

**OLF PROPOSAL
NEW CONDITIONS OF CONTRACT
FOR DRILLING & WELL SERVICES**

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1 GENERAL CONDITIONS.

1.1 Definitions.

Affiliated Company means the parent company of one of the parties to the Contract or any company which, according to the Norwegian Public Limited Company Act (Allmennaksjeloven) Section 1-3, shall be regarded as a subsidiary company of the parent company or of a party to the Contract.

Company means X as operator on behalf of one or more Licence Groups as specified in *Appendix A*.

Company Group means the Licence Group, each of the participants therein, their Affiliated Companies, Company's other contractors and their contractors and their subcontractors, Company's invitees, and personnel employed in or engaged by the aforementioned corporate entities, and others whose services are used by Company.

Company's Representative means the person who at any time is appointed in accordance with *Article 1.5.1*.

Company Provided Items means equipment, materials, and services to be provided by Company according to *Appendix X*.

Contract means, these Conditions of Contract, the Appendices as stated in *Article 1.2.1*, Purchase Orders and, as the case may be, a separate form of agreement.

Contract Object means equipment or materials purchased, or to be purchased by Company from Contractor under this Contract.

Contractor means...[Contractors name].

Contractor's Representative means the person who at any time is appointed in accordance with *Article 1.5.1*.

Contractor Group means Contractor, Contractor's Affiliated Companies participating in the Work, its Subcontractors and their contractors and subcontractors, participants in a joint venture or similar partnership involved in the Work, Contractor's invitees, and personnel employed in or engaged by the aforementioned cooperate entities.

Day means a consecutive calendar day unless otherwise stated.

Force Majeure means an occurrence beyond the control of the party affected, provided that such party could not reasonably have foreseen such occurrence at the time of entering into the Contract and could not reasonably have avoided or overcome it or its consequences.

Licence Group(s) means the participants (at any time) in the actual production licence(s) operated by Company for which Contractor is performing the Work.

Purchase Orders means the document or electronic order issued by Company to initiate Work, in accordance with *Article 1.3*.

Subcontract means any contract between Contractor and any party, other than Company or any employees of Contractor, for the performance of any part of the Work.

Subcontractor means any party (other than Contractor) to a Subcontract.

Third party means any party, which is not a member of Company Group or Contractor Group.

Variation to the Work means a variation to the Work, made in accordance with the provisions of *Article 4*.

Variation Order means a written instruction of Variation to the Work issued in accordance with *Article 4*.

Disputed Variation Order means a document issued in accordance with *Article 4*.

Variation Order Request means a request submitted by Contractor in accordance with *Article 4*.

Work means all work that Contractor is required to carry out in accordance with the provisions of the Contract, including all services, personnel and equipment to be rendered in accordance with the Contract.

Worksite means a place where Work is being performed.

1.2 Contract documents and conflict between Contract documents.

1.2.1 The Contract consists of these Conditions of Contract, a separate form of agreement, if drawn up, the following Appendices:

Appendix A: Scope of Work
Appendix B: Compensation
Appendix C: Contract Schedule
Appendix D: Administration requirements
Appendix E: Company Provided Items
Appendix F: Health, environment and Safety
Appendix G: Company's requirements to Contractors Equipment
Appendix H: Contractors specifications.
Appendix I: Contractors proprietary information
Appendix J: Subcontractors
Appendix K: Guarantees,

and the Purchase Orders.

1.2.2 In the event of any conflict between the Contract documents they shall take precedence in the following order:

- a) the Agreement document, if drawn up,
- b) these Conditions of Contract,
- c) the Appendices in the order listed above, except Appendix D - Administration Requirements, which shall take priority after the other Appendices,

d) the Purchase Order.

1.3 Purchase Order.

Company shall order Work as required by issuing a Purchase Order.

A Purchase Order shall be defined as such, written or issued in electronic format on a specified numbered form and include references to the Contract number.

