

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-08-02** | Period of Report: **1994-06-30**  
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### FILER

#### SHELL OIL CO

CIK: **89629** | IRS No.: **131299890** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-02475** | Film No.: **94541140**  
SIC: **2911** Petroleum refining

Business Address  
*ONE SHELL PLZ  
HOUSTON TX 77002  
7132416161*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1994

OR

TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2475

SHELL OIL COMPANY

(Exact Name of Registrant as Specified in its Charter)

<TABLE>

<S>  Delaware (State of Incorporation)	<C>  13-1299890 (I.R.S. Employer Identification No.)
---	---

One Shell Plaza, Houston, Texas (Address of Principal Executive Offices)	77002 (Zip Code)
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</TABLE>

Registrant's Telephone Number, Including Area Code (713) 241-6161

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ( X ) No ( )

The number of shares of Common Stock, \$10.00 par value, outstanding as of July 31, 1994 - 1,000 shares.

OMISSION OF CERTAIN INFORMATION

In accordance with General Instruction H of Form 10-Q, the registrant is omitting Part II, Items 2, 3, and 4 because:

(1) Royal Dutch Petroleum Company, a Netherlands company, and the "Shell" Transport and Trading Company, public limited company, an English company, each of which is a reporting company under the Securities Exchange Act of 1934 that has filed all material required to be filed by it pursuant to Section 13, 14, or 15(d) thereof, own directly or indirectly 60 percent and 40 percent, respectively, of the shares of the companies of the Royal Dutch/Shell Group of Companies, including all the equity securities of the registrant; and

(2) during the preceding thirty-six calendar months and any subsequent period of days, there has not been any material default in the payment of principal, interest, sinking or purchase fund installment, or any other material default not cured within thirty days with respect to any indebtedness of the registrant or its subsidiaries, and there has not been any material default in the payment by the registrant or its subsidiaries of rentals under material long-term leases.

## PART I. FINANCIAL INFORMATION

SHELL OIL COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
Millions of Dollars<TABLE>  
<CAPTION>

	SECOND QUARTER		SIX MONTHS	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
REVENUES				
Sales and other operating revenue . . . . .	\$ 6,129	\$ 6,066	\$ 11,643	\$ 11,677
Less: Consumer excise and sales taxes . . . . .	819	662	1,561	1,274
	-----	-----	-----	-----
	5,310	5,404	10,082	10,403
Equity earnings, interest and other income . . .	(184)	48	(142)	164
	-----	-----	-----	-----
TOTAL . . . . .	5,126	5,452	9,940	10,567
	-----	-----	-----	-----
COSTS AND EXPENSES				
Purchases and operating expenses . . . . .	4,108	4,191	7,740	7,989
Selling, general and administrative expenses . .	477	227	698	412
Exploration, including exploratory dry holes . .	171	94	207	172
Research expenses . . . . .	31	34	59	73
Depreciation, depletion, amortization and retirements . . . . .	778	435	1,216	852
Interest and discount amortization . . . . .	35	50	75	105
Operating taxes . . . . .	122	140	248	293
	-----	-----	-----	-----
TOTAL . . . . .	5,722	5,171	10,243	9,896
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES . . . . .	\$ (596)	\$ 281	\$ (303)	\$ 671
Federal and other income taxes . . . . .	(402)	78	(287)	229
	-----	-----	-----	-----
NET INCOME . . . . .	\$ (194)	\$ 203	\$ (16)	\$ 442
	=====	=====	=====	=====

&lt;/TABLE&gt;

SHELL OIL COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
Millions of Dollars<TABLE>  
<CAPTION>

	JUNE 30	DECEMBER 31
	1994	1993
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents . . . . .	\$ 1,219	\$ 1,296

