



- (1) between April 1994 and September 1998, and between October 14 and October 31, 2001, at the Auger Unit, Auger Platform, Garden Banks Block 426A, in amounts up to six million cubic feet per day (6MMCFD);
- (2) between January 1996 and December 1998 at the Cougar Unit, Cougar Platform, South Timbalier Block 300A, in amounts exceeding fifty thousand cubic feet per day (50MCFD);
- (3) between March 1991 and September 1998 at the Cognac Unit, Cougar Platform, Mississippi Canyon Block 194A, in amounts exceeding fifty thousand cubic feet per day (50MCFD);
- (4) between April 1998 and October 1998 at the Enchilada Unit, Enchilada Platform, Garden Banks Block 128A, in amounts exceeding fifty thousand cubic feet per day (50MCFD);
- (5) between May 1975 and September 1998 at the Eugene Island 331B Unit, Eugene Island 331B Platform, in amounts exceeding fifty thousand cubic feet per day (50MCFD);
- (6) between April 1998 and February 1999 at the Tahoe Unit, Bud Platform, Main Pass Block 252B, in amounts exceeding fifty thousand cubic feet per day (50MCFD); and
- (7) between January 1997 and February 1999 at the Cheetah Unit, Main Pass Block 310, in amounts exceeding fifty thousand cubic feet per day (50MCFD).

The leases comprising the Units listed above are set forth in Attachment "A" to this Stipulated Civil Settlement.

**III.**

Shell acknowledges that such flaring and venting occurred without the prior approval or permission of the MMS and that Shell's failure to accurately report the amounts of natural gas flared and/or vented from its Auger, Cougar, Enchilada, Cognac, Eugene Island Block 331, Cheetah and Tahoe Units, on its Form 4054 and 2014 reports violated MMS regulations.

**IV.**

The United States of America and Shell stipulate that Shell failed to accurately record details of its flaring and/or venting activities at its Bourbon Platform, Mississippi Canyon Block 311, and that Shell also failed to maintain such records at Shell's field office nearest the Bourbon Platform as required. The leases comprising the Bourbon Unit are set forth in Attachment "A" to this Stipulated Civil Settlement.

**V.**

Shell acknowledges that the recording errors referenced in Paragraph IV violated MMS regulations.

**VI.**

The United States of America and Shell stipulate that Shell failed to accurately and timely calculate and pay royalties on the natural gas flared and/or vented in excess of small amounts, much of which was economically recoverable, without authorization from its Auger, Cougar, Enchilada and Tahoe Units. Shell later paid these amounts after being ordered to do so by the MMS.

**VII.**

Shell acknowledges that such failure to timely calculate and pay royalties on natural gas referenced in Paragraph VI violated MMS regulations.

**VIII.**

The United States of America and Shell stipulate that Shell failed to accurately and timely calculate and pay royalties on natural gas flared and/or vented without authorization in excess of small amounts, much of which was economically recoverable, from its Cognac, Eugene Island Block 331, and Cheetah Units.

**IX.**

Shell acknowledges that such failure to timely calculate and pay royalties referenced in Paragraph VIII violated MMS regulations.

**X.**

The United States of America and Shell stipulate that, in addition to the facilities listed above, there may be other production facilities operated by Shell (or if not operated by Shell, only to the extent of Shell's leasehold interest) in the Gulf of Mexico at which, before January 1, 2000, Shell flared and/or vented natural gas, without authorization, in excess of small amounts, much of which was economically recoverable, failed to report properly such flaring and/or venting, and/or failed to calculate and pay royalties on any such gas. Shell acknowledges that any flaring and/or venting of any such natural gas without authorization, any failure to report properly any such flaring and/or venting, and/or any failure to calculate and pay royalties on any such gas, would violate MMS regulations.

