



MORPOL ENGINEERING SERVICES LTD.

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Ref: K2S-CW230907-GEN-LT00001

Date: Tuesday, 02 June, 2020

The Project Manager,
The Shell Petroleum Development Company of Nigeria Ltd
PO Box 263, Old Aba Road
Port Harcourt, Nigeria

For the kind attention of **MR. MARTYN TURNER**

Dear Sir,

**CONTRACT CW230907- INSTALLATION OF BACK-UP POWER SCOPE AND ANCILLARY WORKS FOR
KOLO CREEK TO SOKU PROJECT**

RE: COVID -19 CURRENT OIL PRICE IMPACT AND SUPPLY CHAIN CHALLENGE

We refer to the negotiation meetings of 14/05/2020 with the JV Contract Team on the above subject.

Contractor have carefully reviewed the Contract details and realized it is practically impossible to consider any reduction in our Contract Price considering the tough negotiation resulting in large reductions of our prices prior to the Contract award. The COVID-19 Pandemic had and still have its own impact on us as well. While same applies to the already poor Schedule of Rates for Variation, attached is the Reimbursable percentage Mark-up with little, but realistic concession. In addition to this and despite of COVID 19 impact on us, we have decided to accept the new protocols that are required to execute the Residual Work Activities without extra cost to COMPANY. It is obvious that the cost of executing this phase of the project will increase sharply.

We sincerely count on your understanding.

Yours faithfully,
for and on behalf of:
MORPOL Engineering Services Limited

EDWARD TAWFIK
Project Director.

**CONTRACT CW230907- INSTALLATION OF BACK-UP POWER SCOPE AND ANCILLARY WORKS FOR
KOLO CREEK TO SOKU PROJECT**

| S/N | REIMBURSABLE/ PROVISIONAL SCOPE (ACTIVITY) | PERCENTAGE (%) MARK-UP ON NET PRICE | | |
|-----|--|-------------------------------------|--------------|----------------------------|
| | | Original Contract Rate | Current Rate | Contractor Acceptable Rate |
| 1 | REIMBURSABLE: Customs Clearance (including Import Duty, etc)* | AS APPLICABLE | | |
| 2 | Customs Clearance | 20% | 15% | 15% |
| 3 | REIMBURSABLE: (OEM) Personnel training in Nigeria** | 10% | 7% | 6% |
| 4 | REIMBURSEABLE: Items Procured Outside Nigeria - the mark-up includes; ALL handling, freight / customs duties and clearing, provisions for profits and overheads, transportation, HSE, agents fees and loading on vessel in country of purchase; clearance, agent fees, off-boarding and transportation to worksite within Nigeria* | 35% | 30% | 30% |
| 5 | REIMBURSEABLE: Item Procured inside Nigeria - the mark-up include handling, provisions for profits and overheads, HSE, and transportation to worksite within Nigeria** | 20% | 10% | 10% |
| 6 | Reimbursable items Mark up – (Other Miscellaneous Services by CONTRACTOR) | 20% | 15% | 15% |

Note:

* See Appendix 3.20I for computation of percentage on imported equipment

** Percentage on amount quoted by the OEM certified trainer

*** Percentage on verifiable costs for provision of the services