

## Group Investment Proposal

### Summary Information

Business unit	The Shell Petroleum Development Company of Nigeria Limited (SPDC)																																																																					
Group equity interest	100% in SPDC, whereas SPDC is the operator of an unincorporated Joint Venture (JV) with a 30% interest.																																																																					
Shareholders/partners	Nigeria National Petroleum Company (NNPC: 55%), TotalFinaElf: (10%), Nigeria Agip Oil Company (NAOC: 5%) in SPDC-JV.																																																																					
Business or Function	Upstream International (UI)																																																																					
Amount	<p><u>Shell equity:</u> Previously the RDS board approved a Shell equity investment in NCTL per GIP 11.6.07 of US\$213.10 million. This IP seeks support/approval for an additional Shell equity investment of US\$113.78 million in NCTL bringing the total headline size to US\$ 326.88 million. The latest cost estimate is still within the BP09 forecast and has been unchanged since mid 2009.</p> <p><u>Other Shell commitments:</u> The NCTL project is funded under an MCA arrangement, approved by the RDS board per GFP 22.07.2008, and entered into on 12.12.2008. As per the MCA agreement, Shell jointly with the other private partners, is committed to carry NNPC's share of the estimated investment cost from 01.01.2008 based on an investment level of US\$947.38 million. Shell will therefore also carry an additional US\$49.60 million of the additional investment as NNPC carry under MCA bringing the total carry amount to US\$340.92 million.</p>																																																																					
Project	Nembe Creek Trunk-line Replacement Project (NCTL).																																																																					
Main commitments (\$mln MOD)	<table><tr><th rowspan="2">Description</th><th colspan="3">100% JV (\$'mln) MOD</th><th colspan="3">Shell Share (\$'mln) MOD</th></tr><tr><th>Previous IP</th><th>Incremental IP</th><th>Total JV</th><th>Shell Equity</th><th>Shell MCA</th><th>Shell Total</th></tr><tr><td>Facilities</td><td>665.20</td><td>374.77</td><td>1039.96</td><td>311.99</td><td>340.92</td><td>652.91</td></tr><tr><td>PMT</td><td>28.33</td><td>1.50</td><td>29.83</td><td>8.95</td><td></td><td>8.95</td></tr><tr><td>SCD (OPEX)</td><td>16.80</td><td>3.00</td><td>19.80</td><td>5.94</td><td></td><td>5.94</td></tr><tr><td>TOTAL (50/50 MOD)</td><td>710.33</td><td>379.27</td><td>1089.60</td><td>326.88</td><td>340.92</td><td>667.80</td></tr><tr><td>Overrun Allowance to 90/10 MOD</td><td>-</td><td>70.20</td><td>70.20</td><td>21.06</td><td>25.74</td><td>46.80</td></tr><tr><td>TOTAL (90/10 MOD)</td><td>710.33</td><td>449.47</td><td>1159.80</td><td>347.94</td><td>366.66</td><td>714.60</td></tr><tr><td>Previously Approved (50/50 MOD)</td><td></td><td></td><td></td><td>213.10</td><td>291.32</td><td>504.42</td></tr><tr><td>This Request (50/50 MOD)</td><td></td><td></td><td></td><td>113.78</td><td>49.60</td><td>163.38</td></tr></table>	Description	100% JV (\$'mln) MOD			Shell Share (\$'mln) MOD			Previous IP	Incremental IP	Total JV	Shell Equity	Shell MCA	Shell Total	Facilities	665.20	374.77	1039.96	311.99	340.92	652.91	PMT	28.33	1.50	29.83	8.95		8.95	SCD (OPEX)	16.80	3.00	19.80	5.94		5.94	TOTAL (50/50 MOD)	710.33	379.27	1089.60	326.88	340.92	667.80	Overrun Allowance to 90/10 MOD	-	70.20	70.20	21.06	25.74	46.80	TOTAL (90/10 MOD)	710.33	449.47	1159.80	347.94	366.66	714.60	Previously Approved (50/50 MOD)				213.10	291.32	504.42	This Request (50/50 MOD)				113.78	49.60	163.38
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Source of financing	This investment will be financed through agreed MCA funding (NCTL is part of the Nembe project bundle under MCA) ref GFP approved by the RDS Board on 22.07.2008. Total Shell commitments including NNPC carry under MCA will be financed with SPDC Ltd own generated funds.																																																																					
Summary cash flow (Shell share)	See Economics section.																																																																					
Summary economics (Shell Share)	<p>The economics analysis was carried out on an incremental/forward-look basis using the advised cost of US\$163.38 (equity and MCA) million MOD Shell Share, and on an oil infrastructure (cost-only) basis to estimate the maximum exposure associated with the forward look investment from 2010.</p> <p>In order to provide varying perspectives to the evaluation, the Full Life Cycle, High CAPEX including the potential opportunity cost, as Value Loss if the NCTL was abandoned have been evaluated as sensitivities. The value unlocked through the completion of this pipeline is estimated at US\$1.139 billion (Shell equity share). The PIB sensitivity was also evaluated.</p> <p>Details of the results are in Table-1</p>																																																																					