Shell agrees to pay the United States of America Forty-Nine Million Dollars (\$49,000,000), minus a credit of One Million, Six Hundred Seventy-Eight Thousand, One Hundred Twenty-Four Dollars (\$1,678,124) for royalties already paid, in full, final and complete settlement *in globo* of all possible claims, causes of action, pending administrative appeals, all violations of operational, reporting and payment regulations, all royalties, penalties and interest, all other civil penalties and other civil liability, and to resolve all civil issues, including any False Claims Act Liability and any common law liability, based on the following:

## XII.

Shell agrees and admits that each and every Form 2014 report submitted for each of the stated units during the stated periods failed to accurately report the true amounts of economically recoverable natural gas produced and then vented and/or flared without authorization. Shell further agrees and admits that each such report constitutes a false statement or record to the United States for purposes of the False Claims Act having the effect of avoiding or decreasing Shell's statutory and regulatory obligation to pay royalties thereon. It is Shell's express goal in entering into this Stipulated Settlement Agreement to evidence full acceptance of its corporate responsibility for the wrongful conduct occurring at its Auger platform, and at other of its Gulf of Mexico facilities, described herein as the "covered conduct." Shell recognizes this Stipulated Civil Settlement as an appropriate civil and regulatory sanction by the United States aimed at punishing, deterring and rehabilitating its wrongful corporate conduct which led to the irretrievable waste of valuable natural resources.

## XI.

- (1) all volumes of gas flared and/or vented between April 1994 and September 1998, and between October 14 and October 31, 2001, at the Auger Unit, Auger Platform, Garden Banks Block 426A;
- (2) all volumes of gas flared and/or vented between January 1996 and December 1998 at the Cougar Unit, Cougar Platform, South Timbalier Block 300A;
- (3) all volumes of gas flared and/or vented between March 1991 through September 1998 at the Cognac Unit, Cognac Platform, Mississippi Canyon Block 194A;
- (4) all volumes of gas flared and/or vented between April 1998 and October 1998 at the Enchilada Unit, Enchilada Platform, Garden Banks Block 128A;
- (5) all volumes of gas flared and/or vented between May 1975 and September 1998 at the Eugene Island Block 331B Unit, Eugene Island Block 331B Platform;
- (6) all volumes of gas flared and/or vented between October 1993 and October 1999 at the Bourbon Unit, Bourbon Platform, Mississippi Canyon Block 311;
- (7) all volumes of gas flared and/or vented between April 1998 and February 1999 from the Tahoe Unit, Main Pass Block 252B;
- (8) all volumes of gas flared and/or vented between January 1997 and February 1999 from the Cheetah Unit, Main Pass Block 310; and
- (9) all volumes of gas flared and/or vented prior to January 1, 2000 from these or any other leases or units operated by Shell (or if not operated by Shell, only to the extent of Shell's leasehold interest) in the Gulf of Mexico.

All of Shell's stipulated acts outlined in paragraphs II through XII, as well as the alleged acts contained in the United States' Civil Complaint related hereto, are collectively referred to herein as the "covered conduct."

### XIII.

For and in consideration of a payment of Forty-Nine Million Dollars (\$49,000,000), minus a credit of One Million, Six Hundred Seventy-Eight Thousand, One Hundred Twenty-Four Dollars (\$1,678,124) for royalties already paid, cash in hand, by Shell to the United States of America according to the protocol set out in paragraphs XVI and XVII herein, receipt of which will be acknowledged and due acquittance and discharge therefore granted at the time of

payment, the United States of America does hereby release, dismiss, discharge, and agree not to civilly or administratively pursue Shell and its respective officers, directors, agents, servants, employees, and any affiliate, parent, related or successor corporations, successors in interest, and, on leases operated by Shell, any joint venturers, joint interest owners and partners, of and from any and all liability, claims, demands, penalties, fines, royalties, liens, interest, charges, remedies and/or causes of action, *in globo*, whether civil or administrative, including but not limited to Title 43, United States Code, Section 1334; Title 30, United States Code, Sections 1719, 1720; Title 31, United States Code Sections 3729, 3730, and 3731; and Title 30, Code of Federal Regulations, Sections 202, 210, 241 and 250, and under common law, based on the "covered conduct."