Contractor shall refer to the Contract number and Purchase Order number in all correspondence with Company and when invoicing, cf. **Article 5.2.2.**

1.4 Contractor's obligation to deliver and Company's obligation to use the Contract.

Contractor is obliged to perform the Work, and hereunder to deliver the services, products, materials and equipment included in **Appendix A; Scope of Work.**

Company has no obligation to procure any minimum quantity under this Contract. However Company is not entitled to use other contractors when buying services, products, materials and equipment included in **Appendix A; Scope of Work** , unless Contractor is unable to deliver at the agreed price, time of delivery and quality/quantity.

If new or modified technology expected to reduce operational time or cost, improve well performance or increase safety during operations becomes available after the signing of the Contract, Company may acquire the Work or part thereof related to said technology from other contractors, unless Contractor can supply technology with similar performance and quality at a competitive price within the requested time frame.

1.5 Representatives of the parties.

1.5.1 Prior to commencement of the Work each party shall appoint a representative with responsibility to administer the Contract.

A representative may delegate specific tasks to one or more persons appointed by him. In such case the other party's representative shall be notified of the authority given to such appointed person or persons.

- 1.5.2 Company may change Company's Representative at any time and shall notify Contractor of any change.

Contractor shall not change Contractor's Representative without cause, or any person Contractor's Representative has delegated specific tasks to, without the prior approval of Company, which shall not be unreasonably withheld or delayed.

2 PERFORMANCE OF THE WORK.

2.1 General obligations.

- 2.1.1 Contractor shall perform the Work in a professional and careful manner and in accordance with the Contract. As part of such performance Contractor shall:

- a) give priority to safety in order to protect life, health, property and environment, and
- b) cooperate with Company, Company's Representative and persons appointed by him in accordance with *Article 1.5*, and other contractors of Company.

2.2 Authority requirements.

2.2.1 Contractor shall keep itself informed of and shall comply with all applicable laws and regulations of any governmental or regulatory body having jurisdiction over the Work.

2.2.2 Where laws or regulations are adopted after the signature of the Contract, which necessitate a Variation to the Work or its execution, and this affects Contractor's cost or progress, either party is entitled to demand a change in the agreed price or schedule reflecting the effect of such decisions. The provisions in *Article 4* apply accordingly, provided that the time limit for presenting a Variation Order Request commences to run from the time the circumstance on which the request is based became or ought to have become known to Contractor.

2.2.3 Contractor shall, in due time, obtain and maintain such approvals and permits as are necessary for the performance of the Work, and which must or can be obtained in the name of Contractor. Company shall upon Contractor's request provide any necessary assistance in this respect.

Company shall, in due time, obtain and maintain all other approvals and permits. Contractor shall upon Company's request assist in obtaining approvals and permits concerning the Work, which can only be obtained in the name of Company.

2.2.4 Company may require that Contractor submits to Company such information about the performance of the Work and about Contractor Group as Company is obliged to submit to the public authorities.

2.3 Company's documents.

Contractor shall search for defects, discrepancies and inconsistencies in the Contract or conflicts with applicable law.

Contractor shall without undue delay notify Company of any defects, discrepancies, inconsistencies or conflicts with applicable law discovered.

Upon receipt of notice from Contractor, Company shall review these items and either have the necessary corrections made or give Contractor instructions on how to proceed.

2.4 Contractors equipment and/or Contract Object.

- 2.4.1 Contractor shall comply with all requirements and technical documentation following from *Appendix X*
- 2.4.2 Contract Objects, or materials and equipment or parts thereof provided by Contractor for which there is no detailed specification included in the Contract, shall be in premium condition, of good quality and workmanship and fit for the intended purpose where a purpose is defined in the Contract or, where no such purpose is defined, fit for its ordinary purpose.
- 2.4.3 On completion of the Work or any portion of the Work, Contractor shall without undue delay clear and remove all equipment and materials provided by Contractor including debris, thereby leaving the Worksite in a clean, tidy and safe condition.
- 2.4.4 Contractor shall at Company's request provide Company with a certificate of conformance confirming that any Contract Object, and all equipment provided by Contractor, meets the applicable laws and regulations as well as rigs/platforms certifying authority requirements.