## **1. The Proposal (Management summary)**

This Group investment proposal (GIP) seeks support/approval for additional funding of US\$113.8 million Shell equity share MOD (i.e. US\$379.3 million 100%) and additional investment of US\$ 49.6million (Total US\$ 340.92 million) as NNPC carry under MCA, to complete the Nembe Creek Trunkline (NCTL) Replacement project. The additional NNPC carry share of US\$49.6 million fits within the earlier approved overall MCA GFP ceiling.

The NCTL Replacement Project aims to replace the existing 95km x 8"/12"/24"/28" NCTL with a new 95km x 12"/24/30" Trunkline with the capacity to evacuate 600 kbpd gross production. When completed, production from 14 flowstations viz: Nembe Creek 1-4, Odeama, Santa Barbara, Belema, Ekulama 1 & 2, Awoba, Krakama, Cawthorne Channel 2 & 3 and Chevron's Robertkiri can be evacuated through this line. The existing line was finally shutdown in 2008 after successive de-rating due to an unacceptable increase in the number of leaks. Therefore, the new trunkline will enable reopening of circa 190 kbpd locked-in oil, from SPDC's Eastern Swamp operations. It will also allow the Santa Barbara Early Oil Development (EOD) and Nembe Creek Phase 1 planned oil development campaign in OMLs 25 & 29 to be realized. In addition, the new trunkline will protect the significant investment, which has been made in the NCTL catchment area on gas gathering facilities by providing the needed robust oil evacuation system to continue to operate for the next 20 years and beyond.

The NCTL replacement programme commenced in 2002 with first oil forecast of October 2009 as contained in the last IP of June 2007. The construction work was awarded in two separate packages. Package A consists of 12"/24" x 49km and has progressed to 78%, while Package B consists of the 30" x 46km section with progress at 93% as at end April 2010. Overall construction progress stands at 85% with a VOWD of \$675million already achieved. First oil was achieved on the first 17km in March 2010 bringing on 60-kbpd capacity, with production from the Krakama - Cawthorne Channel axis. The start of subsequent sections will be end Q2 (remainder of the 30inch segment) and end 2010 (for the 24inch and 12inch) ultimately raising the throughput to some 190 kbpd net (approx 400kbpd gross).

## **2. Value proposition and strategic and financial context**

Despite the steep cost escalations, the overall project remains highly attractive as the NCTL unlocks 200kbpd net oil (30% of SPDC production capacity). The replacement NCTL will also provide ullage for incremental oil production from the catchment area as well as the leverage for further development of 118.8 MMstb expectation reserves and 56.6 Bscf of gas (100% SPDV JV) in Santa Barbara and Nembe Fields.

Failure to replace the trunkline will lead to lock-in of up to 30% of SPDC's production, revenue from third party crude transport and the already sunk project cost of US\$660 million.

The NCTL project is essentially an infrastructure project as the base economics reflects. The locked-in production of some 443.2mmboe Shell Share that would have been enabled by progressing the project (restoration of evacuation) is worth \$1.139 billion to Shell at RV \$60/bbl RT 10. Against Shell after tax maximum exposure of \$122 million RT with 85% tax relief, the value proposition for this pipeline replacement project remains very strong.

