Proc. 54772/13 - 011210



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cc:

Subjeét:

**Àiachnients:**

"Hes;, Be4!1W RDS-s::BH' <SHEUJSIJF!E~PIENTS/NI.BH54>

SÌ231201ifs:48:21! Mi ..0000 · · · · ··

'1-lenry:Si.mn p" AiJS.EèsH" <Simon.Henrl@ohei.IXlm>; "8rinded, Malcolm A AiJS.s::MB" <Mak:clm.Eirinded@oheD.IXlm>: "Voser, Peter R RCS<:EP\1"

<Pelmr. Voser@shellcmn>

"Wotselaar, Mà0111!n SIEf>.El'F"<Maa111!n,Welselaal@sheH.. ,..; "Ruddock, Keiti1 A S.I.SEP" <ksiti1.ruddocl<@shell"""""

RE: Or3ft 245 PCN

aiìiiriiiipim ·

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OIA **Cohfidential Treati'nentRequested** **RDSN000046'**

Proc. 54772/13 - 011211

[-- Begih 5/MIME Signed Data, Name: smime.p7m --]

Malcofm,

Supportih prinéiple.

ft is probably the least ba d of ali options, if we ca·n pull it through in accordancè with the prop<>Sed terms.

Many legai risks remain, and l share Simon!s cçmcerns, particularly the risk of an unknown third partY partidpant and difficulties with secliring futùrè cash contributions.

Nev~.heless, speaking for Shell Legai, we will do everything withih our contro! to brìng this painful matter to a

satisfactory conciUsion. · .

With b~st regards,

BeatHe.ss

Legai Directòr

Royal butch Shell pie

Registered office: Shell Centr'e,London, SE1 7NA, UK

Piace of registration and number: England, 4366849

Corre5pondei1Ce address: PO Bòx 182, 2501 AN Thé Hague,

The Netherlands

**Phone:** +31703772879

i=ax: +31 *10* 3'771339

**Mobile:** +31 6 5252 1761

**Email:** Beat.Hess@shell.com



Fro~: Henry, Simon P RDS-ECSH ·

~: 23 March 2010 02:34

**To:** Brinded, Malcolm A RDS,ECMB; Vr:ser,PeterR RDS<EPV; Hess, Beat W RDS-ECBH

**Cc:** Wetselaar, MaartenSIEP~EPF;Ruddock,KelthASHSEP

**Subject:** RE: Draft 245 PCN

FOIA Confiélential Treattnent Requested RDSN000046e

Proc. 54772/13 - 011212

"!~lcolm, than.ks for shaling. Rather complex, my instinct is t o support as better than a!tematives bùt severallisks to aim , mitigate e.g.

i/1/ill we actually receive cash agreed

i/1/ill Gòvt try to back in once they realise no revenues for them at ali

11\/ho is the unknown 3rd party, we would have no veto and no influence in a bloclt"where partner alignment is likely to be key given what willlikely be marginai economic::s

=uture cash calls to M and unknown party; we would be carrying the baby?

11\/ho approves cost as recoverable?

-low to document any ofthis in a way which is robust, without prejudicing any lights under. parallel arbitration if we progress both at the saJlle time

:;,18 etc.

\Mie n do you need a decision - given current travels dìfficult to get a quick cali o n th.is for a few days, but 30 mins on the phone may be more effiçient thail multiple emails?

Simon

Simon Henry

Chief Firiancial Officer

Royal Dutch Shell pie

'

.egistered office: Shell Centre, London SE1 7NA United Kingdòm

Piace of registi'ationand number. Englaòd 4365849

Correspondence address: Carel van Bylandtlaan 15 2501 AN, The Hague, The Nether1and\_s

Tél: +31 70 377 4151 Fax: +31 70 377 1840

Erruill: sirnon.hemy@shell.com

Internet: http://Www.shell.com



**From:** Brindèd; MalcolmA RDS-ECM.B

**Sent:** 22March2010 15:50

**To:** Vaser, Peter R RDS-cEPV; Henry, Simon P RD5-ECSH; Hess,BeatW RDS-ECBH

Cc: Wetse!aar,· Maarte{l SIEP-EPF; Ruddock, Keith A SH.SEP

**Subject:** FW: Draft 245 PCN

FOIA Confiaential neatment Requested RDSN000046~

Proc. 54772/13 - 011213

"leter, Simon, Beat

l flagged that we might be close to a solution re 245- but that was before the dissolution of the Cabinet and the currènt limbo.