#### XIV.

For the purposes of this Stipulated Civil Settlement, the term "affiliate" shall mean, with respect to Shell, all corporations, partnerships, limited liability companies or other entities, including parents, that directly or indirectly through one or more intermediaries, (i) are controlled by, or are under common control with Shell, or (ii) control Shell. For the purpose of this definition, the term "control" when used with respect to an entity means (a) the beneficial ownership (as defined in Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended) of 50 percent or more of the voting interest in such entity, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

**XV.**

The United States of America certifies that it will not file suit or otherwise initiate any civil or administrative proceedings or other claims against the parties released herein in the future based on the "covered conduct." It is further agreed and stipulated by the United States of America and Shell that those actions referenced in Attachment "B" are based on the "covered conduct" and have been fully resolved by this stipulated settlement, and all listed notices and orders will be dismissed by MMS, and all appeals will be dismissed with prejudice by Shell, within 30 days of this document's effective date.

**XVI.**

It is further agreed and stipulated by the United States of America and Shell that the settlement of Forty-Nine Million Dollars (\$49,000,000), minus a credit of One Million, Six Hundred Seventy-Eight Thousand, One Hundred Twenty-Four Dollars (\$1,678,124) for royalties already paid includes payment for all claims for underpayment of royalties (including any impact on transportation allowances, manufacturing allowances or natural gas liquids recovered in gas plants), and interest and penalties on the said underpayment for that gas, based on the "covered conduct."

**XVII.**

Shell further agrees to make payment of the above-referenced amount by FedWire Electronic Funds Transfer ("EFT" or wire transfer) to the United States Department of Justice account in accordance with electronic funds transfer procedures, referencing U.S.A.O. file number 1999V00017. Payment shall be made to the United States Department of Justice according to instructions to be provided to Shell by Ms. Vickie Eaves (318-676-3635) of the Financial Litigation Unit of the United States Attorney's office for the Western District of



Louisiana. Any payments received by the Department of Justice after 4:00 p.m. (Central Time) will be credited on the next business day. Upon payment of the above-stated amount, namely Forty-Nine Million Dollars (\$49,000,000), minus a credit of One Million, Six Hundred Seventy-Eight Thousand, One Hundred Twenty-Four Dollars (\$1,678,124) for royalties already paid, Shell shall simultaneously provide written notice that payment was made to:

1. Ms. R. M. "Johnnie" Burton  
Mr. Walter Cruickshank  
U. S. Department of the Interior  
Minerals Management Service  
1849 C Street NW, Room 4216  
Washington, DC 20240
2. Mr. Michael Granston  
United States Department of Justice  
Civil Division  
Patrick Henry Building  
601 D Street, PHB 9908  
Washington, DC 20530

#### XVIII.

Shell and the United States will file a Joint Motion and Order to Dismiss with Prejudice and a Proposed Order related thereto which are similar in effect if not identical to those attached hereto in draft form as Exhibit "C." Shell stipulates that full payment of Forty-Nine Million Dollars (\$49,000,000), minus a credit of One Million Six Hundred Seventy-Eight Thousand, One Hundred Twenty-Four Dollars (\$1,678,124) for royalties already paid, will become payable to the United States Department of Justice following the execution by all signatories of this Stipulated Civil Settlement agreement, and shall be tendered within five (5) business days of the execution by the Court of the Order to Dismiss.

**XIX.**

Shell and the United States stipulate that any and all disputes or claims arising under the Internal Revenue Code which may arise in connection with this agreement, as well as any and all disputes or claims for the enforcement of the terms of this Stipulated Civil Settlement agreement, are specifically excluded from the scope and terms of this Stipulated Civil Settlement agreement.

