

## Group Investment Proposal

### Summary Information

Business unit and company	The Shell Petroleum Development Company of Nigeria Limited (SPDC)																																																																																																																											
Group equity interest	100% in SPDC. SPDC is the JV operator of an unincorporated Joint Venture with a 30% interest.																																																																																																																											
Other shareholders / partners	Nigerian National Petroleum Corporation (NNPC: 55%); TotalFinaElf (10%); and Nigeria Agip Oil Company (NAOC: 5%).																																																																																																																											
Business or Function	Upstream International																																																																																																																											
Amount	<p>The headline size of <b>USD\$241.35mln Shell Share</b> MOD 50/50 being requested for approval is made up by <b>US\$99.07mln</b> approved in the previous proposal and <b>US\$142.28 mln</b> in the incremental proposal.</p> <p>It is funded by Shell Equity CAPEX <b>US\$131.68mln</b> Shell Share MOD and OPEX is <b>US\$109.67 mln</b> Shell Share.</p>																																																																																																																											
Project	SPDC-WEST Re-entry project.																																																																																																																											
Main commitments	<table border="1"> <thead> <tr> <th rowspan="2">Description</th><th colspan="3">100% JV</th><th colspan="3">Shell Share</th></tr> <tr> <th>Previous IP (USD mln)</th><th>Current IP Request (USD mln)</th><th>Total Revised IP (USD mln)</th><th>Previous IP (USD mln)</th><th>Current IP Request (USD mln)</th><th>Total Revised IP (USD mln)</th></tr> </thead> <tbody> <tr> <td><b>a) CAPEX:</b></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>Flowline Replacement</td><td>57.02</td><td>-</td><td>57.02</td><td>17.11</td><td>-</td><td>17.11</td></tr> <tr> <td>Pipeline Replacement (Oil)</td><td>58.00</td><td>109.91</td><td>167.91</td><td>17.40</td><td>32.97</td><td>50.37</td></tr> <tr> <td>Pipeline Replacement (Gas)</td><td>-</td><td>87.00</td><td>87.00</td><td>-</td><td>26.10</td><td>26.10</td></tr> <tr> <td>Power Generation Systems</td><td>-</td><td>102.00</td><td>102.00</td><td>-</td><td>30.60</td><td>30.60</td></tr> <tr> <td>CLP Works / Compressor Station</td><td>-</td><td>25.00</td><td>25.00</td><td>-</td><td>7.50</td><td>7.50</td></tr> <tr> <td><b>Total CAPEX</b></td><td><b>115.02</b></td><td><b>323.91</b></td><td><b>438.93</b></td><td><b>34.51</b></td><td><b>97.17</b></td><td><b>131.68</b></td></tr> <tr> <td><b>OPEX:</b></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr> <td>Community Support</td><td>40.69</td><td>25.77</td><td>66.46</td><td>12.21</td><td>7.73</td><td>19.94</td></tr> <tr> <td>JIV's and Clean Up</td><td>10.27</td><td>2.56</td><td>12.83</td><td>3.08</td><td>0.77</td><td>3.85</td></tr> <tr> <td>Repairs</td><td>44.59</td><td>54.32</td><td>98.91</td><td>13.38</td><td>16.30</td><td>29.67</td></tr> <tr> <td>Re-entry Support</td><td>91.85</td><td>43.97</td><td>135.82</td><td>27.56</td><td>13.19</td><td>40.75</td></tr> <tr> <td>Dredging, Piling &amp; Shore protection</td><td>27.80</td><td>23.75</td><td>51.55</td><td>8.34</td><td>7.12</td><td>15.46</td></tr> <tr> <td><b>b) Total OPEX</b></td><td><b>215.20</b></td><td><b>150.36</b></td><td><b>365.57</b></td><td><b>64.56</b></td><td><b>45.11</b></td><td><b>109.67</b></td></tr> <tr> <td><b>Grand Total (a &amp; b)</b></td><td><b>330.22</b></td><td><b>474.28</b></td><td><b>804.50</b></td><td><b>99.07</b></td><td><b>142.28</b></td><td><b>241.35</b></td></tr> </tbody> </table>						Description	100% JV			Shell Share			Previous IP (USD mln)	Current IP Request (USD mln)	Total Revised IP (USD mln)	Previous IP (USD mln)	Current IP Request (USD mln)	Total Revised IP (USD mln)	<b>a) CAPEX:</b>							Flowline Replacement	57.02	-	57.02	17.11	-	17.11	Pipeline Replacement (Oil)	58.00	109.91	167.91	17.40	32.97	50.37	Pipeline Replacement (Gas)	-	87.00	87.00	-	26.10	26.10	Power Generation Systems	-	102.00	102.00	-	30.60	30.60	CLP Works / Compressor Station	-	25.00	25.00	-	7.50	7.50	<b>Total CAPEX</b>	<b>115.02</b>	<b>323.91</b>	<b>438.93</b>	<b>34.51</b>	<b>97.17</b>	<b>131.68</b>	<b>OPEX:</b>							Community Support	40.69	25.77	66.46	12.21	7.73	19.94	JIV's and Clean Up	10.27	2.56	12.83	3.08	0.77	3.85	Repairs	44.59	54.32	98.91	13.38	16.30	29.67	Re-entry Support	91.85	43.97	135.82	27.56	13.19	40.75	Dredging, Piling & Shore protection	27.80	23.75	51.55	8.34	7.12	15.46	<b>b) Total OPEX</b>	<b>215.20</b>	<b>150.36</b>	<b>365.57</b>	<b>64.56</b>	<b>45.11</b>	<b>109.67</b>	<b>Grand Total (a &amp; b)</b>	<b>330.22</b>	<b>474.28</b>	<b>804.50</b>	<b>99.07</b>	<b>142.28</b>	<b>241.35</b>
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Source and form of financing	This investment will be financed by JV funding arrangement.																																																																																																																											
Summary cash flow	See Cashflow plot in Figure 1 below.																																																																																																																											