Nevertheless, it is l ~hinl< impòrtant that we are poised ready to push this through as a first priority whenever we get a new Minister of Petroleum- especially if former MOSP Ajumogobia , who has been intimately involved in this , becomes the new Minister ( he is one of severa l candidates but maybe not politically heavy orwell connected enough).

l"lence please find attached the proposed PCN which sets out in detail the summary l gave recently. This is one where your formai endorsement is appropriate given the history and the politica!/ business principles issues involved.

My view is that if we ca n get the dèal as proposed { essentially we give up 50% of our Contractor rights for 50% òfthe Equity rights - plus we get payment of past costs) this would be a good outcome. In terms of cash sink and risk its better than the previous plans .. where you reca li we were intending t o pay for a small { eg 20%) share of equity essentially t o get our Contractor rights unfettered with ali legai claims dropped.

,1is way we get $300 mi n of cash back (assuming payment·for past costs, without interest-which l have set the team as an expectation for them, but which are omitted from the mandate for your support). Plus a potential forward value of $0.8 bln (RV) t o $1.6bln {HV) on old PSC2000 terms, which is however bound to be eroded in any plausible PIB outcome.

l need to highlight a few ofthe other risks:

Hitherto we have stood on the principle ofgetting our full contractor rights - which ·

=oiA Confidential Treabnent Requested RDSN000047C

Proc. 54772/13 - 011214

ha d in ou.rview neve.r been legitimately challenged from.start to firiish . By giving up this principle fora 'deal'now, we might potentially weaken our defence should this whole sagà take another turn for the worse in future;

* The solution propos~d leaves NNPC without any economie interest.in the UC:ence- a first in deepwater and obviously carrying some longerte.rm risks *(* whatever assuralices we get now in the agreement regarding FGN commiting not to back in etc);

Malabu as a partner..... The only plus being that our interests should be aligned in the

new structure ....

Nomihally we can argue that we are giving up more value at high price than we get. The reality

* that if we get this dea l dèlivered , it means some cash back now an d a rea l chance ofa divestment or a dilution {with possibly a sha.re in a profitable DW project depending on the PIB) -an d would overall bè a much better outcome than l have. feared alongthe way.

lmportantly, settlil'lgthis an d getting out of ln.ternational Arbitration under the BIT seems t o me essential to have any prospec:t of reàsonable relationships and business going forward as, whatever the rights of our case, the FGN - in whatever form - views it as a direct affront that we took this action.

Grateful your support

n.egards

M alcol m

Frorri: Craig, Iail SEPA-uiG

~: woensdag 17 maart 2010 14:17

To: Brinded, Malcolm A RDS-EèMB

Cc: Wetselaar, Maarteri SIEP-EPF; Powell, Ceri M SI-uiX; Robìnson, Peter L SEPA-uiB{G; Bos, Bemard 8 SEPA-RJI{F; Gerges, Amir NAM SIEP-EPB-Z

Subject: RE: Orafi: 245 PCN

*(*

=otA Confideritial Treatment Requested RDSN000047·

Proc. 54772/13 - 011215

Resend hopefully with attachment this time

Fmm: Craig, Ian SÉPA-UIG

Sent: Wednesday, March 17, 2010 2:14PM

To: Brinded, Malcolm A RDS-ECMB

Cc: Wetselaar, Maarten SIEP-EPF; Powell, Ceri M51-UIXi Robinson, Peter L SEPA-UIB/Gi Bos, Bemard B $ÈPA.,FUYFi Gerges, Amir NAM SIEP-EPB-Z

Subject: òraft 245 PCN

Malcolm,

Further to our discussion during your rece~nt Yisit, th~ attached updated PCN r~uests a mand.ate to negoti\_ate a Settlement Agreement on the 0Pl245 Dispute. b~n FGN, ~a.labu and SNUD.