2.5 Subcontracting.

- 2.5.1 Contractor shall not subcontract any part of the Work without the prior written approval of Company, which shall not be unreasonably withheld.

However, such consent is not required for minor purchases or limited use of hired labor.

Company shall without undue delay, approve or reject Contractor's written request to subcontract a portion of the Work.

When requested by Company, Contractor shall provide copies of all Subcontract documents prior to entering into the Subcontract.

- 2.5.2 No Subcontract shall bind Company.

Contractor shall ensure that any Subcontractor shall be bound by and observe the provisions of the Contract in so far as they apply to the Subcontract.

Contractor shall include in any Subcontract that Subcontractor waives the right to make any claims against Company arising out of or connected to the Contract.

- 2.5.3 Company's approval of Subcontractors does not relieve Contractor of any of its obligations hereunder.

Contractor shall in all contracts with Subcontractors include relevant provisions in the Contract to enable Contractor to fulfill its obligations in accordance with the Contract.

Contractor shall be responsible for all work, acts, omissions and defaults of any Subcontractors as fully as if they were work, acts omissions or defaults of Contractor.

Each Subcontract shall expressly provide for Contractor's unconditional right of assignment of the Subcontract to Company in the event that Company terminates the Contract

2.6 Contractors personnel.

2.6.1 Contractor is responsible for having sufficient personnel assigned to the Contract at all times to ensure performance and completion of the Work in accordance with the provisions of the Contract, and in order to meet current legislation concerning the work hours/shift work.

2.6.2 All personnel employed on the Work shall, for the work which they are required to perform, be competent, properly qualified and skilled. Contractor shall verify all relevant qualifications of such personnel.

Contractor shall at its own cost ensure that personnel performing parts of the Work offshore have passed a safety course and medical examinations, in accordance with existing laws and regulations.

2.6.3 Company shall approve appointment, transfer or replacement of personnel categorized as key personnel. Company's approval shall not be unreasonably withheld.

2.6.4 If any of Contractor's personnel conduct themselves in an unsatisfactory manner or is unfit for the Work, Contractor shall upon Company's request, replace said personnel at Contractor's own cost.

2.7 Data interpretation.

When requested by Company, Contractor shall provide interpretations of logs, tests and/or other data using his best professional knowledge. Company acknowledges that any interpretation of logs (whether made directly from optical logs or by data processing or otherwise) or interpretation of tests or other data and any recommendation or reservoir description based upon such interpretation are opinions based upon inferences from measurements and empirical relationships and assumptions.

Without prejudice to the provisions of *Article 2.1.1*, *Article 2.4* and *Article 2.6* Contractor does not warrant the accuracy, correctness or completeness of any such interpretation, recommendation or reservoir description.

2.8 Quality assurance and Health, Environment and Safety.

- 2.8.1 Contractor shall have an implemented and documented system for quality assurance in accordance with the requirements stated in *Appendix X - Administration Requirements*. Company has the right to audit the quality assurance system of Contractor Group. Company shall notify Contractor of such audit. The audit can include any part of the Work. Contractor shall give the necessary assistance during such audit.
- 2.8.2 Contractor shall have an implemented and documented system for health, environment and safety in accordance with the provisions of *Appendix X - Health, Environment and Safety*. Company reserves the right to audit the abovementioned system and carry out corrective measures at Contractor's expense. Company shall notify Contractor of such audit. Contractor shall give the necessary assistance during such audit.

3 DURATION AND PROGRESS OF THE WORK.

3.1 Contract Schedule.

The duration of the Contract is set forth in *Appendix C - Contract Schedule*.

3.2 Delayed Progress.

- 3.2.1 Contractor shall perform the Work in accordance with the time of delivery and time-limits/milestones specified in the Contract, Purchase Order, or as otherwise agreed.

If Contractor has reason to believe that the progress will deviate from the provisions in the preceding paragraph, Contractor shall immediately notify Company.

Contractor shall without undue delay after such notification give Company the following information:

- the reason for the delay,
- the expected impact on the Work.

