STIPULATED CIVIL SETTLEMENT

I.

This Stipulated Civil Settlement concerns activities of Shell Oil Company and its subsidiaries and affiliates, including but not limited to Shell Offshore Inc. ("SOI"), Shell Exploration and Production Company ("SEPCO"), and their respective officers, agents, servants, and employees (hereinafter collectively "Shell"), which occurred with regard to Shell's operation of platforms in the Gulf of Mexico which produce oil and gas from several federal leases issued by the United States Department of the Interior, Minerals Management Service ("MMS").

II.

The United States of America and Shell stipulate that unauthorized flaring and/or venting of natural gas in excess of small volumes, much of which was economically recoverable, was carried out by Shell at the following locations during the stated periods, and in approximately the stated amounts:
(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 242B, in amounts exceeding fifty thousand cubic feet per day (50MCFD); and

(7) between January 1997 and February 1999 at the Cheerah 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.
Claim and Interest in any common law heritage, based on the following:

- All other claims and other civil heritage, and to restore all civil relations, including any 
  violations of American, territorial, and international relations, as well as 
  compensations to the people of all possible claims, claims of action, 
  damages, and indemnities, as applicable.

Handed (Demand at least $1,719,212) to my friend, and companion 

Handed (20,000,000) minus a cash of One Million Six Hundred Seventy- 

Six Thousand Dollars-English Pound, One 

$1,719,212.00 in the United States of America, Forty-Nine Million Dollars

XII

In the interest of peace and prosperity, the wealth of all countries which led to the 

proclamation of war and the declaration of the United States of America have 

been paid in full. The sum of $1,719,212 is hereby paid to the 

peaceful and friendly nations of the world, as a token of their 

friendship and respect for the United States of America.

This payment is made in full satisfaction of all claims and demands which have been 

made against the United States of America. The United States of America 

hereby acknowledges its obligation to all nations and to all people, and 

pledges its good faith and adherence to the principles of peace and 

friendship.

Signed:

[Signature]

[Date]
(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 138A;

(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 Chisholm 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, disniss, 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 allowable 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 4th 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: R. M. "Johnny" 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
Attorney for Shell

By: J. Barry St. John, Jr.
LISKOW & LEWIS
Attorney for Shell

-12-
ATTACHMENT “A”
TO STIPULATED CIVIL SETTLEMENT
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ATTACHMENT “B”
TO STIPULATED CIVIL SETTLEMENT
PENDING VENT/FLARE MATTERS TO BE DISMISSED


2. MMS September 23, 1998 Auger INC, and Shell Appeal # MMS -98-0239-OPS.


5. October 8, 1998 G-113 INC which was not appealed by Shell; MMS October 23, 1998 Enchilada Order, and Shell Appeal No. GOM-99-0055-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.


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-OPLEOUSA DIVISION

UNITED STATES OF AMERICA  )  CIVIL ACTION NO.
  Plaintiff  )

VERSUS  )  JUDGE

SHELL OFFSHORE INC. and SHELL  )
EXPLORATION AND PRODUCTION  )  MAGISTRATE JUDGE
COMPANY  )
Defendants  )

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, APL.

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