**XX.**

The United States of America and Shell acknowledge and agree that they both freely and voluntarily engaged in settlement negotiations with the expressed intention of exploring, exhausting and arriving at an *in globo* settlement addressing and resolving all possible claims and/or actions which the United States may have against Shell based on the "covered conduct."

**XXI.**

Shell and the United States agree that all costs (as defined by Federal Acquisition Regulation 31.205-47(a)) incurred by or on behalf of Shell and its successors, affiliates, parents, subsidiaries, officers, directors, agents, or employees in connection with: (1) the matters covered by this Stipulated Civil Settlement agreement, (2) the government's investigations of the matters covered by this Stipulated Civil Settlement agreement, (3) Shell's investigation, defenses of these matters, and corrective action with respect to these matters, (4) the negotiation of this Stipulated Civil Settlement agreement, and (5) payments made to the United States pursuant to this Stipulated Civil Settlement agreement, shall be unallowable costs for government contract accounting purposes. These amounts shall be separately stated.

**XXII.**

Shell agrees to and does hereby release, dismiss and discharge the United States from any and all liability, claims or demands or any other recourse of any sort whatsoever Shell may have against the United States or any of its respective officers, agents, servants, employees, departments and/or agencies in any way related to the "covered conduct" outlined herein.

**XXIII.**

Subject to the record retention provisions of 30 U.S.C. § § 1713(b) and 1724(f), Shell is otherwise released from any records retention requirements for the matters settled by this Stipulated Civil Settlement. Shell shall have no obligation to make corrections or recalculations, submit reports, adjust prior royalty payments, or file amended forms relating to the matters that are the subject of this Stipulated Civil Settlement.

**XXIV.**

This Stipulated Civil Settlement, together with all of the obligations and terms hereof, shall inure to the benefit of and shall bind assigns, successors-in-interest, or transferees of the Parties.

**XXV.**

Each of the signatories executing this Stipulated Civil Settlement represent that he or she has full authority to sign on behalf of the designated party and bind that party to each and every term, condition and covenant of this Stipulated Civil Settlement.

XXVI.

IN WITNESS HEREOF, the parties hereto have executed this agreement in multiple counterparts, each of which shall constitute an original effective as of this 4<sup>th</sup> day of August, 2003.

UNITED STATES DEPARTMENT OF JUSTICE  
UNITED STATES ATTORNEY  
WESTERN DISTRICT OF LOUISIANA  
FOR THE UNITED STATES OF AMERICA

By: Donald W. Washington  
DONALD W. WASHINGTON (#21402)

UNITED STATES DEPARTMENT OF THE  
INTERIOR  
MINERALS MANAGEMENT SERVICE  
WASHINGTON, D.C.

By: Johnnie M. Burton  
R. M. "JOHNNIE" BURTON

SHELL OIL COMPANY  
and its subsidiaries and affiliates,  
including but not limited to  
SHELL OFFSHORE INC and  
SHELL EXPLORATION AND PRODUCTION  
COMPANY (collectively "Shell")

By: Michael E. Coney  
MICHAEL E. CONEY  
Attorney for Shell

By: Berry St. John, Jr.  
BERRY ST. JOHN, JR.  
LISKOW & LEWIS  
Attorney for Shell

