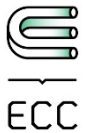


Shell & Hargrove On-Site EP Venture for Capital Project Delivery

ECC Forum Presentation

Contracting Insights – A Win-Win Partnership for Sustaining Capital Investments



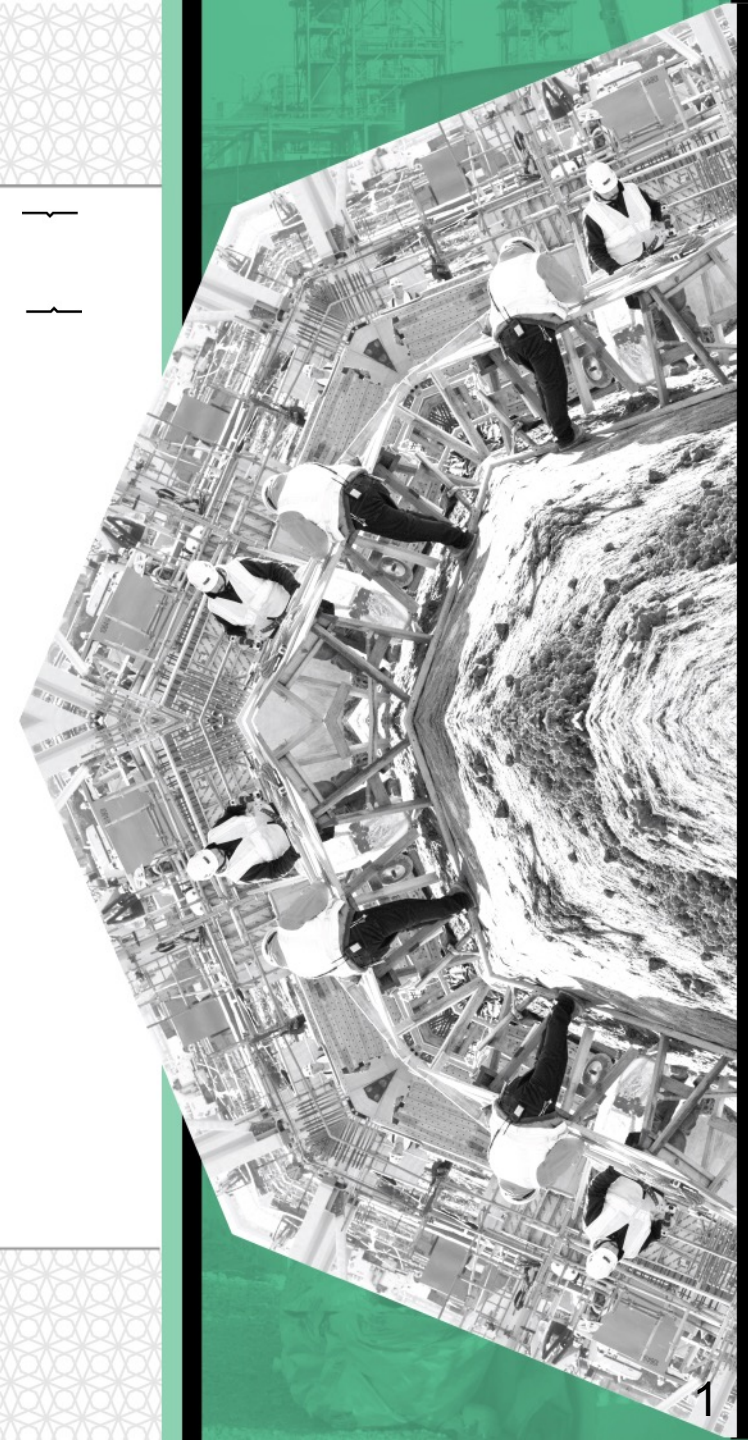
Presenters

Eugene Rayneri – Shell – Team Lead Project Design & PEET

Ezell Shelton – Shell – Capital Projects Manager