Receivables and prepayments, less allowance for doubtful accounts . . . . .	2,562	2,546
Inventories of oils and chemicals . . . . .	731	686
Inventories of materials and supplies . . . . .	224	228
	-----	-----
TOTAL CURRENT ASSETS . . . . .	4,736	4,756
INVESTMENTS, LONG-TERM RECEIVABLES AND DEFERRED CHARGES . . . . .	2,741	3,015
PROPERTY, PLANT AND EQUIPMENT AT COST, LESS ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF \$18,321 AT JUNE 30, 1994 AND \$17,454 AT DECEMBER 31, 1993 . . . . .	18,790	19,080
	-----	-----
TOTAL . . . . .	\$ 26,267	\$ 26,851
	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade . . . . .	\$ 1,586	\$ 1,689
Other payables and accruals . . . . .	1,322	882
Income, operating and consumer taxes . . . . .	365	596
Short-term debt . . . . .	1,358	1,316
	-----	-----
TOTAL CURRENT LIABILITIES . . . . .	4,631	4,483
LONG-TERM DEBT . . . . .	1,691	1,698
DEFERRED INCOME TAXES . . . . .	3,421	3,754
LONG-TERM LIABILITIES . . . . .	2,616	2,292
SHAREHOLDER'S EQUITY		
Common stock - 1,000 shares of \$10 per share par value . . . . .	--	--
Capital in excess of par value . . . . .	2,205	2,205
Earnings reinvested . . . . .	11,703	12,419
	-----	-----
TOTAL SHAREHOLDER'S EQUITY . . . . .	13,908	14,624
	-----	-----
TOTAL . . . . .	\$ 26,267	\$ 26,851
	=====	=====

</TABLE>

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SHELL OIL COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Millions of Dollars

<TABLE>  
<CAPTION>

	SIX MONTHS	
	1994	1993
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income . . . . .	\$ (16)	\$ 442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and retirements . . . . .	1,216	852
Dividends in excess of (less than) equity income . . . . .	5	(30)
(Increases) decreases in working capital:		
Receivables and prepayments . . . . .	(16)	(121)
Inventories . . . . .	(41)	(55)
Current payables and accruals . . . . .	(394)	(511)
Deferred income taxes . . . . .	(318)	8
Other noncurrent items . . . . .	494	64
	-----	-----
Net Cash Provided by Operating Activities . . . . .	930	649
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Capital expenditures . . . . .	(940)	(819)

Proceeds from property sales and salvage . . . . .	6	467
Other investments and advances . . . . .	92	55
	-----	-----
Net Cash Used for Investing Activities . . . . .	(842)	(297)
	-----	-----
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt . . . . .	36	21
Principal payments on long-term debt . . . . .	(51)	(252)
Dividends . . . . .	(200)	(375)
Increase (decrease) in short-term obligations . . . . .	50	10
	-----	-----
Net Cash Provided by Financing Activities . . . . .	(165)	(596)
	-----	-----
NET CASH FLOWS		
Increase (Decrease) in Cash and cash equivalents . . . . .	\$ (77)	\$ (244)
	=====	=====
CASH AND CASH EQUIVALENTS		
Balance at beginning of period . . . . .	\$ 1,296	\$ 734
Increase (decrease) in cash and cash equivalents . . . . .	(77)	(244)
	-----	-----
Balance at end of period . . . . .	\$ 1,219	\$ 490
	=====	=====

</TABLE>

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OPERATING SEGMENTS INFORMATION  
Millions of dollars

<TABLE>  
<CAPTION>

	SECOND QUARTER		SIX MONTHS	
	1994	1993	1994	1993
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Oil and Gas Exploration and Production . . . . .				
Income from Ongoing Operations . . . . .	\$ 44	\$ 133	\$ 115	\$ 251
Other charges* . . . . .	--	--	--	--
	-----	-----	-----	-----
Segment Net Income . . . . .	44	133	115	251
Oil Products				
Income from Ongoing Operations . . . . .	94	87	202	174
Other charges* . . . . .	(1)	(4)	(15)	(4)
	-----	-----	-----	-----
Segment Net Income . . . . .	93	83	187	170
Chemical Products				
Income from Ongoing Operations . . . . .	(139)	35	(71)	121
Other charges* . . . . .	(9)	(7)	(11)	(13)
	-----	-----	-----	-----
Segment Net Income/(Loss) . . . . .	(148)	28	(82)	108
Other . . . . .	(151)	(3)	(165)	(9)
Corporate Items . . . . .	(32)	(38)	(71)	(78)
	-----	-----	-----	-----
NET INCOME . . . . .	\$ (194)	\$ 203	\$ (16)	\$ 442
	=====	=====	=====	=====

</TABLE>

\* Amounts associated with major product classifications for which there has been no revenue stream or investment in the last 5 years.