This project is part of the overall SPDC Pipeline Integrity Management Programme and is fully aligned with SPDC business plan for 2010. Engagement of the Joint Venture Partners has commenced to secure support for the additional investment requirements and associated cost escalations and early indications show a willingness to support the cost variations.

### **Cost Increase/Market Situation**

Costs have escalated substantially from the last IP approval mainly due to factors related to the difficult operating environment. Much higher than anticipated Non Productive Time (NPT) has been recorded as

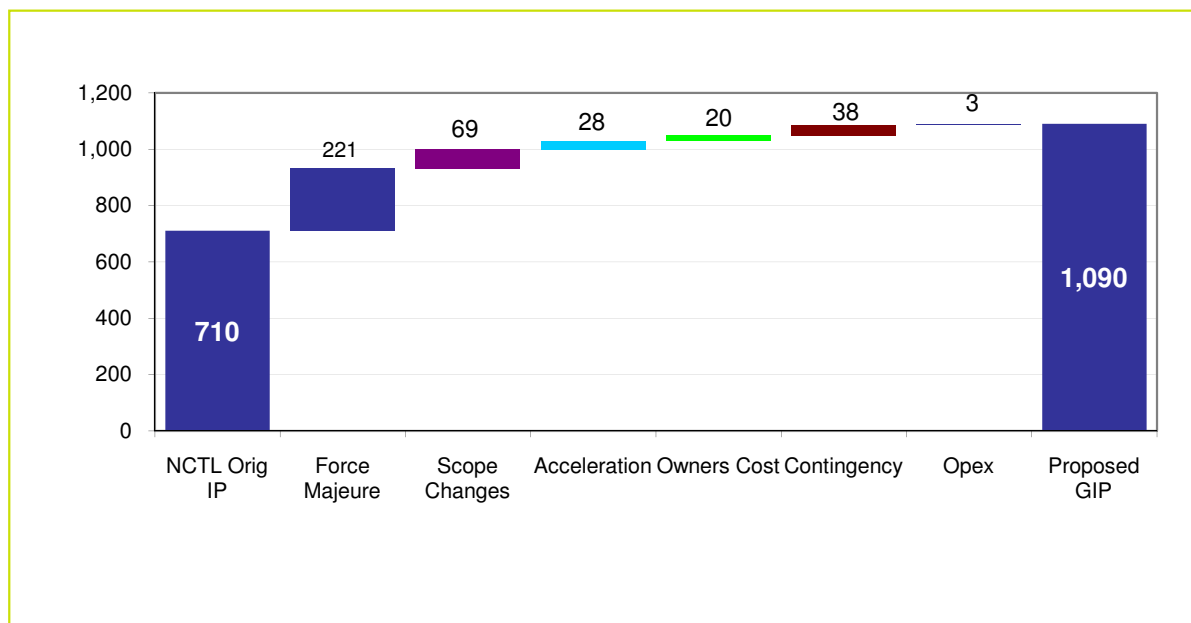
a result of the Niger Delta security crisis and NNPC funding problems. The security related additional costs have largely been borne by SPDC JV as contractor appetite for security risks was very low at the time of contract placement and many industry players were exiting the Niger Delta on account of security uncertainties/deterioration. Risk allocation in new pipeline construction contracts will reflect learnings from this project taking into account the prevailing and expected security situation.

The NCTL pipeline traverses swamp terrain with 13 major river crossings and over 100 medium/minor creeks, and includes 11 feeder line tie-ins demanding significant mobilization of expensive marine equipment, which amplified the cost escalations as NPTs have largely occurred at full mobilization at about US\$ 400k/d for each of the work packages. Although, the original IP covered security/community related NPTs, the scale of security deterioration in Niger Delta between 2007 and Q4-2009 when the Federal Government's Amnesty Programme took effect, was unprecedented with over 450days compared with 120days of NPT allowed in the currently approved IP. The SPDC JV funding challenges of 2007/2008 further delayed execution progress and resulted in substantial time extensions exacerbating these cost escalations. Protracted negotiations to reduce Time Extension/NPT claims settlement from contractor demands of US\$ 460mln to US\$170 has just been concluded and served as input into finalizing the estimate to completion.