Hien Nguyen – Hargrove -- VP Refining & Petrochemicals

Joe Vidal – Hargrove – PEET Team Lead



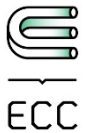
Balanced for Success



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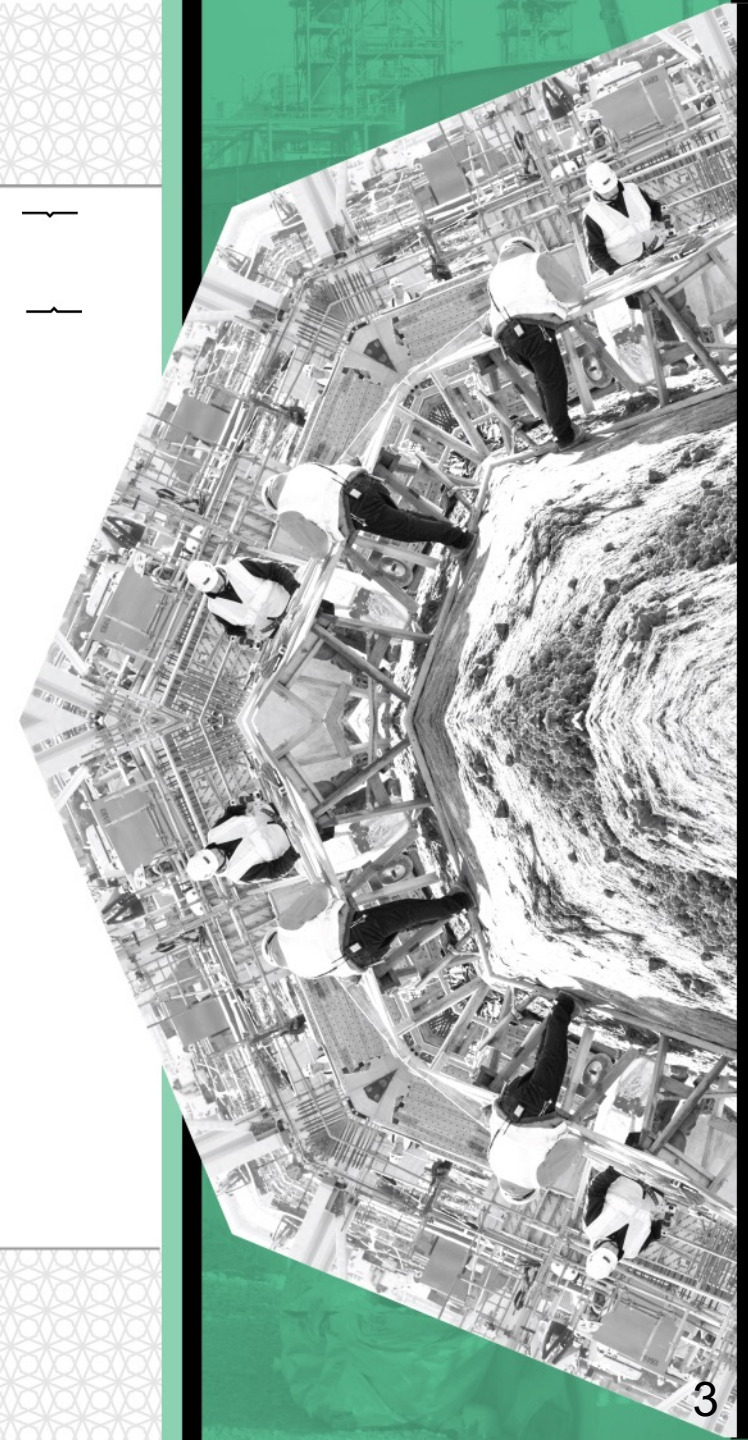
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Winning Strategy to Replicate Results