**ATTACHMENT "A"**  
**TO STIPULATED CIVIL SETTLEMENT**

	Area	Block	MMS Unit Agmt #	MMS Asset ID	OCS-G
Auger Unit	GB	426	754-389021-0	054-008241-0	OCS-G 8241
Auger Unit	GB	427	754-389021-0	054-007493-0	OCS-G 7493
Auger Unit	GB	470	754-389021-0	054-008248-0	OCS-G 8248
Auger Unit	GB	471	754-389021-0	054-007498-0	OCS-G 7498
Eugene Island Block 331 B	EI	331	891-016932-0	054-002116-0	OCS-G 2116
Eugene Island Block 331 B	EI	332	891-016932-0	054-002613-0	OCS-G 2613
Eugene Island Block 331 B	EI	331	891-016933-0	054-002116-0	OCS-G 2116
Eugene Island Block 331 B	EI	332	891-016933-0	054-002613-0	OCS-G 2613
Eugene Island Block 331 B	EI	314	891-016937-0	054-002111-0	OCS-G 2111
Eugene Island Block 331 B	EI	331	891-016937-0	054-002116-0	OCS-G 2116
Eugene Island Block 331 B	EI	332	891-016937-0	054-002613-0	OCS-G 2613
Eugene Island Block 331 B	EI	314	891-016941-0	054-002111-0	OCS-G 2111
Eugene Island Block 331 B	EI	331	891-016941-0	054-002116-0	OCS-G 2116
Cognac Unit	MC	150	891-016931-0	054-002642-0	OCS-G 2642
Cognac Unit	MC	151	891-016931-0	054-002643-0	OCS-G 2643
Cognac Unit	MC	194	891-016931-0	054-002638-0	OCS-G 2638
Cognac Unit	MC	195	891-016931-0	054-002639-0	OCS-G 2639
Cougar Unit Area	ST	300		054-004240-0	OCS-G 4240
Cougar Unit Area	ST	301		054-003594-0	OCS-G 3594
Cougar Unit Area	ST	302		054-006779-0	OCS-G 6779
Cougar Unit Area	GC	72	754-388025-0	054-005896-0	OCS-G 5896
Cougar Unit Area	GC	73	754-388025-0	054-005897-0	OCS-G 5897
Cougar Unit Area	GC	116	754-388025-0	054-005904-0	OCS-G 5904
Cougar Unit Area	GC	117	754-388025-0	054-005905-0	OCS-G 5905
Enchilada Unit	GB	83	754-395001-A	054-011450-0	OCS-G 11450
Enchilada Unit	GB	84	754-395001-A	054-011451-0	OCS-G 11451
Enchilada Unit	GB	127	754-395002-A	054-011454-0	OCS-G 11454
Enchilada Unit	GB	128	754-395002-A	054-011455-0	OCS-G 11455
Tahoe Unit Area	VK	784		054-013060-0	OCS-G 13060
Tahoe Unit Area	MP	251	754-390005-0	054-007823-0	OCS-G 7823
Tahoe Unit Area	MP	252	754-390005-0	054-007824-0	OCS-G 7824
Tahoe Unit Area	VK	783	754-389005-0	054-006886-0	OCS-G 6886
Tahoe Unit Area	VK	827	754-389005-0	054-007910-0	OCS-G 7910
Cheetah Unit Area	MP	309		054-008760-0	OCS-G 8760
Cheetah Unit Area	MP	315		054-008467-0	OCS-G 8467

	Area	Block	MMS Unit Agmt #	MMS Asset ID	OCS-G
Cheetah Unit Area	MP	310	891-020244-0	054-004126-0	OCS-G 4126
Cheetah Unit Area	MP	303	891-020244-0	054-004253-0	OCS-G 4253
Cheetah Unit Area	MP	304	891-020244-0	054-003339-0	OCS-G 3339
Bourbon Unit Area	MC	311	754-390003-0	054-002968-0	OCS-G 2968
Bourbon Unit Area	MC	312	754-390003-0	054-002969-0	OCS-G 2969
Bourbon Unit Area	MC	268	754-390003-0	054-002970-0	OCS-G 2970
Bourbon Unit Area	MC	267	754-390003-0	054-003799-0	OCS-G 3799