- 3.2.2 If the delay is due to circumstances for which Contractor is responsible, Contractor shall without undue delay communicate to Company the measures it considers appropriate to avoid, recover or limit the delay.

If the measures proposed or implemented by Contractor are insufficient to avoid or recover the delay, then Company may require Contractor, at own cost, to take such measures, as Company considers necessary.

If Contractor maintains that it has no obligation to implement the measures required by Company, the provisions in *Articles 4* shall apply accordingly.

- 3.2.3 If the delay is due to circumstances for which Company is responsible, Company may only require such measures to be implemented in accordance with the provisions of *Article 4*.

4 VARIATIONS, SUSPENSION AND CANCELLATION.

4.1 Right to vary the Work.

- 4.1.1 Company has the right to order Variations to the Work within the scope of what the parties could reasonably have expected at the time the Contract was entered into.

Variations to the Work may include an increase or decrease in the quantity, or a change in character, quality, kind or execution of the Work or any part thereof, as well as changes to the agreed time of delivery and agreed time limits/ milestones.

- 4.1.2 When Company issues a Variation Order, Contractor shall, without undue delay, submit an estimate to Company. The estimate shall contain a description of the Variation to the Work in question, together with any effects on the compensation and the agreed time of delivery and time-limits/milestones or other effects on any conditions agreed in the Contract.

Company may require the submission of such estimate prior to issuing a Variation Order.

- 4.1.3 If Contractor finds that a Variation to the Work is required, Company shall be notified in writing, without delay. Variations to the Work shall be approved by Company by means of a Variation Order before Contractor initiates the Variation to the Work.

According to the provisions in *Articles 2.2.2, 3.2.3 and 4.5.1* Contractor has the right to request Variations to the Work.

4.2 Effects of a Variation to the Work.

- 4.2.1 All of Contractor obligations under the Contract/Purchase Order also apply to Variations to the Work, unless otherwise agreed.

- 4.2.2 Unless otherwise agreed between the Parties the price for Variations to the Work shall be determined according to the following provisions:

- a) If specific rates are not included in *Appendix B; Compensation* any appropriate or comparable rates included in the Contract shall be used.
- b) In the absence of specific, appropriate or comparable rates a fair valuation shall be made.

If a Variation to the Work effects the agreed time of delivery or time-limits/milestones, the effects shall be agreed upon between the parties.

Variations to the Work caused by circumstances for which Contractor is responsible shall not lead to any adjustments in the compensation or the agreed time of delivery or time-limits/milestones in favor of Contractor.

4.3 Issue of Variation Orders.

All Variations to the Work shall be made by means of a Variation Order issued by Company in accordance with the provisions of this *Article 4.3*.

A Variation Order shall be expressly identified as such and be submitted on a prescribed and numbered form.

The Variation Order shall at least contain a description of what the variation work consists of.

4.4 Consequences of Variation Orders.

On receipt of a Variation Order Contractor shall implement it without undue delay, even if the effect of the Variation Order on the Compensation, the time of delivery and time-limits/milestones and other provisions of the Contract/Purchase Order have not been agreed.

If the parties agree that there is a Variation to the Work, but disagree as to the effect on the agreed prices, then Company shall pay Contractor provisional compensation calculated in accordance with *Article 4.2.2*.

If the parties disagree as to the effect on the agreed time of delivery and time-limits/milestones, then the views of both the parties shall be recorded on the Variation Order.

Unless legal proceedings have been instituted within 6 months of the issue by Company of the Variation Order, the payment made by Company and Company's position concerning the effect on the time of delivery and time-limits/milestones set out in the Variation Order, shall be considered final.

4.5 Variation Order Request.

- 4.5.1 If Company requires work to be performed, which in the opinion of Contractor is not part of its obligations under the Contract, then Contractor shall submit a Variation Order Request to Company, and as soon as possible thereafter prepare an estimate in accordance with *Article 4.1.2*.

If Contractor has not presented a Variation Order Request within 30 Days after Company has required work to be performed, Contractor loses the right to claim that the work is a Variation to the Work.