- **Single relationship**
- **Fully integrated team**
- **Dedicated management support**
- **Proximity / satellite office**
- **Commitment to transparency**
- **Shared accountability**
- **Consistent long-term resources**

7 Year Relationship Committed to Success with Guaranteed Pipeline

Base Project Execution Strategy

- **\$80MM - \$100MM** annual TIC commitment
- **\$190MM** annual TIC currently
- **60,000 hrs (\$4-\$5MM)** annual engineering & design

MOC Execution (Small Plant Changes)

- Non-capital small plant changes
- **\$400M** annual budget
- Streamlined process
- Separate / dedicated resources

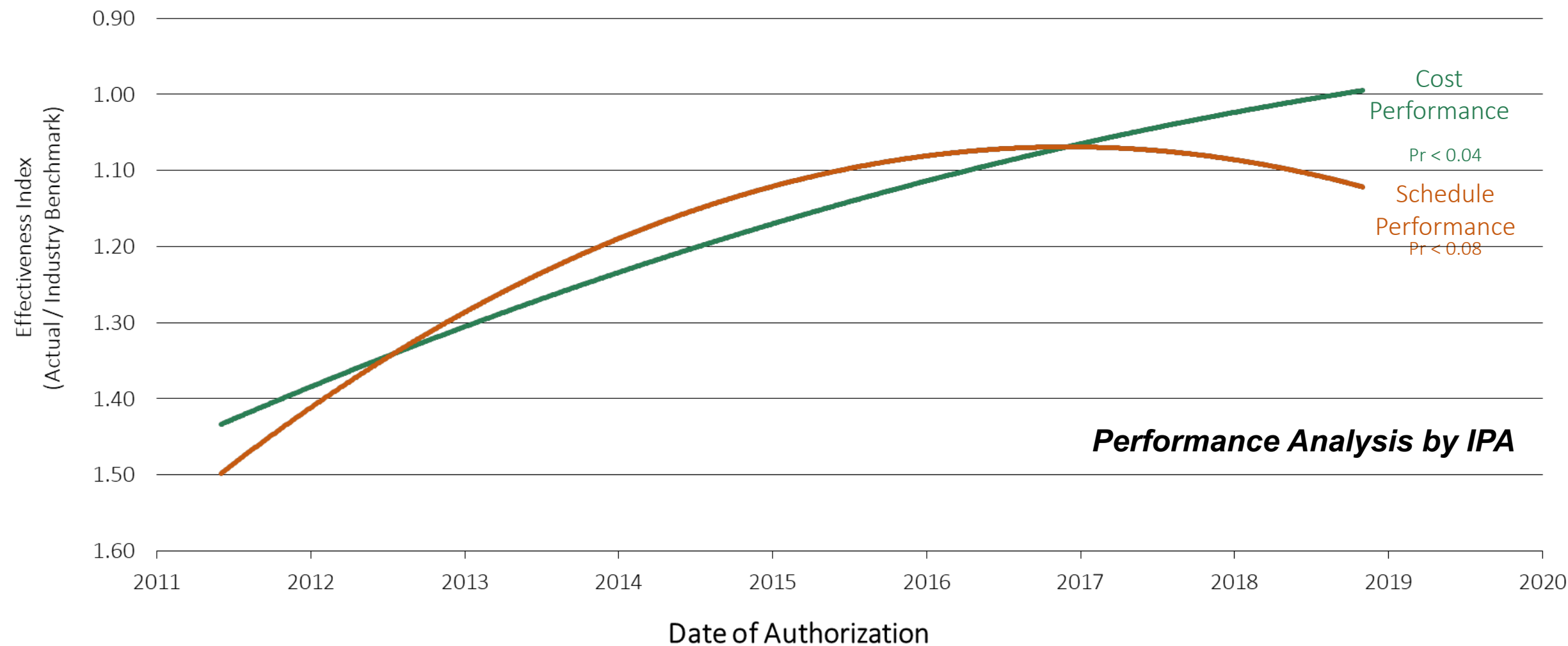




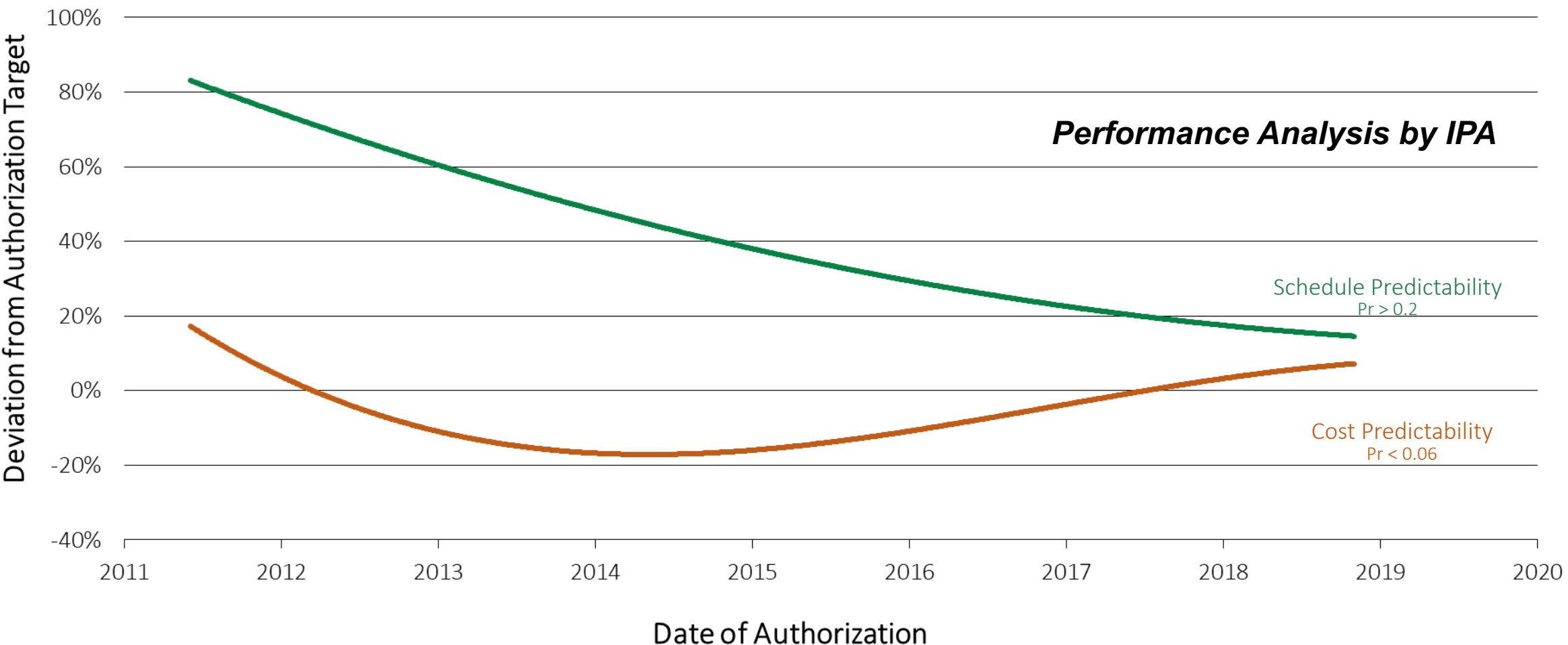
Choosing Our Partner Hargrove

- **Applied strategic vetting process**
- **Several EPs/EPCMs were evaluated**
- **Thorough review of overall company management structure, home office capabilities and support services, and the individual teammates**
- **Shell Norco leadership trusted Hargrove**