## SHELL OIL COMPANY AND SUBSIDIARIES

## NOTES TO INTERIM FINANCIAL STATEMENTS

## A. INTERIM FINANCIAL STATEMENT MATTERS

The unaudited financial statements and summarized notes of Shell Oil Company (the Company) and its consolidated subsidiaries (Shell Oil) included in this report do not include complete financial information and should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements filed with the Securities and Exchange Commission in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993. The financial information presented in the financial statements included in this report reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. Any such adjustments are of a normal recurring nature, except as may otherwise be described in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The results for the second quarter and six months of 1994 should not be construed as necessarily indicative of future financial results.

## B. SUMMARIZED FINANCIAL INFORMATION - SHELL PIPE LINE CORPORATION

The following summarized financial information for Shell Pipe Line Corporation, a wholly owned subsidiary of Shell Oil Company, is presented here for the information of holders of Shell Pipe Line Corporation's 7 1/2% Guaranteed Sinking Fund Debentures due 1999, which are fully guaranteed by Shell Oil Company.

<TABLE>  
<CAPTION>

Millions of dollars	June 30	December 31
	1994	1993
<S>	<C>	<C>
Current assets . . . . .	\$ 126	\$ 115
Noncurrent assets . . . . .	316	299
Current Liabilities . . . . .	38	58
Noncurrent Liabilities . . . . .	73	71

</TABLE>

<TABLE>  
<CAPTION>

Millions of dollars	Second Quarter		Six Months	
	1994	1993*	1994	1993*
<S>	<C>	<C>	<C>	<C>
Revenues . . . . .	\$ 68	\$ 67	\$ 131	\$ 127
Operating income . . . . .	29	31	58	58
Net income . . . . .	24	24	46	45

</TABLE>

\* Certain balances have been restated to conform with Shell Oil's consolidated financial reporting.

## C. CONTINGENCIES AND OTHER MATTERS

Shell Oil is subject to a number of possible loss contingencies. These include actions based upon environmental laws involving present and past operating and waste disposal locations, private claims, and product liability actions. In addition, federal, state and local income, property and excise tax returns are being examined and certain interpretations by Shell Oil of complex tax statutes, regulations and practices are being challenged.

Shell Oil has received allegations or claims under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar statutes that it is involved at 201 sites, including the Rocky Mountain Arsenal (RMA) and the McColl site as discussed below. As of June 1994,

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discussions or activities were ongoing concerning 121 of these sites, in some cases in the early stages. During 1993, expenses recorded under CERCLA and such state statutes relating to the 201 sites were approximately \$250 million; additional 1994 expenses as of June 30 were approximately \$54 million. Shell Oil also has certain obligations under the Resource Conservation and Recovery Act (RCRA) and similar state laws regarding corrective action at manufacturing locations and provides assurances regarding its financial ability to meet certain closure and post-closure obligations that will arise in the future at such locations under such laws.

The United States and the Company have entered into a consent decree to settle environmental claims at the RMA whereby the Company would pay 50 percent of amounts expended for remedial costs and natural resource damages up to \$500 million; 35 percent of expenditures between \$500 million and \$700 million; and 20 percent of expenditures in excess of \$700 million. Based on its proposed remediation alternative, the Company has accrued \$500 million for its share of related costs including the provision of \$215 million in 1993 and \$105 million in 1992. The Company's share of expenditures through June 30, 1994 was approximately \$229 million. A final remediation plan is not expected before 1995.

In 1983 the Company was named as one of several potentially responsible parties for the costs of cleanup of the McColl site which was used for the disposal of refining waste from 1942 to 1946. The Environmental Protection Agency (EPA) and the State of California sued the Company and others in February 1991. In April 1991 the Company and others filed a counterclaim for contribution naming the United States Department of Defense and others, since the waste disposal at the McColl site arose primarily from the production of fuel for the United States military during World War II. In June 1993 the EPA selected Soft Material Solidification as the remedy, with a contingency for RCRA equivalent closure. The EPA states that the cost of its remedy is expected to be \$79 million but could go as high as \$120 million. In September 1993 the court ruled the Company and other defendants liable for the costs of remediation but has yet to rule on the counterclaim for contribution.