A Variation Order Request shall be expressly identified as such and be presented on a prescribed form. It shall contain a specified description of the work the request concerns.

- 4.5.2 If Contractor within the stated time limit has made a request as stated in *Article 4.5.1*, Company shall within 30 Days, either issue a Variation Order in accordance with the provisions of *Article 4.3* or a Disputed Variation Order. If Company is of the opinion that this work is a part of the Work, a Disputed Variation Order shall be issued.

A Disputed Variation Order shall be expressly identified as such and shall be presented on a prescribed form, which shall identify the work in dispute between the parties and state Company's reason for regarding this as a part of the Work.

Upon receiving a Disputed Variation Order, Contractor shall implement it without undue delay.

Unless legal proceedings have been instituted within 12 months after the Company issued a Disputed Variation Order, the work described in the Disputed Variation Order is to be regarded as a part of the Work.

4.6 Cancellation.

Company shall have the right to cancel the Contract at its sole discretion by giving one (1) calendar month written notice to Contractor.

Company shall have the right to cancel a Purchase Order or parts thereof at its sole discretion with immediate effect by notice to Contractor.

Company shall as a matter of form state the reason for the cancellation.

Unless otherwise agreed, Contractor shall have the right to, cancel the Contract if Company has not used the Contract in [x] Days, by giving Company [x] Days written notice.

4.7 Effects of cancellation.

- 4.7.1 In the event of cancellation Contractor shall cease performance of the Work as of the effective date of the cancellation stated in the notice from Company.

Contractor shall forthwith take all necessary steps in order to avoid unnecessary additional costs after the notice of cancellation has been received. Subcontractors shall without undue delay be informed in order to accomplish the cancellation.

Contractor shall deliver to Company copies of all plans, drawings, specifications and other documents, which Company is entitled to use in accordance with the Contract.

4.7.2 In the event of cancellation Contractor shall be entitled to compensation as set out in *Appendix B - Compensation* for the part of the Work performed in accordance with the Contract, together with other compensation and cancellation fees as may be set out in *Appendix B- Compensation*. All payments shall be made in accordance with the provisions in *Article 5* and *Appendix B – Compensation*.

4.8 Suspension.

4.8.1 Company may temporarily suspend the performance of the Work, or parts thereof, by giving notice to Contractor.

4.8.2 The notice shall specify which part of the Work shall be suspended, the effective date of the suspension and the expected date for resumption of the Work.

Company shall state a reason for the suspension.

4.8.3 Upon receipt of such notice Contractor shall unless instructed otherwise:

- a) discontinue the Work or the part of the Work detailed in the notice, on the date and to the extent specified; and
- b) properly protect and secure the Work as required by Company.

4.8.4 Contractor shall resume the Work after notice by Company. The date of resumption of the Work shall be determined with due consideration to the mobilization plan and the support functions maintained during suspension.

4.9 Effects of suspension.

4.9.1 Company shall compensate Contractor for all necessary expenses arising from:

- a) demobilization and mobilization of personnel and equipment
- b) safeguarding of the Work and Company Provided Items
- c) personnel, Subcontractors and equipment which must be kept available in accordance with Company's instructions
- d) other costs incurred by Contractor, which are strictly necessary and directly linked to the suspension

- 4.9.2 If the Work or parts thereof have been suspended continuously for a period exceeding 120 Days, then Contractor may cancel the Contract for that part of the Work, which is suspended by giving 14 days written notice. If Company has not ordered a resumption of the Work within 14 days after receiving the notice, then the provisions of **Article 4.6 and 4.7** shall apply accordingly.

5 INVOICING, PAYMENTS, AUDIT AND TITLE.

5.1 Compensation.

Company shall compensate Contractor in accordance with the provisions stated in **Appendix B – Compensation.**

5.2 Invoicing.

- 5.2.1 Contractor shall submit to Company an invoice according to the provisions in **Appendix B – Compensation.**

All amounts due to Contractor for Work performed shall be invoiced at the latest within 6 months after the Work according to the Purchase Order is completed. If Contractor fails to do so, Company will not be obliged to remunerate the invoice.