Summary economics	At Ranking PSV (\$60.14/bbl RT10)	NPV7% (\$ mln)	RTEP (%)	VIR
	Base Project	82.7	27	0.94
	High CAPEX (P90)	80.4	25	0.83
	Low Reserves (P90)	42.2	21	0.48

### ***Section 1: The Proposal (Management summary)***

This proposal is a revised Investment Proposal that seeks business support/approval for the funding of **\$241 mln** (up by **\$142 mln** from earlier approved **\$99 mln** - Shell share, 50/50, MOD) for the SPDC West Re-entry Project activities. These activities include rehabilitation and restoration of all facilities vandalized in SPDC-Western Division during the security crisis that commenced on 11/01/2006.

It would be recalled that SPDC West Production facilities were forcefully de-manned in early 2006 following violent attacks on her infrastructure by armed insurgents. An initial assessment of the damages indicated that it would require a total of \$99.0mln (Shell Share, 50/50) to repair and restore the affected facilities to pre-crisis operational status. A Re-entry IP (see attachment) for funding to the tune of \$99.0mm (Shell Shares) based on the level of damage known then (2007) was subsequently sought and received.

In line with the execution strategies laid out in the earlier IP (such as: use of competent community based contractors, a dedicated West Re-entry Tender Board, implementation of sustainable community development projects and spill clean-ups before damaged facilities repair) the Re-entry project team has restored 30 facilities with average Gross production of about 226 mbopd at a cost of \$95mln (Shell share) from 2006 to 2009. A further 20mbopd has been added with the repair and re-opening of Batan flowstation in February 2011, at a cost of \$25.1mln (Shell share).

There are however, some 6 facilities (and associated pipeline/flowline networks) with (38.99 mln boe) oil and gas generations potential yet to be restored. These facilities with associated damages will require some \$121 mln (Shell share) to execute.

The extra cost requirement is mainly due to extensive level of damages observed from detailed assessment of these facilities upon gaining full Licence To Operate.

#### **Cost Phasing (\$mln Shell share MOD).**

Year	Prior Years (already spent)					2011	2012	2013	Total
	2006	2007	2008	2009	2010				
Total	7	30	42	15.66	25.1	27.91	57.59	36.07	241

### ***Section 2: Value proposition and strategic and financial context***

The proposal is consistent with Shell EP Priorities of having a production between 3.5 – 3.8 mln boe/d. Out of this target, SPDC Western Division can deliver 0.104 mln bopd (Shell share) of which ca 0.0678 mln bopd (Shell share) has since been delivered by the West Re-entry project.

Successful completion of the West Re-entry Project will improve SPDC's Cash flow and make possible further development and growth activities in the Division. The completion of the 6 outstanding facilities (and associated pipelines/flowlines networks) is also critical to the continued production of oil from the Western Division, the continued building of community contractors' capacity and development of local content. The Project thus far has served to foster partnership with the communities in resolving Niger Delta crises. Furthermore, it would contribute to the realization of the Federal Government's aspiration of increased production, make SPDC and the Group be viewed favorably by Stakeholders as being able to manage her Community challenges and benefit from the positive impact in Shareholder Value.

#### **Summary Economics**

The economics analysis was carried out on a forward look basis using BP10 NFA production and the estimated re-entry costs of the 6 facilities and no-further activity (NFA) production of the facilities. The base case assumes gas sales to the Domgas network. Funding for this request is to be provided via the JV funding. The facilities considered under this evaluation have AG solution facilities in place and hence all costs on gas in this request are for pipeline replacement, power generation and compressor station.

Other sensitivities carried out include:

- high and low CAPEX,
- high and low OPEX,
- high and low reserves,
- cost-only scenario where re-entry fails,
- 1-year production schedule delay
- concession expiration in 2019 (Shell JV)
- Full Life Cycle which includes the first phase of re-entry costs from 2006 and production volumes from 2007 Production volumes from divested fields and fields without AG solution were excluded.
- 1.5% cost mark up as provision for costs dispute by NNPC and
- PIB Impact

Details of the results are in table 1 below. The Tornado plot is shown in figure 2 below.

**Table 1: West Re-entry Project GIP Economics Grid (Shell Share)**

PV Reference Date: 1/7/2010	NPV (\$/S \$ mln)		VIR	RTEP	UTC (RT \$/boe		Payout-Time (RT_Year)	Maximum Exposure (RT)
Cash flow forward from: 1/1/2010	0%	7%	7%	%	0%	7%		
Base Case								
SV (\$50.73/bbl & NGMP Gas Prices)	139.8	59.3	0.67	22	14	15		
RV (\$61.04/bbl & NGMP Gas Prices)	184.3	82.7	0.94	27	14	15	2015	\$70.4mln in 2012
HV (\$81.66/bbl & NGMP Gas Prices)	285.8	135.5	1.53	36	14	15		
Oil BEP (RT \$/bbl)						22.5		
Sensitivities (using RV)								
High Capex_P90		80.4	0.83				2015	\$77.1mln in 2012
Low Capex_P10		85.0	1.07				2015	\$63.6mln in 2012
High Opex_P90		82.1	0.93				2015	\$70.9mln in 2012
Low Opex_P10		83.6	0.95				2015	\$69.6mln in 2012
High Reserves (P10)		164.2	1.86				2014	\$64.1mln in 2012
Low Reserves (P90)		42.2	0.48				2015	\$72.2mln in 2012
Cost Only (Non-oil Generating) Re-entry failure		-47.5	-0.54				N/A	\$73.5mln in 2012
1-Yr Production Schedule Delay		74.1	0.84				2015	\$72.6mln in 2012
Concession Expiration (2019)		48.1	0.54				2015	\$70.4mln in 2012
Full Life Cycle (Capex - \$438.9mln MOD 100%, OPEX - \$365.6mln MOD 100%)		710.7	5.65				2007	\$1.1mln in 2006
1.5% cost markup due to BVA issues		68.6	0.74					
PIB Sensitivity	60.2	0.68						

Key Project Parameter Data Ranges (Shell Share)

Parameter	Unit	BP10 / Re-entry	Low	Mid	High	Comments
Capex (MOD)	US\$ mln	99.60	89.64	99.60	109.56	Incremental CAPEX of \$97.17mln plus \$2.43mln unspent balance from previous IP
Opex (MOD)	US\$ mln	46.86	42.18	46.86	51.55	Incremental OPEX of \$45.11mln plus \$1.75mln unspent balance from previous IP.
Production Volume	mln boe	38.99	20.5	38.99	63.56	Production volume forecast till end of fields' lives
Start Up Date	mm/yy	Jan-11	Jan-12	Jan-11	Jan-11	Base re-start Up production
Production in first 12 months	mln boe			1.12		Production volume from Jan - Dec, 2011.

Figure 1: West Re-entry Project GIP Cashflow (Shell Share)

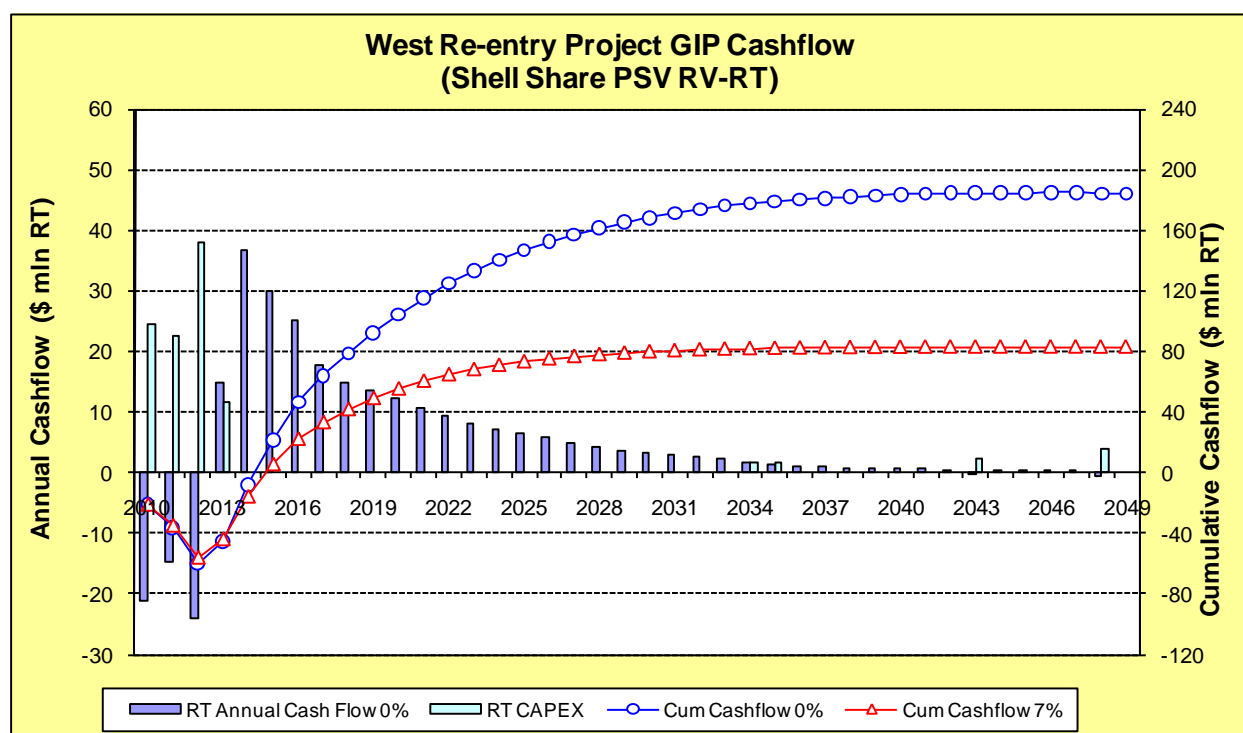
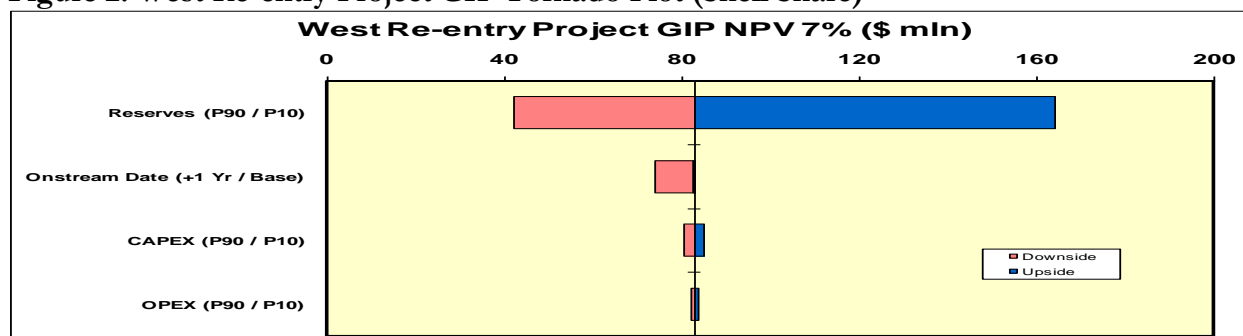


Figure 2: West Re-entry Project GIP Tornado Plot (Shell Share)



## Economics Assumptions

The following assumptions were used in the evaluations:

- The forecast volumes used have been taken from the BP10 submission.
- AGFA fiscal treatment applied.
- All re-entry costs (CAPEX/OPEX) were treated as oil and gas costs as relevant.
- The incremental request was treated under JV Funding.
- Gas Supply to Domgas in facilities with gas gathering infrastructure.
- Flare penalty of \$3.5/Mscf applied.
- NDDC Levy of 3% of total expenditure, excluding flare penalty.
- Education Tax of 2% assessable profit.
- ARPR 31/12/2009 OPEX for each facility utilized.
- 10% of total project CAPEX assumed as abandonment cost
- Assumption specific to the Full Life Cycle economics is:
  - actual production volumes from 2007 and forecast volumes thereafter used..

## PIB assumptions:

- NHT depreciation schedule is 4x20%, 19% for qualifying expenditure.
  - CIT depreciation schedule is 3x25%, 24%, for qualifying expenditure.
  - Royalty rates based on product (value) prices and production rates per PML (assumed equal to a field).
  - 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% for IAT version but not for the alternate version
  - Flaring penalty is calculated at \$3.5/Mscf flat and it is not tax deductible for both CIT and NHT
  - 20% of overseas cost is non-deductible for determination of NHT taxable income
  - NHT rate is 50% for onshore and shallow water, and 30% for frontier acreages and Deep Water.
  - CIT is 30% of taxable income and is not deductible from NHT
- Nembe is an existing field hence no production allowances are applicable

## *Section 3: Opportunities, Risks and alternatives.*

### Opportunities:

The successful completion of this project creates the opportunity for SPDC to restore all Western Division oil production (about 350 mbpd) shut-in due to the Niger Delta security crisis. It also restores the option to strive to achieve targeted and aspired growths in reserves and production.

Throughout the Re-Entry activities, continuous optimization has been pursued and will continue for the 6 outstanding facilities and associated pipeline/flowline networks in the following areas:

- **Economics:** To provide a more rational basis for allocating the expenditure at field/well level, the individual facility and well repairs will be executed on the basis of forward looking economics, taking into account production capacity, developed and undeveloped reserves, flares-out considerations and re-entry cost per field/wells.
- **Well open-up sequence:** Well repairs will be prioritized to deliver maximum production at minimum effort and cost. Focus will initially be on wells capable of natural production, followed by wells that can be kicked-off with gaslift and thereafter wells that require rig-less re-entry. A detailed bean-up sequence will be prepared to ensure wells to reach their full potentials.
- **Data gathering:** The opportunity will be taken to obtain static and dynamic performance data of the wells for proper well and reservoir management. Adequate provisions will be

made for well testing and fluid sampling, ensuring shortest possible Production Chemistry laboratory turn around times.

- **Pipelines:** Along the main trunk line systems, the design of every single Block Valve Station (BVS), whether damaged or not, has been reviewed with the aim to simplify, increase flexibility and reduce the sensitivity to sabotage.
- **New Ways of Working:** Relationship between the communities and SPDC has been very cordial over the years and awareness of SPDC operations is very high among the communities. However, there are issues of settlements such as Kusimi, Eferesougbene and Ereseigbene within Odidi field agitating for recognition by SPDC as host. This has been managed cautiously till date.

The goal of the Social Performance is to ensure zero community disruption to project execution while also providing opportunities for communities for economic and social benefits. A key success factor to an enhanced enabling operating environment is community participation in SPDC business. The project life cycle will take into cognisance the participation of the host community(s) and other relevant stakeholders. The Nigerian Content Development policy will provide the needed guidelines in the involvement of communities in a mutually beneficial relationship. Deliberate move will be taken to encourage the locals in the implementation of projects that are within their capability. Legacy issues/projects will be documented and addressed proactively, and where GMoU exists, its philosophy would be deployed as a community interface model to enhance projects/programmes sustainability.

Stakeholders Sensitization Forum will be conducted, prior to project start up to enhance awareness creation as well as shared-vision sharing with a view to generating Stakeholders' buy-in for sustainable relationship building.

#### **Risks:**

<b>S/ N</b>	<b>Risk Description</b>	<b>Mitigation/Remedial Effort</b>
1	Non acceptance as JV cost	Top-level engagements with JV Partners including NAPIMS have been done and are still on going to secure Partners' approval for the total Re-entry budget based on 90/10 estimates of the cost of repairing damages identified to date. Of the total re-entry budget of USD 804.5 mln (100% JV), NAPIMS have approved and funded their equity of \$174 mln expended between 2006 and 2009. They have also indicated willingness to fund their equity (ca \$268 mln) of outstanding works.
2	Delay in obtaining NAPIMS approval to Award	Constant engagements with NAPIMS ongoing, and to continue throughout contracting process.
3	Inadequate budget to meet the project execution phasing	Total revised IP budget is F\$804.5 mln (100% JV), to be phased and funded as follows: 2006: F\$ 23.35 mln (Spent) 2007: F\$100.28 mln (Spent) 2008: F\$140.45 mln (Spent) 2009: F\$ 52.21 mln (Spent) 2010: F\$ 83 mln (Spent) 2011: F\$ 93.02 mln 2012: F\$191.95 mln 2013: F\$120.24 mln ----- Total: F\$804.5 mln -----
4	The deliverables do not ensure LTO	Re-entry activities / contracts using SPDC contracting process were and are still awarded largely to Local Community based Contractors

	from communities	who have influence within the communities to secure LTO during execution.
5	Lack of local contractors' capacity to deliver.	Capacity to deliver was and will continue to be assured through training and adequate site supervision by SPDC. Contracts have also been limited to manageable sizes that can be executed by community contractors.
6	Lack of adequate performance monitoring	Expenditures and Projects are constantly being subjected to continuous onsite QA/QC.
7	Delays in procurement/ delivery of long lead items.	Contracting process ongoing – NAPIMS engagement ongoing, to ensure quick contract approvals.
8	Security Issues	<ul style="list-style-type: none"> <li>- Re-entry security strategy/plan, which aligns with our corporate security strategy, has been developed to reduce risks to personnel and guarantee LTO during and after re-entry.</li> <li>- A multi-disciplinary and independent Security Risk Management Team (RMT) to support the re-entry activities was set up and has been providing objective risk assessment at every stage of the project.</li> </ul>
9	HSE Risk due to high number of contractors	<ul style="list-style-type: none"> <li>- Detailed HSE Re-entry strategies and Plan/Risk Assessment were developed and used to mitigate associated risks to ALARP. This will continue to be deployed for outstanding works</li> <li>- Re-entry site HSE implementation strategies and compliance monitoring Matrix also developed for each activity.</li> </ul>
10	Risk of cost overrun and schedule slippages for outstanding works	<ul style="list-style-type: none"> <li>- The Re-entry Project cannot be compared to a "normal" project where scope can be fully defined before work starts. At inception of this project, SPDC didn't have full access to all damaged sites; hence the earlier approved IP was 50/50 estimate based on assessment of 70% sites. This revised IP is based on assessment of all SPDC-W damaged sites and therefore cost overrun is seen as very unlikely. The multi-disciplinary and independent Security Risk Management Team (RMT) would continue to provide the necessary support for security issues timely resolution and consequently reduce security impact on the project schedule.</li> </ul>

#### **Alternatives Considered:**

Discontinuation of re-entry efforts in outstanding 6 facilities and associated pipelines/flowlines network.

This is not considered a responsible or economically viable solution as the geographical axis for the outstanding work is home to a major source of LTO/FTO on which re-entry rode from inception. This option is not considered as a viable one.

#### **No Further Investment:**

- a. NFI means SPDC would be unable to unlock ca 120mbopd from 6 outstanding facilities which may become subjected to further vandalization forcing SPDC to carry out proper abandonment and possible de-booking of associated reserves. The outstanding re-entry works were only considered last in the decision matrix because of the high investment required.
- b. Restored production of ca 226mbopd may be lost through another wave of militant attacks as the stakeholders in the geographical axis of the 6 outstanding facilities have greater influence over those in the restored locations.

#### ***Section 4: Corporate structure, and governance***

The existing corporate structure and governance arrangements of SPDC-JV with SPDC as operator will subsist for this investment

#### ***Section 5: Functional Support and consistency with Group and Business Standard***

This proposal complies with Group Business Principles, policies and standards. Functional support for this proposal has been provided by finance, sustainable development, supplies chain management, HSE, operations /maintenance, legal, treasury and tax functions.

#### ***Section 6: Project management, monitoring and review***

Whereas a project normally identifies, develops and executes a new business opportunity, with the West Re-Entry Project, this is not the case. The Re-entry Project consists of numerous smaller restoration, replacement, repair, maintenance and community support activities that under normal conditions individually would not require a full project approach. Due to the sheer magnitude of the number of similar activities to be executed throughout the West Re-Entry effort and the overriding security measures to be established, requiring a central coordination of these activities, the activities were combined into one single Re-Entry Project with the corresponding controls put in place.

For the West Re-Entry Project, the Project Governance Structure as defined in the Shell EP Opportunity and Project management Guide (2006 OPMG) has been enforced and will continue to be applied for the outstanding works. The most significant Governance roles for this project have been as follows:

- **Decision Executive (DE) - Vincent Holtam, General Manager, Onshore Assets**
  - Single point accountable for the Re-Entry Project
- **Business Opportunity Mgr (BOM) - Muhammad Shittu, General Manager, Flared Gas and West Re-entry**
  - Responsible for protecting the business case,
  - Liaison with all relevant external stakeholders to secure and maintain “Green Light” in the West Operations areas.
- **Project Manager (PM) – Stephen Oruerio, Manager, West Re-entry Project**
  - Responsible for the safe and effective technical execution of the Project
  - Generate Project Execution Plans and schedules
  - Lead the West Re-Entry Team consisting of all activity owners and disciplines required to successfully execute the Project
  - Responsible for continuous security risk assessment of all individual activities

#### ***Section 7: Budget provision***

- The project is in BP10 base plan as well as in the approved JV 2011 programme. Internal offsets will be identified for the shortfall between the required CAPEX for this proposal and the provisions in BP10 for 2012 and 2013.
- Top-level engagements with JV Partners including NAPIMS have been done and are still on going to secure Partners' approval for the total Re-entry budget based on 90/10 estimates of the cost of repairing damages identified to date. Of the total re-entry budget of USD 804.5 mln (100% JV) NAPIMS have approved and funded their equity of \$220 mln expended between 2006 and 2010. They have also indicated willingness to fund the balance of their equity (ca \$268 mln).
- Total IP budget is F\$804.5 mln (100% JV), to be phased and funded as follows:
  - 2006: F\$ 23.35 mln (Spent)
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  - 2008: F\$140.45 mln (Spent)
  - 2009: F\$ 52.21 mln (Spent)
  - 2010: F\$ 83 mln (Spent)



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 2012: F\$191.95 mln  
 2013: F\$120.24 mln  
 -----  
 Total: F\$804.50 mln  
 -----

- For the 2011 budget, USD 93mln has been allocated to re-entry.

### ***Section 8: Group financial reporting impact***

The financial impact of this proposal on Shell Group Financials is as indicated in the table below:

US\$ Million	Prior Years	2011	2012	2013	2014	2015	Post 2015
<b>Total Commitment</b>	<b>130.23</b>	<b>36.26</b>	<b>57.59</b>	<b>17.27</b>			
<b>Cash Flow</b>							
SCD Expenditure	14.38	2.25	2.71	0.60			
Other Commitment OPEX	59.40	10.93	15.20	4.20			
Capital Expenditure	56.45	23.08	39.68	12.47			
Operating Expenditure		5.58	6.87	9.68	21.35	22.02	463.78
Cash flow From Operations		9.11	31.41	58.17	47.52	40.91	2,349.27
Cash Surplus/(Deficit)		(13.97)	(8.27)	45.70	47.52	40.91	2,349.27
<b>Profit and Loss</b>							
NIBIAT +/-		13.86	21.68	43.83	29.21	27.71	2,318.69
<b>Balance Sheet</b>							
Avg Capital Employed		13.91	42.80	56.84	46.76	31.00	16.77

### ***Section 9: Disclosure***

Disclosures where required will be done in line with existing Group and SPDC policies and guidelines.

### ***Section 10: Financing:***

The project will be funded from SPDC's own generation of funds and existing shareholder facility.

### ***Section 11: Taxation.***

No specific Group, regional or country sensitivities exist. There are no unusual tax considerations.

### ***Section 12: Key Parameters.***

The following are the main aspects of this proposal for a funding of F\$241 mln (up by F\$142 mln from earlier approved IP of F\$99.0 mln) for which approval is sought:

- The complete re-instatement of the SPDC-West facilities that were damaged during the security crisis that started in January/February 2006, with the aim to restore hydrocarbon production to pre-crisis levels.
- Community Support activities to facilitate the restoration of SPDC's License to Operate in the outstanding Western Assets in order to execute the rest of the re-entry activities.

### ***Section 13: Signatures***

Supported By:

.....

Simon Henry, EPF

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

**For shareholder approval:**

.....