Solid Improvements in Both Cost and Schedule



Stabilized Predictability Over Time for Cost and Schedule



- Collaborative processes
- Transparency
- Common goals

ALIGNMENT

Maximizing Value

- \$10MM TIC project max
- Time & Materials (T&M) basis
- Allowing for discovery / changes
- Low to mid complexity
- Lots of piping, mechanical projects
- Structured FEL process

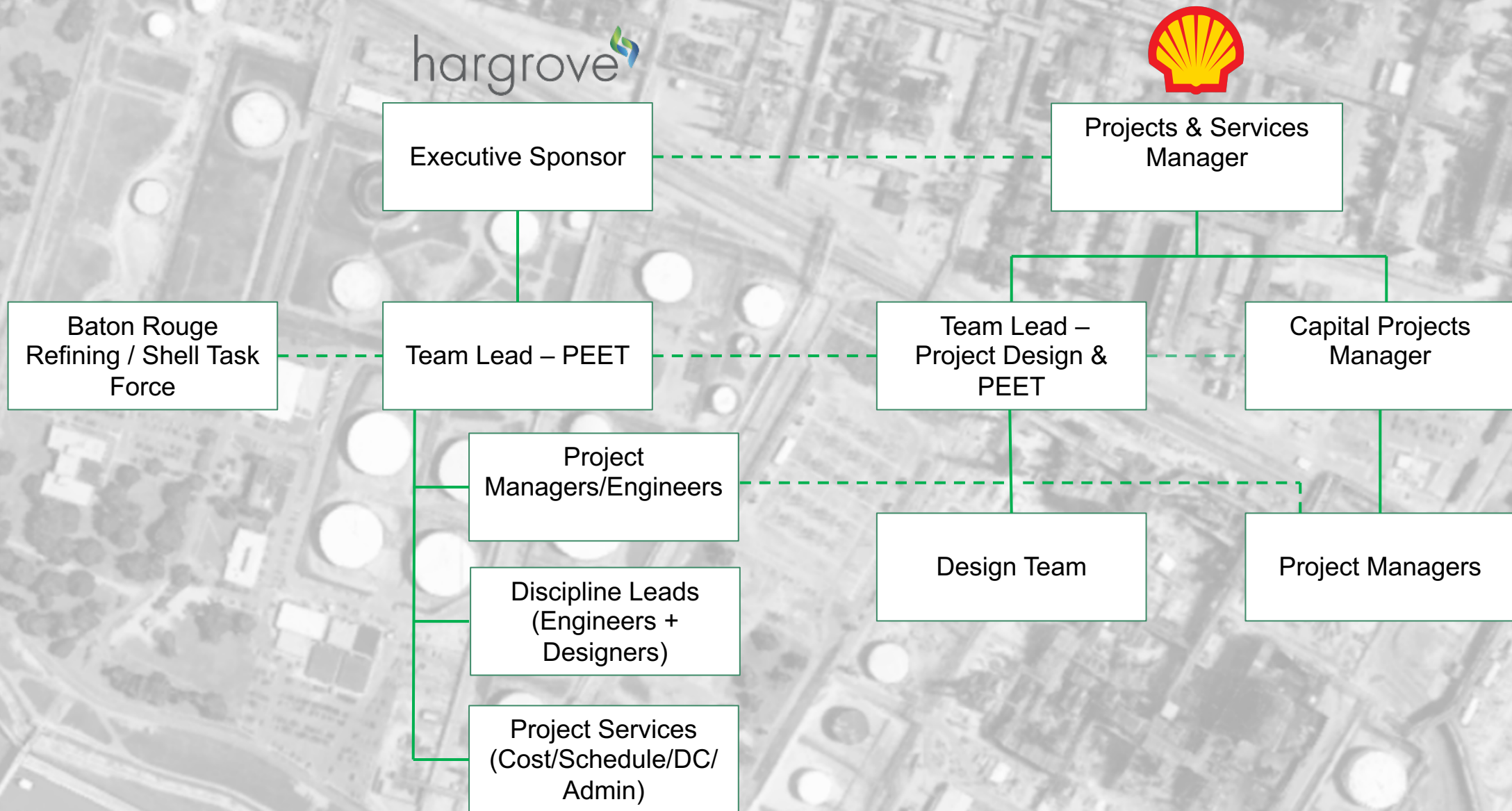
- Minimized rework/recycle
- Innovation
- Replication