In December 1993 a Los Angeles Superior Court jury, in two consolidated lawsuits against the Company and its subsidiary, returned a verdict for the plaintiffs in the amount of \$46.9 million compensatory damages and \$173 million punitive damages. Both cases involve the condition of the Dominguez oil field. Plaintiffs alleged they were defrauded, that the oil and gas lease was breached, and that soil contamination on the property constitutes a continuing trespass. Final resolution through the appeals' process could take two or more years. The Company and its subsidiary believe the verdict was wrong and expect ultimately to prevail in the litigation.

The Company is party to a litigation regarding Nemagon(R), an agricultural chemical containing DBCP manufactured and sold by it from 1955 to 1978. In California, the claims involved alleged contamination of water wells based on recent revisions to governmental standards. The claims in the litigation seek the cost of cleanup and future monitoring of such water wells. The Company is a co-defendant in these cases with other substantial manufacturers and suppliers of the same chemical. In Texas, ten cases, including three alleged class actions, were filed in 1993 against the Company, other substantial manufacturers and suppliers of DBCP and various banana growers. These actions allege that the plaintiffs suffer fertility problems arising from exposure to DBCP while working on banana plantations outside the United States. The Company is contesting whether any injury has in fact been incurred by plaintiffs, whether DBCP was in fact the cause of any such injury as may exist, and in any case if the Company was a supplier or otherwise has liability in connection with any such injury.

Since 1984 the Company has been named as a defendant in numerous product liability cases, including class actions, involving the failure of plumbing systems in the U.S. constructed with polybutylene plastic pipe. The Company manufactured the resin used to make the pipe in these systems. Two other substantial manufacturers made the resins for the polyacetal fittings used in these systems and are also defendants in these cases, as are the fabricators and installers of the systems. The plaintiffs in the litigation claim actual and punitive damages arising primarily from leaking residential plumbing

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systems. The Company's position and most of the judgments to date have confirmed that most of the leaks have occurred due to failure of the polyacetal fitting system, which is no longer used. Almost all the current claims outside of litigation are handled through a joint venture established by the Company and two other co-defendants. The joint venture makes arrangements for the repair of leaking polybutylene pipe systems, the costs of which are allocated on a variable basis depending on the component part manufacturer and the producer of the polyacetal resin used.

The Company is attempting to establish insurance coverage at the RMA through 1969 and for the McColl site and other environmental claims. Declaratory judgment actions have also been filed to confirm insurance covering polybutylene through 1985 and insurance covering Nemagon(R) claims.

The Company's assessment of these matters is continuing. Future provisions may be required as administrative and judicial proceedings progress and the scope and nature of remediation programs and related costs estimates are clarified. However, while periodic results may be significantly affected by these matters, based upon developments to date, the management of the Company anticipates that the Company will be able to meet related obligations without material adverse effect on its financial position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

As a result of certain events and other net special charges which reduced second-quarter earnings \$451 million as further discussed in the context of segment earnings, Shell Oil Company incurred a net loss of \$194 million for the second quarter of 1994. Net income for the second quarter of 1993 was \$203 million. Excluding special items in both periods, earnings generated from operations for the second quarter of 1994 were \$257 million compared to \$214 million in 1993, an increase of \$43 million or 20 percent. All three principal business segments continued to turn in a strong operational performance despite difficult price and margin conditions, reflecting the improved cost structure which has been achieved over the last three years and improved refined products and chemical sales volumes.

For the first half of 1994, Shell Oil incurred a net loss of \$16 million, compared with net income of \$442 million in 1993. Excluding special items from both periods, operating results for first-half 1994 were \$475 million, an improvement of \$71 million, or about 18 percent. Significantly lower operating costs were the primary contributor to this improved performance, more than offsetting lower crude oil prices encountered in 1994.

Cash flows from operating activities totaled \$577 million in the second quarter of 1994, an increase of \$157 million over the same 1993 period. First-half 1994 cash flows from operating activities were \$930 million, up \$281 million. Shell Oil's total debt position of \$3 billion is the lowest in 15 years.

