



THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
MAJOR CONTRACTS BOARD SUBMISSION

Confidential

Part C – Variation Order No. 3

Date: 09/09/2022

Category	Well Installed Equipment	Contract ID	CW570851	CW469050
		SAP ID	4610056331	4610054342
Contract Title:	Provision of Stocking & Supply of Oil Country Tubular Goods & Associated Services			
HSE Mode & Risk	Mode 3/Low Risk			
Contractor:	Pipes and Tubes Nigeria Limited and Botro Marine Oil Services Limited			
Agenda Item	(TB secretary to complete)			
Description	Pipes and Tubes F\$ (CW570851)	Botro Marine F\$ (CW469050)	Expiry Date	
Original ACV (MCB approved)	45,164,505.90	30,109,670.59	05.03.2023	
Value of VO's approved to date	Nil	Nil	05.03.2023	
Value of commitments to date 31/8/2022	7,231,897.85	18,966,191.51	05.03.2023	
Value of this VO request	Nil	Nil	05.03.2023	
Requested new ACV	Nil	Nil	05.03.2023	
Current level of NAPIMS approval	45,164,505.90	30,109,670.59	05.03.2023	
Proposed expenditure while pending NAPIMS approval	Nil	Nil	N/A	

OBJECTIVE OF THIS SUBMISSION IS TO OBTAIN APPROVAL FROM MCB:

- To issue a PO of \$11.3M, at 75% of company estimate for the purchase of TPCO Chrome tubular connections listed in table 1 to Botro and Pipes & Tubes.
 - At a currency split of 80 USD:20 NGN, using the CBN rate at PO issuance.

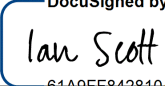
Note:

- Subject POs are required for completion of 2023 Export Gas projects; Gbaran FIB, Uzu and other gas wells (See Table 1).
- SPDC will demand for commitment from the contractors on the need to thread in-country
- Company estimates of 15mln is inclusive of 35% market escalation and is the basis for OP22 submission

Stakeholder Endorsement:

	Senior Procurement Manager	Contract Owner
	Reviewed and approved for submission to MCB and confirms: <ol style="list-style-type: none"> Alignment with approved Category Strategy (& Global Category Strategy where applicable) Compliance with the NOGICD Act & Community Content commitments. 	Reviewed whole submission and confirms support from: <ol style="list-style-type: none"> Finance [[Temidayo Oyelami] - for the financial aspects of the submission, including adequate budget cover/JV Partner approval to ensure full cost recovery/approved GIP in place (if applicable) HSSE [Ameze Okeudo] - HSSE consideration and requirements are met.
Signature		
Name	Jaiyesimi, Oluwatosin	Amos, Trost
Date		

Approval:

MCB Chairman	
Signature	DocuSigned by:  61A9FF842810442...
Name	
Date	

Declaration: Signatories to this submission acknowledge that they have read and understood the Conflict-of-Interest Policy in SEPCiN and that they do not have any direct or indirect arrangement or relationship with any other person or company that breaches the requirements of that Conflict-of-Interest Policy, or that they have fully disclosed any potential Conflict of Interest to the Contract Owner, CP Manager and the Supply Chain Council/Tenders Board

SECTION A: CHANGES

REFERENCES & APPROVAL DATES FOR PREVIOUS APPROVALS

Commercial bid opening, evaluation, and reconciliation	14-01-2019
Commercial evaluation and signoff with NAPIMS	31-05-2019
NCDMB Commercial evaluation report	28-10-2019
NAPIMS Award of Contract	01-09-2021
MCB Approval of Part C1	29-03-2022
MCB Approval of Part C2	02-08-2022

REASON FOR THIS VARIATION ORDER

Post MCB approval of Part C2

MCB approval was received on the 2nd of August 2022 to negotiate with Botro Marine to supply Vallourec (VAM) chrome OCTG tubular connections or issue Purchase Order (PO) to Vallourec using Botro's contract and give Botro a mark-up if we do not meet the negotiation mandate of \$15.1M.

In the negotiation sessions, Botro expressed their unwillingness to no longer support the Vallourec chrome purchase, claiming that VAM continues to give uncompetitive quotes that makes Botro unattractive. Botro insists that SPDC chrome tubulars be purchased from their technical mill – TPCO.

VAM chrome connections are the only Shell approved connections available in-country. However, because of the current supply challenges, we have gotten the GM wells support (See attachment 1) to procure TPCO chrome tubing and connections from Botro Marine and Pipes & Tubes, as we only have qualification for TPCO carbon steel connections. TPCO chrome qualification is being fast tracked, however it comes with the underlisted concerns:

- Delays in qualification of TPCO chrome connections.
- Delivery pressure resulting in contractor importing fully threaded chrome tubulars which is at variance with NOGICD Act 2010.

However, this is the preferred route when compared to issuing a PO to Vallourec on eLDL as we will:

- Eliminate risk of cost recovery from NAPIMS by utilising a contract (Vallourec) not approved by NNPC Board.
- Have cost savings of \$3.3M.

The risk of failure using the TPCO Chrome tubulars is medium as the TPCO mill is TAMAP approved, already has Shell approval for Carbon Steel connections and TPCO Chrome tubulars are used in other Shell JVs e.g KOC (Shell Kuwait). Further extensive risk mitigation endorsed by the GM Wells will be put in place before issuance of PO.

OCTGs are manufactured out of the country with a spend of about 80% for its major cost contributors namely, raw materials, energy costs, overheads in foreign currency, while gross margin, and other in-country services accounts for about 20%.

Although contract exchange rate for Botro is N379.50/\$ and N415.26/\$ for Pipes and tubes. As a result of the current devaluation of the Naira, CMT seeks to use the prevailing Central Bank of Nigeria (CBN) exchange rate at the point of PO issuance, to cushion the effect of currency devaluation that is impacting the ability of the contractors to meet contractual obligations of providing OCTG materials and services to support wells operations.

This submission therefore seeks permission to issue a PO of \$11.3M to Botro and Pipes & Tubes for TPCO connection for items in table 1.

JUSTIFICATION

1. Cost recovery assurance.
2. Security of supply and shorter lead time.
3. Cost effectiveness.

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4. To assure Process Safety and Wells Functional Specification requirements.
5. Enhance Well integrity - corrosion prevention against the high partial pressure of CO₂ in the reservoir fluid.
6. Critical to meet drilling sequence plan for Gas Wells and guarantee uninterrupted Gas supply to NLNG.

FINANCIAL STATUS

Vendor	Original ACV (a)	Total value of all previous VO's (b)	Commitments to date (31/8/2022)	ACV for this VO (c)	Total value of all previous VO's + this VO/Original ACV (b+c)/a
	F\$	F\$	F\$	F\$	F\$ (%)
Pipes and Tubes Nigeria Limited	45,164,505.90	0	7,231,897.85	0	0%
Botro Marine Oil Services Limited	30,109,670.59	0	18,966,191.51	0	0%

IMPACT OF THIS VO

There is no impact of this VO. The variation value is within NAPIMS approved ACV. Varied scope replaces the current contract scope.

PRICING STRUCTURE FOR THIS VO

Table 1: Urgent Chrome OCTG Requirement

S/N	Wells/Project	Spud Date	Gap to Spud	OCTG Requirement	Total Qty required (JTS)	Conversion to Ft	Total Qty required (Ft)
1	ENWHBNSV2	Mar-23	7 mths	4-1/2" 12.75 L80 13CR R3	62	40	2480
2	Zara-W15	May-23	9 mths	4-1/2" 12.6 L80 13CR	280	40	11200
				3-1/2" 9.2 L80 13CR	80	31	2480
3	UZUZE10E70W05	Jun-23	9 mths	5 1/2" L80- 13CR 20ppf	402	40	16080
4	UZUZC94D10W02	Aug-23	11 mths	3-1/2" 9.2 L80 13CR	30	31	930
				5 1/2" L80- 13CR 20ppf	260	40	10400
5	Gbaran(UTMO) Gbarf 1B	Nov-23	15 mths	4 1/2" 18.9ppf SM13CRS-110	450	31	13950
				5-1/2" 26ppf SM13CRS 125	30	40	1200
6	UZUZD70E10W01	Nov-23	16 mths	3-1/2" 9.2 L80 13CR	350	31	10850
				5 1/2" L80- 13CR 20ppf	285	40	11400
7	UZUZC10C30W03	Jan-24	16 mths	5 1/2" L80- 13CR 20ppf	240	40	9600

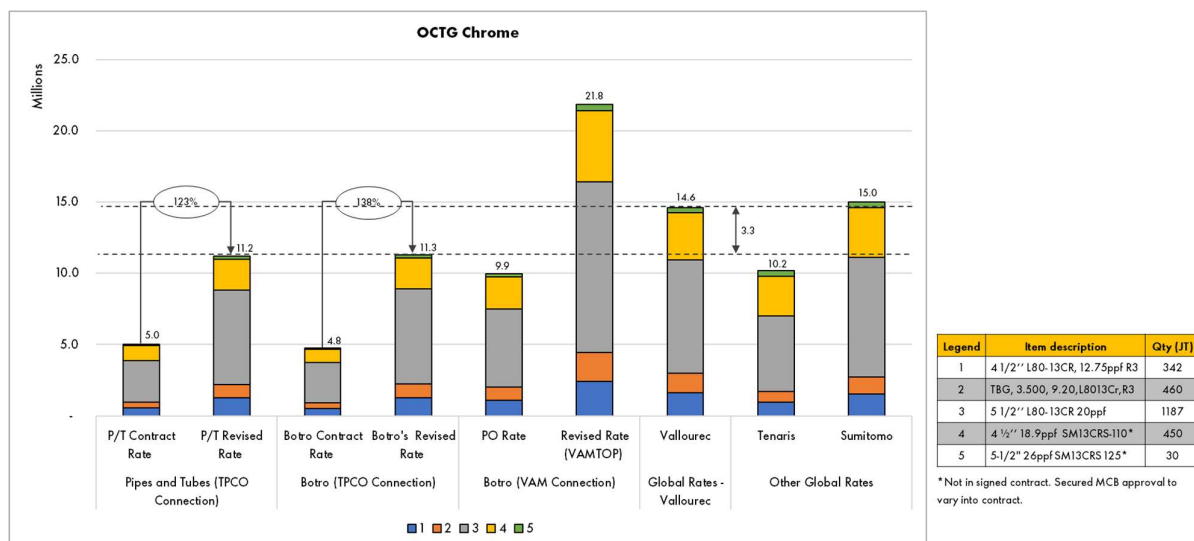


Figure 1: Rate comparison for Chrome requirement

NB:

- We do not have a current contract with Tenaris. They were unsuccessful during the bidding process for the current contracts.

- NAPIMS also insists on the need to use NNPC board approved contract with Botro and Pipes & Tubes to avoid cost recovery issues.
- Rates from the Sumitomo OCTG GFA with Shell (with local adjustments) formed the basis of our Company Estimate.

SECTION B: POST AWARD CONTRACT MANAGEMENT**CONTRACTOR PERFORMANCE**

Management	Commercial	Technical	HSES	Overall
TBA	Inadequate	Adequate	NA	TBA

Note: The first set of POs issued to Botro Marine for delivery in November 2021 are yet to be delivered. Botro and Pipes & Tubes have also refused other POs issues to them.

CONTRACT MANAGEMENT

Contractors' performance will be assessed at the SPDC Wells Bi-annual Contract Review Board session.

NIGERIAN CONTENT EXECUTION PLAN

	Work Category	Schedule Target	Contractor's obligation	Current performance status	Agreed actions including authorisation to import
Award recommendation	OCTG Services	95%	96%	TBA	N/A

NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN

Contractor facilities is in the Niger Delta region. Contract is expected to lead to employment opportunities within the Niger Delta region.

RISK MANAGEMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
As per approved Part B				

GOAL ZERO CONTRACTOR HSSE REQUIREMENTS

Comment as appropriate on validity of applicable Goal Zero Contractor HSE assurance actions below: [Click here](#) for checklist.

- Risk Assessment – State: Remains valid at Mode 3/ Medium Risk
- CH Appointment Letter – Confirm letter in place for correct CH per ARIBA/SAP –YES.
- HSE Capability Assessment – Not Applicable.
- Contract HSSE Action Plan OR HSSE Plan – State: Remains valid.
- IDD – Botro Marine Nig Ltd – 30th Sept 2023 (Tier 3)
- IDD – Pipes and Tubes Nig Ltd – Self-service screening returned green, awaiting outcome of ABC memo
- Current HSE Articles –The Contract contains current HSE Articles
- Child labour clauses – Contract contains current Child Labour Clause
- Life Saving Rules Roll-out – Life Saving Rules has been rolled-out to the Vendor

ATTACHMENT:

- MCB Approval of Part C2.
- GM Wells Approval of TPCO Chrome Connection
- Letter from Botro Marine on Price Escalation.
- Urgent Chrome OCTG Requirement