With improvements in Niger Delta security following the Amnesty programme and consequent reduction in NPTs since Q4 2009, US\$1,089.6 million is now foreseen for completion of the project. This includes some allowance for security/community related stoppages but not of same magnitude as previously witnessed. The latest cost estimate is still within the BP09 forecast and has been unchanged since mid 2009.

The cumulative P50 estimate of US\$**1,089.6** million is US\$**379.3** million higher than the estimate of US\$**710.3** million at the time of the project's FID. The chart below reflects the key changes.

NCTL Waterfall: Cost movement from Old to New GIP



#### Details include:

1. US\$220.5 million increase in costs from **Force Majeure** events as a result funding and security related challenges. The Original GIP provided for US\$95.9million to cater for these costs which have now risen to US\$339.4million. The difference is partly offset by US\$22.5million savings from procurement and construction:

- Funding: NNPC's inability to fund her 55% equity between 2007/2008 prior placement of MCA agreement and the resulting build-up of payment arrears to contractors led to the instruction for contractors to defer/delay project progress. This, coupled with the related delays to provision of Shell supplied materials by others, resulted in time extensions of 311days and 267 days on contract packages A & B respectively at a cost of \$158mln.
  - Security: NPT of 400days from community related interference and security incidents, security skirmishes between Government Security Forces (GSF) and Militant Activities, and direct attacks on contractor workforces on many occasions (\$139mln).
  - Enhancements to site security: Additional security cost (including logistics for extra government forces and community surveillance) to mitigate heightened security risks in the Niger Delta (\$42.4mln).
2. US\$69million for Scope Changes covering:
    - Delivery lines from Nembe-3 & Nembe-2 flowstations to be entirely replaced instead of original scope for sectional replacement in the light of asset integrity considerations. Additional 5km x 12inch scope of construction will be executed including installation of 1km Nembe Creek River Crossing (US\$22mln)
    - Manifold works increases to improve the security on main pigging manifolds (US\$8.5mln).
    - Temporary connection to enable early oil start-up in Krakama and enable resumption of production from Awoba, Cawthorne Channels-2&3 and Krakama (US\$10.5mln). This was achieved in March 2010.
    - Transfer of scope between contract packages to facilitate interface management and achieve seamless commissioning (US\$8.1mln).
    - Other minor scope changes such as dredging quantities and variance in pipeline lengths (US\$20mln).
  3. US\$28.4million for Delivery Incentives deployed as recovery for slippages on OSD promises. These are structured to stimulate contractor achievement of specified delivery targets.
  4. US\$19.8million increase in Owners Costs due to extended project schedule, and the requirement for extension of CAR insurance.
  5. US\$3million increase in SCD costs for anticipated spend on resolution of community issues/claims that normally attend contractor's demobilization from site in the Niger Delta.
  6. P50 contingency US\$81.5 million (incl US\$29mln for VAT on contract sums) in the original GIP, now fully absorbed in the provisions for Force Majeure, has been reduced to \$38.3 million in this revision.

## Summary Economics

The economics analysis was carried out on an incremental/forward-look basis using the advised equity cost of \$113.78 million and MCA cost of \$49.60 million MOD Shell Share, and as an oil infrastructure (cost-only) basis to estimate the maximum exposure associated with the forward look investment from 2010.

It should be noted that the MCA financing extension (as per the MCA arrangement) required to complete the project (\$49.6 million NNPC carry) will not qualify for the 8% IRR on the main carry as agreed per end 2008. Therefore the overall return on the financing arrangement will marginally reduce below 8% upon successful inclusion of the additional required carry in the MCA.

In order to provide varying perspectives to the evaluation, the Full Life Cycle, High CAPEX including the potential opportunity cost as Value Loss if the NCTL was abandoned has been evaluated as sensitivities. The value unlocked by the completion of this project is US\$1.139 billion. The PIB sensitivity was also evaluated. Details of the results are in Table-1 below.