- 5.2.2 Invoices shall refer to the Contract number, the Purchase Order numbers, and other references specified in **Appendix B**, and shall be accompanied by all documentation necessary to verify the invoiced amount

5.3 Payments.

- 5.3.1 Company shall within 30 Days after receipt of a correct invoice, pay the amount due to Contractor.

- 5.3.2 Company is entitled to return invoices that do not meet the requirements set out in **Article 5.2.2** or elsewhere in the Contract. Company will give notice before returning invoices.

- 5.3.3 The following deductions may be made from any payments:

- a) Any previous payment on account to Contractor, which relates to the Work, covered by the invoice.
- b) Such parts of the invoiced amounts as are insufficiently documented or otherwise disputed, provided Company, as soon as possible specifies what documentation is considered insufficient and/or what the dispute concerns.
- c) All amounts due to Company from Contractor, provided that Company is entitled to make such deductions according to applicable law.

If it is later established that Company had an obligation to pay the withheld amount, then Company shall pay interest in accordance with "Forsinkelsesrenteloven" calculated from the due date for payment of the invoice.

5.3.4 Company's payment of an invoice shall not be construed as an acceptance of the goods or services delivered under the Contract, nor shall it be construed as a waiver of Company's rights under the Contract.

5.3.5 If it has been agreed that Contractor shall provide a guarantee, Company shall not be obliged to make any payments until Contractor has provided such guarantee in accordance with the provisions in *Appendix X*.

5.4 Audits.

5.4.1 Company is entitled to audit at Contractor's and Subcontractor's Worksites within normal office hours, all books, records and documents of every kind relating to invoiced charges made by Contractor to Company.

In this respect Company is not entitled to investigate the calculation of rates and lump sums included in the Contract, except to the extent necessary for the proper evaluation of any Variations.

5.4.2 Company is entitled to audit during the period of the Contract and for up to two years after the Contract expires or is terminated.

5.4.3 Contractor shall cooperate fully with Company and/or its representatives in the carrying out of any audit required by Company. Company will conduct any audit in a manner, which will keep to a reasonable minimum any inconvenience to Contractor.

Contractor may require the audit to be performed by a neutral auditor to the extent it shows that there is a probability of confidential information, or information which is not relevant for the purposes of the audit, being disclosed to the wrong parties.

5.4.4 Payments shall not affect Company's audit rights.

If charges are proven incorrect, then an adjustment shall be made, whether or not this is in the favor of Contractor.

5.5 Title to Contract Objects.

Title to any Contract Object shall pass on to Company on delivery, or when paid for by Company, if payment has been made earlier.

Alternative 1:

If a Purchase Order concerns Contract Objects to be permanently installed in the well or otherwise, title to the equipment shall pass on to Company when the equipment in question has been successfully installed, tested if relevant, and accepted by Company

or:

Alternative 2:

If a Purchase Order concerns manufacturing, title to the Contract Object shall pass on to Company progressively as the Work is being performed. The Contract Object shall be marked "Property of Company", and shall be kept segregated from other materials and equipment at Contractors Worksite.

6 BREACH OF CONTRACT.

6.1 Contractor's Delay.

6.1.1 Contractor is in delay if Contractor is unable, or will be unable to perform the Work within the time of delivery, time limits/ milestones specified in the Contract, Purchase Order, or as otherwise agreed

6.1.2 If Contractor is in delay, Contractor shall pay liquidated damages to Company. The liquidated damages shall be calculated according to the provisions in ***Appendix B – Compensation***.

Contractor's cumulative liability for liquidated damages under each Purchase Order shall be limited according to the provisions in ***Appendix B – Compensation***.

6.1.3 If the delay is caused by gross negligence or willful misconduct on the part of Contractor or someone for whom Contractor is responsible, Company may, instead of the liquidated damages claim compensation for the losses suffered due to the delay. Contractor is not liable for any indirect losses suffered by Company, cf. ***Article 8.10***.