**ATTACHMENT "B"**  
**TO STIPULATED CIVIL SETTLEMENT**



## **PENDING VENT/FLARE MATTERS TO BE DISMISSED**

1. MMS September 28, 1998 Auger OGOR Penalty Notice, and Shell Appeal # MMS 99-1.
  2. MMS September 23, 1998 Auger INC, and Shell Appeal # MMS -98-0239-OPS.
  3. MMS September 21, 1998 Auger Royalty Order, and Shell Appeal # MMS 98-0232.
  4. MMS October 5, 1998 Notice of Possible Civil Penalty for Auger INCs G-115 and G-117, and Shell Appeal No. GOM-98-59.
  5. October 8, 1998 G-115 INC which was not appealed by Shell; MMS October 23, 1998 Enchilada Order, and Shell Appeal No. GOM-99-0052-OCS.
  6. MMS May 21, 1999 Auger Order to Report and Pay Additional Royalties, and Shell Appeal No. MMS-99-0138- OCS.
  7. MMS December 10, 1998 MMS Order respecting venting of gas at Cougar platform (South Timbalier Block 300), and Shell Appeal No. GOM-99-0021-OCS.
  8. MMS December 10, 1998 INCs respecting venting of gas at Cougar platform, and Shell Appeal No. GOM-99-0019-OPS.
  9. MMS August 25, 1999 MMS Order on venting of gas on Eugene Island Block 331, and Shell Appeal No. IBLA 2000-207.
  10. MMS August 25, 1998 MMS Order on venting of gas on Miss. Canyon Block 194, and Shell Appeal No. IBLA 2000-208.
  11. Any and all requests for venting or flaring data for the period prior to January 1, 2000 from any Gulf of Mexico facility operated by Shell.
-

**ATTACHMENT "C"**  
**TO STIPULATED CIVIL SETTLEMENT**

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF LOUISIANA  
LAFAYETTE-OPELOUSAS DIVISION**

<b>UNITED STATES OF AMERICA</b>	)	<b>CIVIL ACTION NO.</b>
<b>Plaintiff</b>	)	
	)	
<b>VERSUS</b>	)	<b>JUDGE</b>
	)	
<b>SHELL OFFSHORE INC. and SHELL EXPLORATION AND PRODUCTION COMPANY</b>	)	
<b>Defendants</b>	)	<b>MAGISTRATE JUDGE</b>

**JOINT MOTION AND ORDER TO DISMISS WITH PREJUDICE**

United States of America, plaintiff, and Shell Offshore Inc. and Shell Exploration and Production Company ("Shell"), defendants, move this Court to dismiss the complaint of plaintiff herein for the reason that all claims have been settled and that plaintiff and defendants are desirous of dismissing the instant complaint with prejudice, each party to bear its own costs.

Lafayette, Louisiana, this \_\_\_\_ day of \_\_\_\_\_, 2003.

Respectfully submitted,

DONALD W. WASHINGTON,  
United States Attorney

\_\_\_\_\_  
A.G. "ALEC" ALEXANDER, III (#24931)  
Assistant United States Attorney  
Attorneys For United States of America

LISKOW & LEWIS, APLC

**DRAFT**

\_\_\_\_\_  
J. BERRY ST. JOHN, JR. (#12362)  
Attorneys for Shell

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF LOUISIANA  
LAFAYETTE-OPELOUSAS DIVISION**

<b>UNITED STATES OF AMERICA</b>	)	<b>CIVIL ACTION NO.</b>
<b>Plaintiff</b>	)	
	)	
<b>VERSUS</b>	)	<b>JUDGE</b>
	)	
<b>SHELL OFFSHORE INC. and SHELL</b>	)	
<b>EXPLORATION AND PRODUCTION</b>	)	
<b>COMPANY</b>	)	<b>MAGISTRATE JUDGE</b>
<b>Defendants</b>	)	

**DRAFT**

**ORDER**

CONSIDERING THE FOREGOING MOTION TO DISMISS WITH PREJUDICE presented on representation by all parties that all claims and demands in the Complaint have been fully compromised and settled,

IT IS HEREBY ORDERED that the above-entitled and numbered civil action be and it is hereby dismissed, with prejudice, each party to bear its own costs.

Lafayette, Louisiana, this \_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE