



SHELL PETROLEUM DEVELOPMENT COMPANY LIMITED

Part A + B – Fixed & Movable Assets Write-Off and/or Disposal Date: 21/05/2021

ASSET TITLE/CLASS*	Write-off and sale of surplus materials to Heirs Holdings Oil & Gas Ltd (HHOG)
ASSET REF NO. & DESCRIPTION*	Stock and Non-Stock
WTA/WFA REF No	NA
TYPE OF SUBMISSION	WRITE OFF <input checked="" type="checkbox"/> DISPOSAL <input checked="" type="checkbox"/>
ACQUISITION COST (as stated in the Asset register where applicable)	
NET BOOK VALUE (as stated in the Asset register where applicable)	\$233,376.69 (Stock); \$1,630,868.42(Non-Stock)
ESTIMATED MARKET/RESIDUAL VALUE* (Estimated Sale Value)	F\$1,864,245.11 (100% if sold at surplus material) F\$1,304,971.58 (70% ≥ if sold at price between 70% to 100% of system price)
AGENDA ITEM (Where applicable)	

Purpose of Submission	Objectives of this submission is to obtain approval from MCB: <ul style="list-style-type: none"> To write-off and dispose some spares that that are surplus to our requirement with the sale of OML 17 To secure mandate to sell the surplus spares to Heirs Holdings Oil & Gas Ltd at between 70% to 100% of our moving Average Price. To secure NAPIMS approval for the disposal 				
Declaration	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 their Line Manager.				
	Accountable Parties: Whole submission & process		Approval or Approved for SCC/MTB submission		
	MRP Coordinator	Inventory Management Lead	Mgr, Turnaround and Maint. Execution	Asset Business Finance Manager	Materials Manager
SIGN					
Name	Osahon Ayinbuomwan	Tunji Adefuye	Emeka Obi	Temidayo Oyelami	Stewart Dunbar
Ref Ind.	PTC/U/GL	PTC/U/GL	UPC/G/US	FUP/CGA	PTC/U/GL
Date					

Approving Authority (Based on Net Book Value: <\$100,000 (**Asset Holder +Asset Mgr+BFM+PM MM+ CP Ops Mgr**); >\$100,000 <\$250,000 (**SCC**); >\$250,000 (**MCB**))

