" better reflects current industry realities. Additionally, we believe that the Commission should designate the SPE or another reputable industry body to maintain and update these standards with applicable review and oversight. This designation would put the SEC in regular contact with leading industry experts on reserve reporting and industry technology and establish an automatic and evergreen process for timely revisions and advances. It is recognized that the implementation of a decision to utilize SPE or another standard for reserve definitions will require a thoughtful and careful transition to be successful. We would be glad to provide further information to the Commission regarding how this can be accomplished.

The International Accounting Standards Board has a current research project underway for extractive activities. One aspect of that research project is global application of reserve definitions.

As we continue to converge on more global issues impacting the global financial and reporting markets, we recommend that the Commission continue to seek alignment with any IASB-accepted global reserve-reporting model for appropriate disclosures.

4. Should we consider revising the current definition of proved reserves, proved developed reserves and proved undeveloped reserves? If so, how? Is there a way to revise the definition or the elements of the definition, to accommodate future technological innovations?

As noted in our response to question 1, the principles for estimating quantities of proved reserves, proved developed reserves and proved undeveloped reserves are acceptable. However, the specific guidance regarding the evidence supporting these reserve quantities should be updated periodically to, for example, include evidence from all current, proven technologies and allow for the timely acceptance of future technological innovations as they become industry practice and standards.

Since 1987, the SPE has updated its reserves definitions every 10 years with supporting materials (e.g., glossary of terms, evaluation guidelines) provided during the intervening period. The current SPE Petroleum Resources Management System ("PRMS") is a result of a broad industry engagement for input (comments sought via public announcement and 130 letters to companies, agencies and organizations in 34 countries, for example) that took over two years to complete. Also, the final PRMS required the approval of the four industry organizations. Preceding the drafting of the PRMS, SPE surveyed the existing reserves/resources definitions used by securities regulators and governmental reporting in certain countries as well as the United Nations organizations to build on the good practices found in these systems.

As noted in our response to question 3, the SEC's adoption of the SPE framework, with SEC oversight, could continue this process for timely revisions addressing appropriate topics including technological advances.

5. Should we specify the tests companies must undertake to estimate reserves? If so, what tests should we require? Should we specify the data companies must produce to support reserves conclusions? If so, what data should we require? Should we specify the process a company must follow to assess that data in estimating its reserves?

Consistent with our previous response, under a principle-based methodology the principle underlying the need for the test or data to be accumulated should be stated. Subsequently, the specific tests or data required could be set forth as examples as to how the principle can be fulfilled. These should be illustrative examples and not necessarily prescriptive.

Additionally, we recommend that the Commission rely on the SPE framework to indicate appropriate tests, methodologies, and data to support reserve determinations.

However, should the Commission not wish to adopt the SPE definition, even in part, there are some tests that should be reviewed and revised. Two are addressed in subsequent questions on requiring certainty of undeveloped reserves (question 7) and on product price assumptions (question 10). Additionally, current requirements that "lowest known hydrocarbon" (LKH) can be defined only by well penetration do not recognize other reliable methods of "knowing" hydrocarbon extent. Hydrocarbons and water have different (measurable) densities and must have equivalent pressures

at the point of contact in the reservoir. Thus, sampling of fluid pressure and density in each of the hydrocarbon accumulation and the connected aquifer provides the data for a high confidence calculation of the point of hydrocarbon-water contact. Yet this method of defining the extent of hydrocarbon presence for determination of proved reserves is not allowed. This ruling should be reconsidered.

6. Should we reconsider the concept of reasonable certainty? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?

We support reasonable certainty as an underlying principle for reserve disclosures. However, the explicit requirements contained in subsequent guidelines and interpretations that now exist seem to move the resultant determination closer to absolute certainty.

A foundation of reasonable certainty is important to maintain comparability among companies and underpins the confidence with investors and users of financial information. We believe that a consistent application of this principle will provide suitable comparisons between companies and will negate the need for required specific (and perhaps artificial) assumptions. We also consider the use of the concept of reasonable certainty to be aligned with the disclosure of proved reserve quantities only, as other types of reserve quantities are formulated with increasing levels of uncertainty.

7. Should we reconsider the concept of certainty with regard to proved undeveloped reserves? Should we allow companies to indefinitely classify undeveloped reserves as proved?

The definition of proved undeveloped reserves should be amended to be consistent with the SPE framework. Currently, the SEC Staff's guidelines require that proved reserves for un-drilled areas can be reflected only where the issuer can demonstrate with certainty that there is a continuity of production from the existing productive formation. The SPE guidelines allow for the inclusion of such reserves where continuity of the formation and productivity can be reasonably judged from available geoscience and engineering data. Use of professional judgment for proved undeveloped reserves would make the existing guidelines more flexible and consistent with a principles-based platform.

Moreover, we believe that management's judgment should be the overarching criteria with respect to the time period allowed for proved undeveloped reserve classification rather than some arbitrary time line and requirement to de-book these reserves.

8. Should we reconsider the concept of economic producibility? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?

Economic producibility should be retained as a qualifying condition for proved reserves, as it is integral to the demonstration of reasonable certainty and is applicable to many situations. This concept is broad, thus requiring the exercise of management judgment, which is consistent with a principles-based approach. Accordingly, we believe that management should be allowed to consider all available information for proper reserve determinations. For example, a company should be permitted to consider reserves as proved in cases where a field may fail an economic limits test but because of contractual obligations the company will continue to produce from the field, as shutting it in would be more costly than continuing to produce.