QUALITY

**PLANNING /
PREDICTABILITY**

- Maximized utilization
- Minimized resource constraints
- Base portfolio size for overhead burden

Organizational Chart



Leadership Commitment to Transparency & Shared Goals

- Weekly Steering Team Meeting – Tactical
- Bi-monthly / Quarterly Strategy Meetings
- BPR / KPIs
 - Quarterly – Norco / PEET
 - Semi-Annual – Regional

Category	KPI Title		Floor	Target	Excellent
HSSE	Personal Safety: TRCF, LSR violations, First Aid Rate, Near Misses	TRCF	> 0	0	0
		First Aid Rate	> 0	0	0
		LSR Violations	Track for awareness (no targets)		
		Near Misses	Track for awareness (no targets)		
COST	Engineering Cost pre-Execute	Average of (Original budget) / (Final Cost)	< 90% or > 110%	90% - 95% or 105% - 110%.	95% - 105%
	EPCm - % Projects within ± 10% SELECT/DEFINE budget (not TIC)	(number of projects within +/-10% budget) / (Total Number of Projects)	< 80%	80% - 90%	> 90%
	Engineering Costs (Execute phase only)	Average of (Final Execute Engineering Costs) / (Latest TIC or Final TIC)	> 15%	12% - 15%	< 12%
	"All-in" Engineering Contractor Avg Cost per hour	Weighted average of (Engineering Cost/Engineering Hours) for Home Office, On Site and HVE.	Track for awareness (contract target exists, will revise upon further discussions)		Home Office
		Note: Engineering costs are to include all of design, project management and project services but should not include procurement or inspection			On Site
					HVE
					Overall
Value of (LEAN) Improvements	(Sum of project savings) / (Sum of TIC of projects)	< 15%	15% - 20%	> 20%	
	Note: savings amount should only be those amounts agreed upon by the Shell C&P representative for the site				
% of Drawing Packages On Time at IFA	(# of IFA dwg packages w/in acceptable range of baseline) / (Total # of packages in 12 month period)	< 60%	60% - 80%	> 80%	
	Note: the acceptable range of actual IFA dates is 4 wks before IFA baseline up to 1 wk after IFA baseline				
Quality/ FEL	Cost of Re-work due to design errors or incorrect/incomplete IFC drawings	Average of (Project rework cost/Final or LE TIC).	> 3%	3% - 0%	0%
	# of rework items due to design errors and omissions after IFC	Sum of the number of change orders related to design or engineering errors within the data period (12 months after final IFC).	Track for awareness (no targets) - will be set later as data is collected		
	Cost of Changes after End of Select Phase (Individual)	Sum of individual Major Changes	Track for awareness (no targets)		
	Percent of projects with changes after End-Select (PAR3) (Portfolio)	(No of Projects with Major Late Changes) / (Total No of Active Projects)	> 20%	10% - 20%	< 10%