**Table 1: NCTL Economics Grid (Shell Share)**

PV Reference Date: 1/7/2010	NPV (\$/S \$ mln)		RTEP	UTC (RT \$/bbl or \$/mln btu)		Payout-Time (RT)	Maximum Exposure \$mlnRT (yyyy)
Cash flow forward from: 1/1/2010	0%	7%	%	0%	7%		
Plus MCA							
RV (\$60/bbl RT10 & \$0.50/mmbtu RT10)	-32.5	-44.3	N/A	N/A	N/A	N/A	122.2(2011)
<b>Sensitivities (using RV-RT)</b>							
High CAPEX (P90)		-58.1				N/A	161.2 (2011)
Full Life Cycle for Project		-178.8				N/A	387.8 (2010)
1.5% Additional Cost (Non-Deductable Expense)		-46.0					
Value Loss if NCTL project was abandoned		1,139.5					
PIB Evaluation_Start Year (2010)		-54.4					
Value Loss if NCTL project was abandoned_PIB Sensitivity		1,373.4					
PIB Evaluation_Start Year (2011)		-48.7					

**Key Project Parameters (NCTL)**  
(Shell Share)

Parameter	Unit	Bus Plan BP09	Low	Mid	High	Comments
Capex (MOD)	US\$ mln	162.5	129.5	162.5	212.7	Incremental CAPEX Request
Opex (MOD)	US\$ mln	0.9	0.9	0.9	0.9	Incremental Project OPEX Requirement
Production Volume	mm boe	443.2		443.2		Production Volume at Risk till end of field life
Start Up Date	mmm-yy	Mar-10				Start up date upon kick of Early Oil of Package B

**1. ECONOMICS ASSUMPTIONS**

- AGFA fiscal treatment applied.
- Gross Heating Value (GHV) of 1150btu/scf applied on Value Loss sensitivity only
- Production start date from June 2010 applied on value loss sensitivity only
- NDDC Levy of 3% of total expenditure excluding flare penalty
- Education Tax of 2% assessable profit
- Flare penalty of \$3.5/Mscf applicable to Value Loss sensitivity.
- 10% of total project RT CAPEX assumed as abandonment cost
- SPDC Generic fixed OPEX assumption was applied for the Value Loss sensitivity.
- Project specific OPEX derived from Sustainable Community Relations.

**2. PIB VERSION 4.2 ASSUMPTIONS:**

- NHT depreciation schedule is 4x20%, 19% for qualifying expenditure.
- CIT depreciation schedule is 3x25%, 24%, for qualifying expenditure.
- Education tax calculated as 2% of its assessable profit and it is not deductible for CIT, but deductible for NHT.
- NDDC levy calculated as 3% of expenditure

- Withholding tax is applicable at a rate of 7.5%
- 20% of overseas cost is non-deductible for determination of NHT taxable income

### 3. Risks, Opportunities and Alternatives

- **Further costs escalations:** The Niger Delta remains a difficult operating environment with hostage taking, militancy and community unrest, which have had significant negative impact on project schedule and costs to date. With the FG amnesty programme in place and being worked, a more peaceful working environment is expected. However, the relatively inexperienced local contractor, Nestoil Ltd, responsible for some 50% of the NCTL delivery, remains tight on cash with substantial debt. With tightening of the Nigerian banking rules following intervention of the Central Bank of Nigeria in the Nigerian Banking Industry, SPDC has had to substantially intervene in providing liquidity for Nestoil Operations through incentive and support packages to enable the contractor to deliver as planned. Going forward however, delivery by Nestoil Ltd remains a key attention point for project management.
- **MCA extension:** The CAPEX growth cannot be funded from JV base funds and requires an MCA variation to be negotiated with partners. Sensitization of Partners including NAPIMS/NNPC, on emerging cost pressures has commenced with early indications of willingness to vary the MCA. With NAPIMs active participation in the Contractor claims negotiations and support for NCTL expenditure at just concluded 2009 Budget performance review by Partners, the risk of not securing MCA variation is likely to be limited to the loss of 8% rate of return for the variation amount of \$49.6 million.
- **HSE:** The project is being executed under challenging circumstances in the Niger Delta Eastern swamps with large numbers of unskilled workers, significant road and water transport logistics requirements and a local relatively inexperienced contractor (Nestoil Ltd) handling some 50% of the work with subcontractors with immature HSE systems. Very experienced HSE Advisers/ Inspectors are deployed to work closely with contractor and handhold them through the development and embedding of a sustainable HSE- MS culture. Improvements are becoming evident, although not as rapidly as hoped for. Two LTT's have occurred since the project start and learnings from these incidents are incorporated in project operations and ongoing improvements of prevailing HSE-MS.
- **Security:** Nembe Creek is a historically volatile area with many recorded security incidents. A safe and secure environment relies heavily on the JTF mitigation. Existing security plans will be reviewed with Corporate Security through the appropriate Area Security Advisors with any amendments approved by Head Security Operations East. Specific threats will be managed through the Security & Surveillance Centre (SIS) and communicated in good time to those that need to "know" and "act".
- **Community interfaces:** Global Memorandum of Understanding (GMOU's) has been signed with all communities hosting project activities.