Given the evolving global LNG market and its increasing interconnectivity with local and regional natural gas markets, the SEC should take the opportunity to clarify when a gas sales contract would be required to support reasonable certainty of economic producibility. We believe demonstration that we can economically bring natural gas reserves into these global markets meets the standard of reasonable certainty of marketability in this regard.

9. Should we reconsider the concept of existing operating conditions? If we were to replace it, what should we replace it with? How could that affect disclosure quality? Should we consider requiring companies to make certain assumptions? Should we prohibit others?

We believe that existing *operating* conditions as a concept is generally understood in the industry and should be retained. This concept is broad thus requiring the exercise of management judgment, which is consistent with a principles-based approach. We do not support interpretations of the concept that would require artificial mechanical demonstrations of existing operating conditions that place verification above judgment. Accordingly, we believe that management should be allowed to consider all available information for proper reserve determinations. As such, no specific assumptions should be required.

10. Should we reconsider requiring companies to use a sale price in estimating reserves? If so, how should we establish the price framework? Should we require or allow companies to use an average price instead of a fixed price or a futures price instead of a spot price? Should we allow companies to determine the price framework? How would allowing companies to use different prices affect disclosure quality and consistency? Regardless of the pricing method that is used, should we allow or require companies to present a sensitivity analysis that would quantify the effect of price changes on the level of proved reserves?

While we support an appropriate sales price in principle, the current requirement for the use of year-end prices in determining reserve quantities should be eliminated. Use of a single-day price establishes an artificial and unrealistic determination and injects short-term price volatility into the process where business decisions are not based on a one-day price.

Reserve quantities should be determined using an average price over a specified period such as a 12-month timeframe. However, use of a 12-month December-to-December pricing formula invites other issues associated with period-end regulatory and reporting requirements. Given the fact that

reserve quantification is a reasonably certain best estimate, it would be better to use a consistent, but trailing 12-month pricing determination such as September to September.

It should be optional for companies to present price sensitivities. While some users of reserve information have attempted to use the standardized measure information as a proxy for price sensitivities, this is a broad endeavor given the complexities of the various regimes around the globe. Our experience is that most investors or analysts develop their own valuation methodology and rely little on standardized measures. We believe that this practice is simply a reflection of investors and analysts properly assuming an appropriate level of responsibility in making their investment decisions.

11. Should we consider eliminating any of the current exclusions from proved reserves? How could removing these exclusions affect disclosure quality?

The current exclusion of reserves not reported for crude oil, natural gas, and natural gas liquids that may be recovered from tar sands, oil shale, and other in-place hydrocarbons should be removed. Technological advances have been made in recent years to develop and produce unconventional resources to deliver to the market traditional petroleum products, and this trend is likely to continue in the future. Both internal management and the investment community view hydrocarbons produced from conventional and current and future unconventional resources as an integral part of the company's upstream business. The inclusion of all in-place hydrocarbons or mineral resources that can produce hydrocarbons would improve completeness in company disclosures. This would then allow operations that manufacture petroleum (such as the treating of oil shale) to be included. Such operations produce a saleable petroleum product, just as do more traditional oil and gas producing activities.

The exclusion for hydrocarbons in undrilled areas should be revised as noted in responses to questions 3 and 7.

12. Should we consider eliminating any of the current exclusions from oil and gas activities? How could removing these exclusions affect disclosure quality?

Our response is consistent with our response to question 11.

13. Should we consider eliminating the current restrictions on including oil and gas reserves from sources that require further processing, e.g., tar sands? If we were to eliminate the current restrictions, how should we consider a disclosure framework for those reserves? What physical form of those reserves should we consider in evaluating such a framework? Is there a way to establish a disclosure framework that accommodates unforeseen resource discoveries and processing methods?

Our response is consistent with our response to question 11.

14. What aspects of technology should we consider in evaluating a disclosure framework? Is there a way to establish a disclosure framework that accommodates technological advances?

As indicated in our response to question 3 and further addressed in our response to question 5, we believe a more effective approach would be for the SEC to adopt and incorporate the SPE framework into the reserve reporting guidelines and to establish a permanent SEC relationship with the SPE. This arrangement would put the SEC in regular contact with leading industry experts on reserve reporting and industry technology and establish an automatic and evergreen process for timely revisions and advances.

15. Should we consider requiring companies to engage an independent third party to evaluate their reserves estimates in the filings they make with us? If yes, what should that party's role be? Should we specify who would qualify to perform this function? If so, who should be permitted to perform this function and what professional standards should they follow? Are there professional organizations that the Commission can look to set and enforce adherence to those standards?

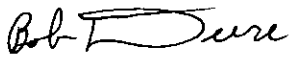
No, we believe that the professional technical staff employed by a registrant is in the best position to determine reserves because of the inherent complexity of the estimating process for those resources owned by the company. A registrant's professional staff manages these resources on a long-term basis and has the depth to properly assess reserve quantities in contrast to any short-term review by a third party.

Independent determinations by third parties could not meet the deadlines required for periodic reporting and there is no well-recognized body of professional standards to develop, govern or enforce adherence to such work.

However, we would support optional disclosure of how a registrant may use such third parties in either reserves determination, the reserves assurance process or other engagements. Such optional disclosure would provide the investor with potentially useful information about the reported reserves.

We appreciate the opportunity to express our views on the concept statement. If you have any questions, please contact either Joe Babits at +31 70 377 4215 or me at +31 70 377 4646.

Sincerely,



Bob Deere
Vice President Accounting & Reporting