Following initial engagements with the partiès there appears to be willingness to settl.e this prior to the arbitration award. This ca n be expected up to 90 days (end of June) after the final case hearing takes piace which is planned to commence on March 29th and l\_ast a week.

The appearance of a third party to buy a share of Malabu's purported partidpation in the block and FGN willingness to avoid a

potential embarrassing a.rbitration outçome have inaeasecl tl\_le probability of a settlement. Seitlernent would be a S0/50 license SJ!Iit between SNÙD an d J'v1.alabu with Mal.abu reimbu~ing S~eiJ their 50% ~hare.of past costs inc:u\_rred to date induding their share

of the signature bon.us. In this settlement Shell swaps 50% of its Contractor. rights for a SO"Ai licence holder rightS (value !leutral at

RV) and receives sol)'le US$300 mln.. ·

The BIT timeline is tig~t for Settlement execution\_. Althoug~ the Stl!rtegy i\_s to neg~illt~ the Settlement agreemen\_t in pa~llel to the ·"bitration, the possibility ofsuspending ~he proceedings may be considered if~here are dear indications from FGN that a

.:tlement as per proposed mandate terms is-achievabl~. This suspension sho~ld be fora li.mited period of time.i.n order to execute the settlement ~erwise BIT should con~nue its course.

l have copied Ceri on this note to keep her in the loop on this issue which may impact the timeline and options for our plans for OPL

1. (Bobo).

Regatds

la n

<< ... >>

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Proc. 54772/13 - 011216



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**To:**

CC:

**Stibject:** ·

A~chme\_nt5:

"Henry, Simon P RPS-ECSH" <SHELLJOPEIRECIPIENTMN'fSHET>

3/29/.2010 12:53:54 PM +0000

·"Brinded, Maloolm A RbS-ECMB" <Malcalm.Brinded@shell.com>

"Wetselaar, Maarten SIEP-EPF" <Màarten.Wètsèlaar@Shèll.cam>; "Ruddock, Kèith A SI-LSEP" <keith.ruddock@shell.com>

RE:245PCN

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*=o!A* Confideiltial Treatmènt Requested RDSN000047~

Proc. 54772/13 - 011217

[,-- Begin 5/MIME Signed Data, Name: smime.p7m --]

Malcolm, as discussed no need flir a follow up cali. Will be a challenge however l expect to get the effective exemption trom a PSC regime as this in effect tu m~ the block into taxroyalty which has certain implicatiòns such as ownership ofthe reserves. Definitely a better outcome than the status qua or possibl.e recompense fr()m arbitration, but a challenge far Kéith'steam t o paper this in a way whìch protects the agreernent far postemy.

Sìmon

Sìmon Henry

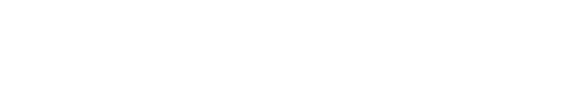
r.hief Financial officer

Royal Dutch Shell pie

Registered office: Shell Centre, L!>ndon SE1 7NA United Kingdom

Piace of registrcitiòn and number: England 4366849 ·

Correspondence address: Carel van ByìandUaan.16 2501 AN, The Hague, The Nether1ands



**From·:** Brinded, Malcplm A RDS:.a::MB

Sent: 25 March 2010 16:08

To: Henryr Simon P RD5-I:CSH; *Vl::i.?S,* Peter R RDS<:EPV; Hess, Beat W RD5-ECBH