***Note: NAPIMS Approval is required if Estimated Market Value is > N100, 000(F\$500)**

Approval:	
MCB Chairman	
Signature	
Name	

A) Executive Summary	<p><i>Brief summary of entire submission that tells entire story in few sentences (Include purpose and objective of the submission and any other key points.</i></p> <p>Heirs Holdings Oil & Gas Ltd (HHOG) the new owners of OML 17 have requested that we sell some spares to them for their immediate use. These spares are part of spares that were used for maintenance activities in Agbada and Obigbo. We have reviewed the request and through detailed analysis using the consumption history from year 2018 to date, we were able to identify the quantities that are surplus to our immediate requirement and can be offered for sale to HHOG. The total value of the spares that are available for sale to HHOG based on their initial request is \$396,356.53</p> <p>In addition to their request, we will be proposing for sales to HHOG spares that were retrieved from Obigbo Production Unit before the sale of the Asset. This is valued at \$ 1,467,888.58.</p> <p>The total value for all the spares being proposed for offer to HHOG is \$1,864,245.11. Our target is to sell between 70%-100% of our SAP/system Price.</p>												
B) Background	<p><i>Background (Brief Summary of the life cycle of the item from purchase to current data, including original acquisition, inspection report, any maintenance or preservation schedule/reports, asset locations, current state, etc)</i></p> <p>The materials being proposed for write-off and sale are surplus to our immediate requirement judging by their consumption history from 2018 to date. Our consumption pattern for these spares is expected to reduce with the sales of these Assets. The sales of the spares being proposed will not constitute any risk to our operations in view of the balance quantities in our inventory. Sale of the items will prevent their obsolescence due to lack of usage within specified shelf life. Detailed analysis is attached in Appendix 2.</p> <p>Most of the non-stock materials being proposed for sale were retrieved from squirrel store at Obigbo Production Unit before the sale of the Asset.</p> <p>The timely write-off and sales of these spares will eliminate the situation where the spares would be sold as scrap (2%-5% of the value), due to deterioration from long storage.</p>												
C) Justification/Investigation	<p><i>(Reason for write-on/ off/ disposal, inspection report, condition of materials, confirm write-off from inventory –attach reports where applicable)</i></p> <ul style="list-style-type: none"> ✓ Write-off and disposal of these materials will help reduce stock holding cost as well as reduce SPDC inventory levels and deliver on Materials Management improvement programme. ✓ Footprint reduction ✓ Elimination of storage cost 												
D) Detailed Material Records	<p>Schedule of materials being written off/disposed and pictures per disposal lot.</p> <table border="1"> <thead> <tr> <th>SAP Material No. (Where Applicable)</th><th>Short Description</th><th>Qty</th><th>UoM</th><th>Acquisition Cost</th><th>Estimated Market Value</th></tr> </thead> <tbody> <tr> <td>N/A</td><td>Attachment-1</td><td>LS</td><td>EA</td><td>\$1,862,199.36</td><td>F\$1,864,245.11 (100%) F1,304,971.58 (sold at 70% of system price)</td></tr> </tbody> </table>	SAP Material No. (Where Applicable)	Short Description	Qty	UoM	Acquisition Cost	Estimated Market Value	N/A	Attachment-1	LS	EA	\$1,862,199.36	F\$1,864,245.11 (100%) F1,304,971.58 (sold at 70% of system price)
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E) Disposal Strategy	<table border="1"> <tr> <td>Disposal Strategy in line surplus/scrap disposal policy</td><td>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></td></tr> <tr> <td colspan="2">If no; clarify/explain any deviation</td></tr> </table>	Disposal Strategy in line surplus/scrap disposal policy	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	If no; clarify/explain any deviation									
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	<input type="checkbox"/> Specialized disposal to be advertised? <i>If yes, give reasons why this is classified as specialized disposal.</i>
	Allocation Ratio in line surplus/scrap disposal policy <div style="display: inline-block; border-left: 1px solid black; padding-left: 10px;"> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> </div>
	<i>If no; clarify/explain any deviation</i>
F) Trade Control	Trade (Export/Import) Control elements present in the work scope? E.g. ECCN, End User Certificates Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If yes, please attach support from Trade Control SME The materials are not listed as a High-Risk Trade Control Category, nor are they made from corrosion resistance alloys.
G) Tendering Strategy	<input checked="" type="checkbox"/> Sealed Hard Copy Bids <input checked="" type="checkbox"/> OLB <input checked="" type="checkbox"/> E-Bid <input type="checkbox"/> Others (Specify below) Direct sales to HHOG
H) Bidders' List	<i>Insert a list of bidders with IDD status and basis of recommendation</i> Direct Sales to HHOG
I) Commercial Considerations	<i>What is the value to Company for this submission and the write off/disposal?</i> Disposal of the materials will generate funds for the JV and eliminate further cost for storage.
J) Risk & Mitigation	<i>State what could go wrong in the whole tendering, disposal process and state what we are doing to mitigate or reduce shell exposure to the risk</i>
K) HSE impact	<i>Any special considerations e.g. special disposal procedures?</i> Evacuation of the written-off materials shall be carried out in line with our scrap and surplus material disposal procedure and with due consideration to HSE impact of activities involved.
L) NAPIMS & compliance to JOA/PSC	<i>e.g. inspection of assets, permission to dispose (attach a copy of NAPIMS approval or latest correspondence)</i> NAPIMS approval to be processed upon receipt of board's approval.
M) Other issues	<i>e.g. special consideration for host community, disposal to staff only, etc.</i> N/A

Attachment-1: Request from HHOG

Attachment-2: Consumption Analysis