The Company's board of directors approved a dividend increase for the



second quarter of 1994, bringing the cumulative 1994 dividend to date to \$700 million, which equates to an annualized dividend of \$1.4 billion. The Company's intention is to pay a dividend that does not restrict long-term growth prospects yet assures an appropriate total return to the shareholder when considering both short-term yield and long-term growth.

#### OIL AND GAS EXPLORATION AND PRODUCTION

Oil and Gas Exploration and Production earnings from ongoing operations in the second quarter of 1994 were \$44 million, a decrease of \$89 million from 1993. For the first half of 1994, earnings from ongoing operations were \$115 million, down \$136 million. Earnings in the second quarter of 1994 were

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reduced a net \$66 million as the result of special charges which were substantially offset by a favorable tax item. These special charges were primarily attributable to undeveloped offshore frontier Alaska and nonproducing heavy oil properties in California. Crude oil prices and recently reported results of drilling by other operators in the Alaska area have made future development and production there highly unlikely.

Excluding such special items, segment net income declined \$23 million in the 1994 quarter versus 1993, and \$54 million in the first-half comparison. Lower average crude oil prices throughout the first six months of 1994 were the primary factor contributing to these declines in both 1994 periods, compared to 1993. However, significant progress continues to be made in reducing producing and exploration costs.

Domestic crude oil production in the second quarter and first half of 1994 remained essentially the same as in the 1993 periods, as new and increased production offset property sales and natural declines. International crude oil production was lower in both 1994 periods, due primarily to the restructuring of Syrian interests last year. However, natural gas production increased 9 percent in the second quarter of 1994 versus the 1993 period, and 6 percent in the first half of 1994 over 1993.

In April, the first of 10 predrilled wells began production at Shell Oil's Auger field in record water depth of 2,860 feet in the Gulf of Mexico. Total net production from four wells now averages 19,000 barrels per day of crude oil and 66 million cubic feet per day of natural gas. It is anticipated that platform design daily rates of 44,000 barrels of oil and 125 million cubic feet of gas will be reached later this year.

#### OIL PRODUCTS

Oil Products earnings from ongoing operations were \$94 million in the second quarter of 1994 and \$202 million in the first six months of 1994, increasing \$7 million and \$28 million, respectively, over comparable 1993 earnings. Earnings from ongoing operations exclude charges to segment net income which are associated with major product classifications for which there has been no revenue stream or investment for the past five years. Oil Products segment net income was \$93 million in the second quarter of 1994 and \$187 million in the first six months of 1994, increasing \$10 million and \$17 million, respectively, over the comparable 1993 periods. Excluding special items from comparable periods, segment net income was slightly higher in the 1994 quarter compared to 1993, and was \$64 million higher in the first half of 1994.

Increasing hydrocarbon costs throughout the second quarter of 1994 resulted in lower refined products margins as selling prices did not keep pace with rising costs. However, these factors were more than offset by increased refined products sales volumes and lower operating costs compared with the 1993 quarter. These same factors were also the primary contributors to improved earnings in the first half of 1994.

Refined product sales volumes in both 1994 periods were higher,

increasing 7 percent over the comparable 1993 periods. A major factor in these higher sales volumes was increased sales of branded automotive gasolines.

#### CHEMICAL PRODUCTS

As the result of special items, Chemical Products incurred net losses from ongoing operations of \$139 million in the second quarter of 1994 and \$71 million in the first six months of this year. In 1993, earnings from ongoing operations were \$35 million in the second quarter and \$121 million in the first six months. Earnings from ongoing operations exclude charges to segment net income which are associated with major product classifications for which there has been no revenue stream or investment for the past five years.

The Chemical Products segment incurred net losses of \$148 million in the second quarter of 1994 and \$82 million in the first six months of 1994, compared to net income of \$28 million and \$108 million, respectively, in the same 1993 periods. Excluding special items from comparable periods, 1994 Chemical Products segment net income increased \$50 million for the quarter compared to 1993, and \$51 million for the first six months of 1994 over 1993.