Malcolm Brinded, RDS-ECMB

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

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

## APPENDIX 1 (DETAILED BREAKDOWN OF THE COMMITMENTS)

DESCRIPTION	100% JV			Shell Share		
	Initial IP (USD mln)	Current IP Request (USD mln)	Revised IP (USD mln)	Initial IP (USD mln)	Current IP Request (USD mln)	Revised IP (USD mln)
<b>TOTAL COST (CAPEX + OPEX + CONTINGENCY)</b>	<b>330.2</b>	<b>474.3</b>	<b>804.5</b>	<b>99.1</b>	<b>142.3</b>	<b>241.3</b>
<b>CAPEX</b>	<b>115.0</b>	<b>323.9</b>	<b>438.9</b>	<b>34.5</b>	<b>97.2</b>	<b>131.7</b>
Flowline Replacement	57.0	- 3.3	53.7	17.1	- 1.0	16.1
Pipeline Replacement (Oil)	58.0	113.2	171.2	17.4	34.0	51.4
Pipeline Replacement (Gas)	-	87.0	87.0	-	26.1	26.1
Power Generation Systems	-	102.0	102.0	-	30.6	30.6
CLP Repair Works/ COMPRESSOR STN	-	25.0	25.0	-	7.5	7.5
<b>OPEX</b>	<b>215.2</b>	<b>150.4</b>	<b>365.6</b>	<b>64.6</b>	<b>45.1</b>	<b>109.7</b>
<b>Community Support</b>	<b>40.7</b>	<b>25.8</b>	<b>66.5</b>	<b>12.2</b>	<b>7.7</b>	<b>19.9</b>
SCD - Ranked Legacy Projects	19.3	3.7	23.0	5.8	1.1	6.9
Micro-Credits	3.6	1.5	5.1	1.1	0.5	1.5
SCD - Relief Packages & Engagements	6.3	- 0.6	5.7	1.9	- 0.2	1.7
Installation of 21 Gen Sets	11.5	- 1.6	9.9	3.5	- 0.5	3.0
Operations and Maintenance of Generator Sets	-	6.6	6.6	-	2.0	2.0
Generator Set Storage Tanks	-	3.8	3.8	-	1.1	1.1
SPDC-West Interdependency/ Electrification Project	-	12.3	12.3	-	3.7	3.7
<b>JIV &amp; Clean Up</b>	<b>10.3</b>	<b>2.6</b>	<b>12.8</b>	<b>3.1</b>	<b>0.8</b>	<b>3.8</b>
JIV's and Clean Up	10.3	2.6	12.8	3.1	0.8	3.8
<b>Repairs</b>	<b>44.6</b>	<b>54.3</b>	<b>98.9</b>	<b>13.4</b>	<b>16.3</b>	<b>29.7</b>
CLP Repair Works	18.4	- 2.9	15.5	5.5	- 0.9	4.7
Damaged Production Asset Repairs	5.6	26.3	31.9	1.7	7.9	9.6
Asset Team A internal repair works	3.5	0.7	4.2	1.1	0.2	1.2
Asset Team B internal repair works	2.0	8.9	11.0	0.6	2.7	3.3
Asset Team C internal repair works	2.3	4.8	7.1	0.7	1.4	2.1
Flowline/Pipeline Repairs	-	17.8	17.8	-	5.3	5.3
CCTV	1.0	- 1.0	-	0.3	- 0.3	-
EA Re-entry Cost	11.7	- 11.7	-	3.5	- 3.5	-
WELLHEAD REPAIRS & BHP SURVEY	-	11.4	11.4	-	3.4	3.4
<b>Re-Entry Support</b>	<b>41.9</b>	<b>70.7</b>	<b>112.6</b>	<b>12.6</b>	<b>21.2</b>	<b>33.8</b>
Logistics	27.4	48.9	76.4	8.2	14.7	22.9
JUB and Service Boats	-	9.2	9.2	-	2.8	2.8
Security	9.2	12.1	21.3	2.8	3.6	6.4
IT	2.7	0.8	3.5	0.8	0.2	1.0
Media & Publicity	0.0	0.9	0.9	0.0	0.3	0.3
HSE	2.5	- 1.2	1.3	0.8	- 0.4	0.4
<b>Dredging Piling and Shore Protection</b>	<b>27.8</b>	<b>23.7</b>	<b>51.5</b>	<b>8.3</b>	<b>7.1</b>	<b>15.5</b>
Wellhead Slot Dredging in PWB/PWC	22.3	29.2	51.5	6.7	8.8	15.5
Piling and Shore Protection	5.5	- 5.5	-	1.7	- 1.7	-
<b>Contingency (+ damages not covered)</b>	<b>50.0</b>	<b>- 26.8</b>	<b>23.2</b>	<b>15.0</b>	<b>- 8.0</b>	<b>7.0</b>
Damaged assets yet to be covered by JIV's - estimate	20.0	- 20.0	-	6.0	- 6.0	-
Contingency on above	30.0	- 6.8	23.2	9.0	- 2.0	7.0