**".c:** W-aar,MaartenSI.EP-EPF;Ruddock,KeithASHSEP

**Jbjec:t:** 245PC.~

Peter, Simon, Beat

Th~nks for repiies and support.

l had provisionally reserved ti me to m~et n~xt Monday at 12.00 in case needed. Below are answers from Peter Robinson to some ofthe mai n issues raised in questions, which we reviewed today. Maarten will also discuss further with Simon in margins ofFLT. On this basis l

'

FOIA Confidentia1Treatri1ent Requested RbSN000047~

Proc. 54772/13 - 011218

""ropose to cancel the meeting unless you say otherwise.

One key point to note is that the settle.m~nt essentially scraps the PSC concept as it leaves just the two 50% equity partners (Shell and Malabu- neither being state entities) who share a Mining licence, with discoveries to bé developed, and nofinal taxes and royalties to pay. And no NNPC involvement otherthan as regulator.

Maleo! m

**1 Responses to Peter'sQuestion**

l would appreciate to get a quick briefing on how a divestment of a prospect/licence works today in Nigeria (i.e. approvals by FGN/NNPC). Would that be different In a case a where they are noi pal't of the development.anymore (In theory)? And c;an we do anything in this negotiation whlch would 'maké it easier' to diJute/divest in the future?

As background, an Ìncreasing amourrt: of "emotion" has entered into the process associated with a transaction in

Nigeria. Some examples:

Shell Abo transaction where Senate hearings followed ENI pre-emption and resulted in different outcome than expec;ted p!,Jrely contractuàlly;

lukman writing t9 Adda~ s~ying tha~ they as PSC contractor to NNPC, had «nothingto sell"to Sinopec;

MOSP insisted on a loss ofidentity provision in the draft Shallow Water Ucense Renewal agreement (as fqr XOM also).

\_ .iN appears to be moving towards a "use it or lose it" approach with less· opportunity for IOCs to monetise unused acreage. Same principle is reflected in PIB.

However, in !~formai COJ:Nersations with MOSP, he ll'!dicated dearly that *post* ~ttlement he would not be adverse to a dilution or exit from OPL245 by Shell, understanding we would find it difficult t.o live alongside Malibu as our long term partner.

And importantly please note :

OPL245 is owned by SNUD as a single asset company. lt is therefore posslble to do dilution or exit via share sale which reqùires (formally) no government approvals (under current legisiation)

FOIA ConfidentiaiTreatment Requested RDSN000047~

Proc. 54772/13 - 011219

*(* 1 Responses to Simon'sQuestions

2.i. Will we actually receive cash agreed?

Cash to Shell under the settlement agreement is $US298 mln (target in PCN, not requested MASP). Of this, $US235 mln comes to Shell via retum on monies in escrow. The balance will come direct from Malabu. Settlement is only effective with fihancial dose and thus failure to pay by Malabu precludes settlement.

That said, there is a risk we will not get agreement to the $65 mln cash paymentfrom M to us, nor our request for added interest. We may stili feel it worth settling buti'IIcome back if I need to on that.

2.2 Will Govt try to back in once they realize no revenues for them at ali?

...GN will collect money through taxes and signature bonus - Ukely some 70~80% of the value they would have got overall if you include NNPC's100% equity share, but more back end loaqed. Revenue being lost would be NNPCs profit oil share {initial!y 30% of profit oil). Settlement agreement as drafted requires waiver of any FGN/NNPC back~in rights.

Of course there is a straight Govt NPV loss of the $800mln by giving up their equity value to Malabu, but that'seffectively what their 2006 settlement with Malabu already did.

2.3 Who i.s the unknown 3rd party, we would have no veto and no influence in a block where partner alignment is likely to be key given what will likely be marginai economics?

We do not know with surety who the 3rd parties are. However, there is rumour that a Russian company, now working with ENI, wifl form a consortium to purchase the (post settlement) Malabu position in 245.

NB thls is believed to be a Gunvo.-.,.llnked company, so Timchenko ....