#### ***Opportunity for Further Oil Development:***

The proposal provides the leverage for further oil development, as well as unlocking existing deferments of over 200 kbopd.

#### ***Alternatives Considered:***

The Considered alternative is not to complete NCTL. This will mean production will be shut in, the reserves development programme will be suspended and the balance of NCTL costs as per the MCA will not be recovered.

### 4. Carbon Management

The facilities producing into the NCTL have received necessary upgrades to gather routinely flared/vented associated gas for disposal.

## 5. Corporate structure and governance

The existing corporate structure and governance arrangements of SPDC-JV with SPDC as operator will be used for the investment and future operations. Project progress will be monitored in line with requirements of the Opportunity Realisation Process.

## 6. Functional Support and consistency with Group and Business Standards

This proposal complies with Group Business Principles, policies and standards. Functional support for this proposal is provided by Finance, Sustainable Development, Supply Chain Management, HSE, Operations, Legal, Treasury, Tax functions and Major Projects.

## 7. Project management, monitoring and review

Critical positions for project delivery are fully resourced. A dedicated project team is managing day-to-day activities under supervision of the GM Projects. Overall project progress is monitored by PDAB. GM Projects reports progress to VP Technical UIG who is providing support, challenge and oversight on the NCTL Project from the regional end. As a Top 70 project, this project falls under the auspices of PTM. The 'Fact Sheet' supporting the projects latest cost and schedule view, has been reviewed and endorsed by PTE/S.

## 8. Budget Provision

There is sufficient budget provision to cover the planned latest view expenditure up to 2010, with minor re-phasing into 2011 relative to BP09. Funds to cover decommissioning, abandonment and final claims settlement/contract close-out activities, as well as the overrun allowance provisions which are earmarked for expenditure in 2011 will be requested as part of the BP10 budget allocation discussions with Partners.

### NCTL Project Expenditure Phasing (\$ million MOD 100%)

	Pre 2004	2004	2005	2006	2007	2008	2009	2010	2011	Total
Previous Proposal (Original Phasing)	1.4	3.2	46.3	19.9	65.1	286.6	266.2	21.7		710.3
Previous Proposal (Rephased)	1.4	2.2	46.3	20.0	48.9	158.2	329.0	104.4		710.3
This Proposal								230.9	148.4	379.3
Total Revised Proposal	1.4	2.2	46.3	20.0	48.9	158.2	329.0	335.3	148.4	1,089.6

## 9. Group Financial Reporting Impact

The financial impact of this proposal on Shell Group financial (including the additional CAPEX carry under the MCA financing arrangement) is as outlined in the table below

US\$ mln	Prior Request	2010	2011	2012	2013	2014	Post 2014
<b>Total Commitment</b>	504.4	69.3	94.1	0.0	0.0	0.0	0.0
<b>Cash Flow</b>							
SCD Expenditure	5.0	0.0	0.9	0.0	0.0	0.0	0.0
Capital Expenditure	499.4	69.3	93.2	0.0	0.0	0.0	0.0
Operating Expenditure	5.0	0.0	0.9	0.0	0.0	0.0	0.0
Cash Flow from Operations	123.8	101.4	113.4	113.3	109.0	40.6	19.6
Cash Surplus/(Deficit)	123.8	32.1	20.2	113.3	109.0	40.6	19.6
<b>Profit and Loss</b>							
NIBIAT +/-	23.5	6.4	7.8	(7.9)	(8.1)	(11.0)	(82.9)
<b>Balance Sheet</b>							
Average Capital Employed	599.7	639.1	734.2	729.4	633.2	518.7	1,246.9

## 10. Disclosure

Disclosures, if required, will be done in line with existing Group and SPDC policies and guidelines