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In the second quarter of 1994, chemical products net income was impaired \$233 million as the result of charges associated with litigation, property losses, damage claims, the write-off of idle assets and the sale of a subsidiary.

On May 27, 1994, an explosion at the Company's Kraton manufacturing plant in Belpre, Ohio, destroyed one unit of that plant and caused operations at the plant to be temporarily suspended. Operations have now been restored at units not directly affected by the explosion. While the Belpre plant was insured, deductibles and excess layers were self-insured; uninsured costs currently anticipated to be incurred in connection with the explosion were included in special charges for the quarter.

The improvement in operational results in chemical products during the second quarter of 1994 occurred as the result of generally improved margins and sales volumes. For the first six months of 1994, the improvement was primarily due to increased sales volumes across most product lines.

#### OTHER

The Other segment incurred net losses of \$151 million in the second quarter of 1994 and \$165 million in the first half of 1994 compared to losses of \$3 million and \$9 million in the respective 1993 periods. A special item, reflecting the write-down of a residual coal investment to approximate published estimates of market value, was the major factor in these higher charges.

#### CORPORATE ITEMS

Charges totaling \$32 million in the second quarter of 1994 were \$6 million lower than the same 1993 quarter. For the first six months of 1994, charges totaled \$71 million, down \$7 million compared to 1993. Lower interest expense, due to lower average debt levels in 1994, was the primary factor contributing to these lower charges.

#### FINANCIAL CONDITION

##### CAPITAL RESOURCES AND LIQUIDITY

Cash flow provided by operating activities totaled \$930 million for the first six months of 1994, compared with \$649 million last year, an increase of \$281 million. The period to period increase was attributable to higher earnings, exclusive of the noncash charges in the first half of 1994. The major uses of cash generated from operating activities, coupled with a draw on cash balances of \$77 million in the first six months of 1994, were for capital

expenditures of \$940 million and dividend payments of \$200 million.

OTHER MATTERS

In addition to the economic conditions and other matters discussed above affecting Shell Oil, the operations, earnings and financial condition of Shell Oil may be affected by political developments; litigation; and legislation, regulation and other actions taken by federal, state, local and foreign governmental entities, including those matters discussed in Note C of the Notes to Interim Financial Statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As discussed in the Company's 1993 Annual Report on Form 10-K, the Company was named as one of several potentially responsible parties for the costs of cleanup of the McColl Site. In the second quarter of this year, the Company, Arco, Texaco and Unocal agreed to settle the EPA and state claims for certain past costs incurred in connection with the McColl site for \$18 million. Design of the remediation plan for the site is continuing.

Also as discussed in the 1993 10-K, the Company has been named as a defendant in numerous actions involving the failure of plumbing systems made with polybutylene pipe. On May 22, 1994, United States Brass Corporation, a co-defendant in such actions, filed bankruptcy proceedings in the United States Bankruptcy Court for the Eastern District of Texas in Plano, Texas. United States Brass is a leading fabricator of the components of the plumbing systems. The effect of the bankruptcy filing on the ongoing litigation is uncertain. During the first half of 1994, polybutylene claims have continued to increase in number. However, in June 1994, claims involving 11,000 units were resolved by a single settlement.

As reported in the 1993 10-K, the Company was notified by the Santa Clara County, California District Attorney that the Santa Clara Valley Water District had referred two former service station sites for enforcement action. The District Attorney was investigating alleged soil and groundwater contamination at these sites. During the second quarter, this matter was settled. Total civil penalties of \$102,500 were paid.

In April 1994 the Company received a Report of Violation from the California Air Resources Board alleging violation of regulations regarding gasoline additization. It is anticipated that penalties will be assessed against the Company as the result of this action.

In May 1993 the Department of Environmental Resources of Dade County, Florida, filed a state court suit against the Company demanding unspecified civil penalties and injunctive relief pertaining to groundwater cleanup at a service station. During recent negotiations toward a Consent Agreement, the Department demanded \$200,000 in civil penalties. Trial of the case has been set for January 1995.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHELL OIL COMPANY

By H. E. BLECHL  
-----  
H. E. Blechl, Controller  
(Principal Accounting and  
Duly Authorized Officer)

Date: August 1, 1994