'itigatloncomes from JOA provisions that will apply after entry Of 3rd party. The JOA will be part of the ...ettlement.agreemerit and so will bé assignment of agreed JOA.

2.4 Future cash calls to M and unknown party; we would be carrying the baby?

No. As this is nota PSC, each party would bear its own costs. This is captured in JOA. The settlement agreement requires Malabu to pay circa $US300 mln (to FGN and Shell combined) so it is almost certain that they will need to sell down to d<,> this, hence introdudng at least 1 additional partner, which reduces Malabu risk. HOwever, ri~k remains of inability to fund.

2.5 Who approves cast as reC::overable?

Under the proposed settlement structure, thls is no longer a PSC and thus no cost recovery takes piace (although in settlement agreément we confirm fiscal treatment under relevant PSC law (precedents for this). We thus only rely on ~x law to deterriline tax deductibility.

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Proc. 54772/13 - 011220

* an aside the key issue (and key value lssues) in th.e PSC dispu~e on costs is that "non recoverable" 1sts as deemed by NNPC is mostly likely interpreted by FIRS as non deductible. If FIRS simply applied

tax law ("wholly, necessarily and exclusively incurredn), then financial exposure to cost recovery as per PSC dispute materially reduced.

**2.6** **How to document any of this in a way which is robust, without prejudicing any rights under para Ilei arbitration if we progress both at the same time?**

Thus far we have only provided unbranded drafts of settlement agreèment tò MoSP as a mediator. Furthermore, whatever we have offered in our draft is, value wlse, comparable to 100% contractor rights. For that same reason we only talk end game rather than any re.ference to history of the dispute (s), to avoid having to compromise in writing on our position leading up to a fina l settlement

1t is very common to pursue an amicable resolution. In parallel with litigation but key will be to contro! data flow and communication generally outside litigation.

**2.7** **PIB etc?**

Without any ambiguity, on basis of any current version of the PIB, tllis block will not be economie unless materia! increase in oil price assumption and reduction in UTC.

**3 Other Questions**

**3.1 Is there a risk that under the new structure we would be forced to go ahead with the development.....how would it rank against other deepwater options (pre**

**PIB)?**

In the new structure we cannot be forced to move foi'Wardon development. However, we have OPL to OML conversion fn 2013 (possible that Govt/Mala~u may try and accelerate this at.settlement- although

thus far not mentioned sinc.e 2008 negotiation). At ttiis point we have a 20 year lease having relinquished

.,% of the OPL area.

However ~ with the entry of Malabu and likely another partner coming in with or possibly completely displadhg them, I think there will surely be great pressure. for us to develop the blotk .

On today'sunderstanding of economics pre PIB, its development ranks lower than our other opportunities ( Bonga N, NW,SW and Erha N ). But that'slargely because they are 93 PSC and. this is 2000 PSC. We have to a~sume ali that will change whatever the nature of the new PIB.

So - if we do get a PIB in which the devt of 245 looks moderately attractive and we have partner and Govt aligned pressure to go ahead, we will have to dedde whether to completely exit (which may not be possible ) or else whether we dilute but stay as operator on say a 25-30% basis. Very much will depend o n PIB, Govt , and partner at the ti me.

FOIA Confidential Treatment Requested RDSN000047i

Proc. 54772/13 - 011221

lllote we are exploring if the settlement would allow us to re-set the OPL start date to give an .ÌC:Ìitional10 years under OPL status. We will try hard to get from the Govemment to help get

this closed al1d rec:iuee thè pressurè to move fast. .

. . .