## 11. Financing

NCTL is part of the Nembe project bundle for which SPDC agreed to fund the majority of NNPC's obligations under MCA. This funding mechanism was covered by a Group Financing Proposal approved by RDS Board on 22.07.2008. Shell share of the expenditure under MCA comprises of Shell equity share 30% + NNPC carry share 36.6% for qualifying expenditure (CAPEX only from 1/1/2008, excluding project management costs). The other private partners Total and AGIP carry the remainder of the project including remainder of NNPC's share under the MCA. The existing Nembe bundle MCA includes an amount of US\$291.32 million (Shell Share) relating to NCTL. The NCTL expenditure increase as set out in this proposal will require an increase of this amount of US\$49.6 million. Discussions with partners to implement this variation will commence shortly. Overall Shell MCA exposure will remain within the limits as set out in the GFP of 22.07.2008.

Total Shell commitments including NNPC carry under MCA will be financed with SPDC Ltd own generated funds and existing Group Loan facilities.

## 12. Taxation

Carry expenditure not approved by NNPC is at risk of being non-deductible for tax purposes. SPDC will continue engagements with NNPC to secure tax relief on the carry share of this variation. The FIRS ruling for MCA's is restricted to MCA's concluded before the end of 2009 and future MCA's require prior engagement with FIRS. To benefit from the ruling this variation will therefore be documented as part of the existing NCTL MCA and FIRS will be informed accordingly

## 13. Key Parameters

The following are the main aspects of this proposal:

- Completion of the NCTL Replacement project for a revised cost of US\$ 326.88 million (Shell Equity Share); and
- Funding of NNPC's share of the NCTL Replacement project cost in line with the terms of the existing Nembe Bundle MCA, up to a maximum of US\$340.92 million.

Details are shown below:

	\$ million
NCTL Facilities (100%)	1001.70
Project Management (100%)	29.80
Total CAPEX without contingency	1031.50
SCD ( OPEX) - 100%	19.80
<b>Total P50 Cost (CAPEX + OPEX)</b>	<b>1051.30</b>
Overrun allowance (Contingency) to P50	38.30
<b>Total Budget (P50)</b>	<b>1089.60</b>
Overrun allowance (Contingency) to P90	70.20
<b>Total Budget (P90):</b>	<b>1159.80</b>
Revised Shell Equity Share (P50)	326.88
Revised Shell MCA Share (P50)	340.92
Total Previously Approved Shell Share - P50	213.10
Total Previously Approved Shell Share - P50	291.32
<b>Total Requested Now (P50) - Shell Share</b>	<b>113.78</b>
<b>Total Requested Now (P50) - MCA Carry Share</b>	<b>49.60</b>



**Milestones**

First Oil NCTL	March 2010
RFSU 30inch NCTL	June 2010
RFSU 24inch NCTL	October 2010
RFSU 12inch NCTL	February 2011

**Decision**

This Proposal is submitted to ECPV for approval.

Supported by:

For Shareholder approval:

.....

**Simon Henry -EC SH**

Date .... / .... / ....

.....

**Peter Voser -ECPV**

Date .... / .... / ....

Sponsor:

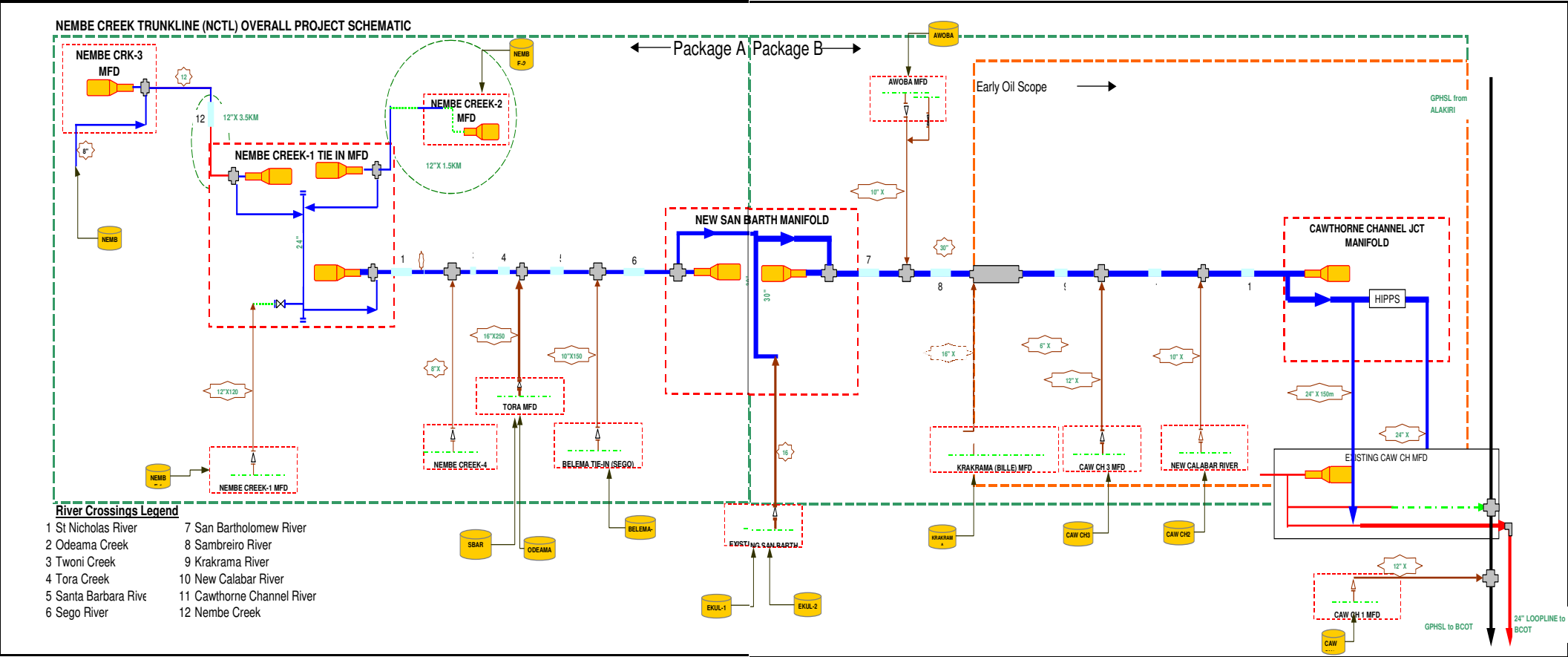
.....

**Malcolm Brinded- ECMB**

Date .... / .... / ....

*Initiator:*        **Andrew Birch**  
Date 14/05/2010

ATTACHMENT-1: SCHEMATIC OF NEMBE CREEK TRUNKLINE



ATTACHMENT 2: SHELL SHARE COMPUTATION DETAILS

	Last Approved GIP		Cost Estimate @MCA Signature			New Request (Total)			
	Previously Approved Total (100%)	Previously Approved Shell Equity Share (30%)	Revised Total Project (100%)	Revised Shell Equity Share (30%)	NNPC MCA Carry (36.67% of 2008 and forward)	Revised Total Project (100%)	Revised Shell Share (30%)	NNPC MCA Carry (36.67% of 2008 and forward)	Total Shell Share (Equity + Carry)
<b>FACILITIES (incl Contingency)</b>	661.70	198.51	904.71	271.41	291.33	1,039.96	311.99	340.92	652.91
<b>PMT</b>	32.60	9.78	27.27	8.18	-	29.83	8.95		8.95
<b>TOTAL CAPEX</b>	<b>694.30</b>	<b>208.29</b>	<b>931.98</b>	<b>279.59</b>	<b>291.33</b>	<b>1,069.79</b>	<b>320.94</b>	<b>340.92</b>	<b>661.86</b>
<b>OPEX</b>	16.00	4.80	15.40	4.62		19.80	5.94		5.94
<b>PROJECT TOTAL</b>	<b>710.30</b>	<b>213.09</b>	<b>947.38</b>	<b>284.21</b>	<b>291.33</b>	<b>1089.59</b>	<b>326.88</b>	<b>340.92</b>	<b>667.80</b>

**Facilities Cost Prior 2008**                      **110.18**  
**Last Approved GIP Shell Share**            **213.09**  
**Cost estimate for MCA Shell Share**        **291.33**