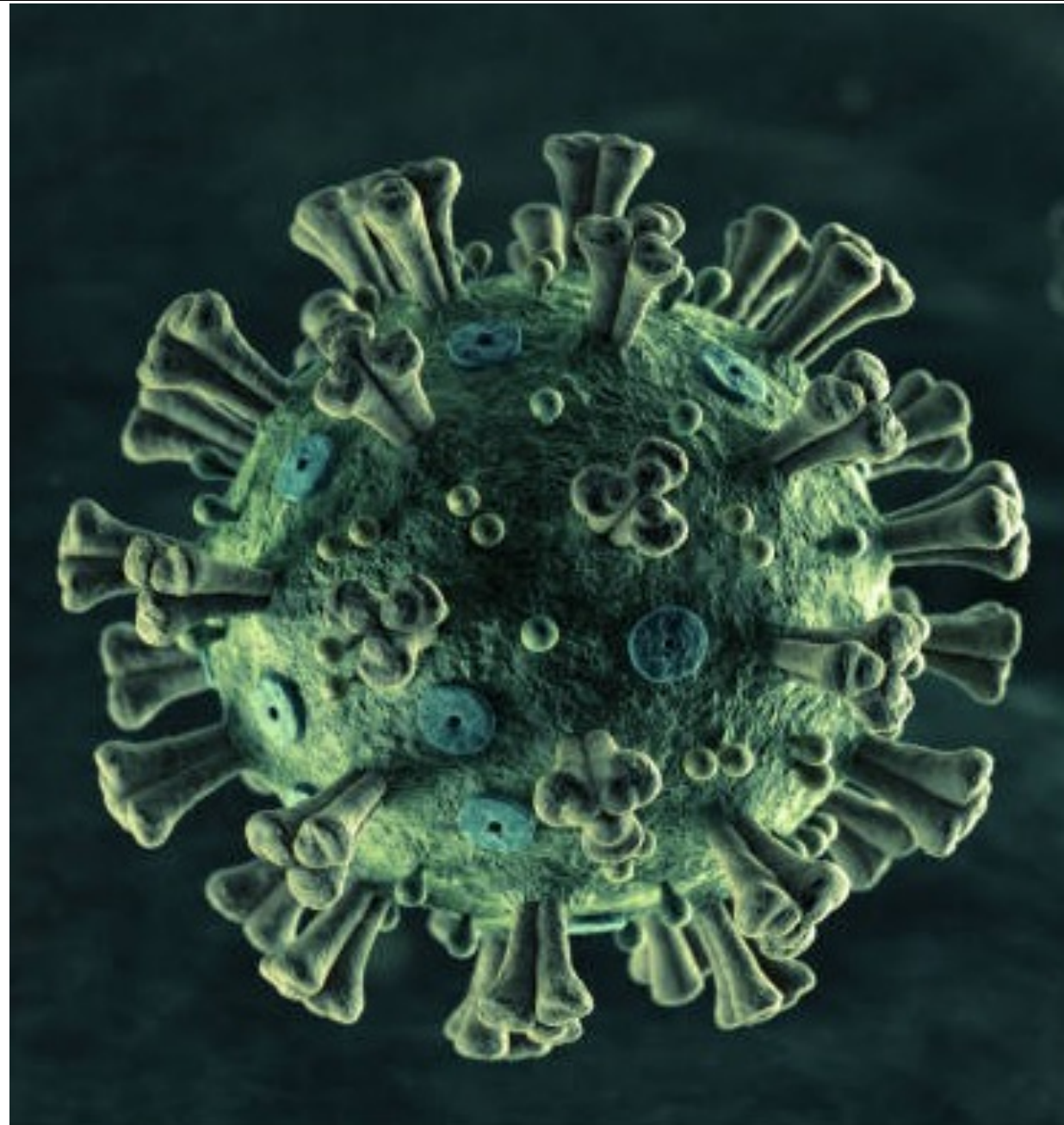
Balancing our Plans / Actions for Continuous Improvement

- Avoiding scope misalignment with clarity and documentation
- Alleviating schedule challenges with true resource loading, better tracking and clear project priorities
- Improved project portfolio management
- T&M predictability through alignment and transparency in proposal development
- Maximize resource utilization with flexibility to shift as demand changes



Key Take Aways

- Maintaining our culture is important
- Replication is key
- Implemented full-time document control specialist
- Implemented procurement support specialist
- This type of long-term work is not for everybody
- COVID pandemic has lowered our baseload work



Balanced for Success