From: Henìy, SiiTJ()n P RD5-g5H

Sent: woen$jag 24 ~rt ~0~0 15:.25

To: VaJ.e!, Pe.ter R RDS-cEPV; Brinded, Màltl:>lr:rt. A RDS-ECMB; Hess, Beat W RDS-ECBH

Cc: Wetselaar, Maarten SIEP~EPF; Ruddock, Keith A SI-LSEP

SUbject:.RE: Draft 245 PCN

Having noted generai support, 1confirm my supportforthe proposal although l would stiU like a follow up cali with say ·~aarti:m\_ & KEiith to understand how we m!tigate some ofthe risks highlighted in my ear1ier response, and by Ma!co!m and

*}at.* This has the potential to becòme difficUitand public! l will ask souli ifthis can be done nextweek.

Thanks, Simon

Simon Henry

Chief Firìancial Officer

Royal Dutch Shell pie

Registered offiee: Shèll Centre, London SE1 *iNA* United Klngdom

Piace of registration and num~r: Eng!and 43!36849

Correspondenee address: Càrèl vari Bylandtlaa1116 2501 AN, The Hague, The Nether1ands

;1: +31 70 377 4151 Fax: +31{0 377 1840

t:mail: simon.henrv@shell.com

Internet: http:t!wWw:shèl!.corrì



From! Voser, Peter R RD5-CEPV

Sent: 23 March 2010 23:03

"{o: Blinded, Malcolm ARDS-ECMB; Henry, Simon P RD5-ECSH; Hess, Beat W RDS-ECBH Cè Wetselaar, Maarten SIEP-EPF; Ruddoèk, Keil:h A SI-LSEP

SUbject; RE: Draft ~45 PCN

Malcolrrì,

FOIA Con{icjential Ti"èatment Requested RDSN000047E

Proc. 54772/13 - 011222

Gmon and Beat liighliglìted niost of the uncertainties and risks. Support from my si de as we need to get this one out of Jrway.

l would appreciate to get a quick briefing on how a divestmentof a prospect/licence. works today in Nigeria (i. e. approvals by FGN/NNPC). Would that be different in a case a where they are not part of the development anymorè (i h theory)? And can we do anythihg in this negotiation which would 'makeit easier'to dilute/divest in the future?

Peter

*Regards,*

*PeterVoser*

...;hlef Executlve Officer Royal Dutch SheU pio

Carel van Bylandtlaàn 16,2596 HR The Hague, The Ne!hertands

Telephone +31 70377 2715; Fax +31 70377 2780

E-mail peter.voser@shellcom

Internet <http://www.shell.com>

Registered oflioe: Shell Centre, london SE1 7NA, Uni!ed Kingdom

Piace of registration and nu111.ber: Erigla!fd 4366849

**.Jj** Please.consider. the environment befòre printìng thìs e-mail.



**From:** Brinded, MalcolmARDS-ECMB

**Sent:** 22March2Òl0 lS:SÒ .

To: Voser, Peter R RD§çfpV; Heriry, Siroo.n P RD5-ECSH; Hess, Beat W RD5-ECBH

Cc: Wetselaar, Maarten SIEP~EPF; Ruddock, Keith A SI-LSEP

Stibject: FW: Orafi: 245 PéN . . .

Peter, Simon, Beat

**l** flagged thé,lt we mightbedose t()asolution re 245- but that was before the dissolution ofthe Cabinet and the current liìnbò.

FOIA Confidantisi Treatment Requested RDSNQ00047~

Proc. 54772/13 - 011223

Nevertheless, it is l think important that we are poised ready to push thjs through as a first priority wheneverwe get a new Mihister of Petroleum- especially if former MOSP Ajutnogobia *1* who has been intimately involved in this *1* becomes the new Minister ( he is one of severa! candidates but maybe not politically heavy or well connected enough).

Hence please find attached the proposed PCN which sets out in detail the summary l gave recently. This is one wherè your formai endorsementis appropriate given the history and the politica!/ business principles issues involved.

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This way we get $300 mln of cash bàck (assuming payment for past costs, without interest-which l have set the team as an exp~ctation for them, but which are omitted .from the mandate for your support). Plus a potential forward value of $0.8 bln (RV) to $1.6bln (HV) on old PSC2000 *terms1* which is howevèr bound to be eroded in any plausible PIB outcome .

l need to highlight a few ofthe other risks:

.,. Hitherto we have stood on the principle of getting our full contractor rights - which had in our view never been legitimately challenged from start to finish . By giving up this principle far a 'deal1now, we might potentially weaken our defence should this whole saga take another turn for the worse in future;

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=oiA Cohfidential Treatment Requested RDSN000048C

Proc. 54772/13 - 011224

etc);

Malabu as a partner. .... The only plus being that our iriterésts shoi.Jid be aligned in the

new structure ....

Nominally we can argue th\_at we ar'~ giving up more value at high price than we get. The reality is that if wé get this dea l deliveréd , it meaiis some cash .back now an d a rea l chance of a divestment or a dilution (with possibly a share in a profitablé DW project depending ori the PIB) -an d would overall be a much better outcome than l h ave feared along the way.

lmportantly, settling this an d getting outof lnternational Arbitration un der the BITseems to 1e essenti alto h ave any prospect of reasonable relationships an d business going forward as, ·whatever the rights of our case, the FGN - in whatever form - views it as a direct affront that

we took this action.

Grateful your support

Regards

Maleo l m

**From:** Craig, Ian SEPÀ-UI(i

**Sent:** woen~ag17 maar1; 2010 14:17

**To:** Brinded1Malcolm ARQ5-~MB

**Cc:** Wetselaar, Maarten SIEP-EPF;Powell, CeriMSI-UIX; Robinson, PeterLSEPA-UIB/G;Bai,Bemard8SEPA-FUI/F;Gerg~, Am[r NAM SIEP-EPB-Z

**Subject:** RE:Draft245 PCN

Resend hopefi.JIIy with attachment this tini e

=oiA Confidential Treatrnent Requested RDSN000048·

Proc. 54772/13 - 011225

From: Craig, Ia\_n SJ;PA~UIG

Sent: Wednesday, M~rè.h ~7, 2010 2:14PM

To: Brinded, Malcoi!J'l A RD5-ECMB

Cc: Wetselaai", Maarten SIEP·EPF; Powell, Ceri MSI-UIX; Robinson, Peter L SEPA-lJIB/G; Bos, Bemard B SEPA-FUI/F;

Gerges, Amir NAM SIEP·EPB-Z .

Subject: Orafi: 245 PCN

Malcì:llm,

Further to our discussion during·yourrecènt visit, the attached updated P.CN requests a mandate to negotiate a Settlement

Agreement on the 0Pl245 Dispute between FGN, Malabu ànd SNUD. ·

Following initial engagements with the parties there appears to be willingness to settle this prior to the arbitration aWard. This can

* '!expected lip to 90 day$ (end of.June) after the fina l case hearing takes piace which ls planned to cò111men.ce on March 29th and

.staweek.

The appearance of athird pàrtY to buy a share of Malabu'spurported partidpation in the block and FGN willingnessto avo id a potential embarrasslng arbitration outcome have increased ttie probability of a settlement. .Settlement would be a·S0/50license split between SNUD and Malabu with Malabu reirilbursing Shell their 50% share of past costs iilcurred to date induding their share of the signature.bonus. In this set±lement Shellswaps ?Q% of its Contractor rights for a 50% licence holder rights (value neutra! at RV) and receives some US$300 ml.n.•

The BIT timeline is tight for Settlement execution. Although the strategy is to negotiilte the Settlement agreement in para Ilei to the arbitration; the possibility of suspending the proceedings may be considered if there are clear indications froin FGN that a settlemen.t as per proposed mandate terms i~ achievable. This suspension should be fora limited period of time in order to execute the se~ment. Otherwise BIT s.hou.ld continue its course.

l~ve copied Ce.ri on th\_is n9~ t.o keep her in the loop on this issue whkh may impact the timeline and options fòr our plans for OPl

1. (Bobo).

Regards

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=orA Confidential Treatment Requested RDSN000048~