6.1.4 Company may suspend or terminate the Contract or Purchase Order in accordance with ***Article 6.3, 6.4 and 6.5*** due to delay.

The provisions set out in ***Article 1.4, 3, 6.1, 6.3, 6.4 and 6.5*** are Company's sole remedies against Contractor's delay.

6.2 Contractor's defects.

- 6.2.1 Contractor's performance of the Work is defective if the Work or part thereof, is not performed in accordance with the Contract.

The same shall apply if Contractor utilizes equipment, articles or methods to which it is not properly entitled in connection with the Work.

- 6.2.2 Notwithstanding the provisions in *Article 8*, Contractor is liable for any defective Work in accordance with the provisions of this *Article 6.2*.

Company shall make a written notice of defect within reasonable time after the defect has been discovered. In no event shall the notice of defect be made later than 12 months after the Work is completed, unless Contractor by means of a guarantee for a Contract Object, or otherwise, has undertaken liability for defects for a longer period.

The same time limits apply in respect of rectification work, calculated from the time the rectification work was completed. The time limits for making a notice of defect does not commence as long as rectification work or other activities necessary to comply with the contractual requirements are performed

- 6.2.3 When Company notifies Contractor of a defect, Contractor shall if requested by Company, without delay, remedy the defect, or re-perform that part of the Work which has not been performed in accordance with the Contract. The rectification or re-performance work shall be performed for Contractor's account.

Contractor shall submit its plans for any remedial actions for Company's approval, which shall not be unreasonably withheld.

If Contractor fails to remedy the defects or re-perform within reasonable time, Company is entitled to remedy the defect or re-perform itself or employ another contractor to do so for Contractor's risk and account.

The same shall apply if awaiting Contractor's remedy or re-performance will cause inconvenience to Company. In such cases, Contractor's liability for rectification or re-performance costs shall not exceed the cost Contractor would have incurred if Contractor had performed the rectification or re-performance work.

- 6.2.4 If the Work is defective, Company may in addition to the other remedies in this *Article 6.2* reduce Contractor's compensation.

Unless otherwise specified in *Appendix B – Compensation* Company may demand a reduction in the price so that the ratio of the reduced to the agreed price is equivalent to the ratio of the value of the defective Work to its value in a contractual condition at the time of delivery.

6.2.5 Notwithstanding the provisions in **Article 8** Company is entitled to claim damages for defects according to law. However Contractor is not liable for any indirect losses suffered by Company, cf. **Article 8.10**.

6.2.6 Company is entitled to suspend and terminate the Contract in accordance with the provisions of **Article 6.3, 6.4 and 6.5** due to defects.

The remedies set forth in this **Article 1.4, 6.2, 6.3, 6.4 and 6.5** are the sole remedies open to Company against Contractor for defects.

6.3 Suspension due to Contractor's breach of Contract.

If the Work is delayed or Contractor's performance of the Work is defective, Company is entitled to suspend the Work, or parts thereof, until Contractor has convinced Company that it is able to meet the contractual requirements, and Company, from operational reasons, finds it acceptable that Contractor resumes the work.

During such suspension period Company shall have the right to engage other contractors to perform the Work, or parts thereof, cf. **Article 1.4**.

In the event of a suspension, Contractor shall be liable for its own cost in connection with the suspension.

This article shall not supersede Company's right to terminate the Contract according to **Article 6.4**.

6.4 Termination due to Contractor's breach of Contract.

Company is entitled to terminate the Contract and/or a Purchase Order with immediate effect, if Contractor is in substantial breach of its obligations according to the Contract, or if Company is entitled to be paid maximum liquidated damages in accordance with **Appendix B - Compensation**, ref. **Article 6.1.2**.

The same applies if Contractor becomes insolvent, files for bankruptcy, makes an arrangement with its creditors, commences proceedings for winding up, or stops its payments.

6.5 Effects of termination due to breach of Contract.

If Company according to **Article 6.4** terminates the Contract and/or a Purchase Order, Company is entitled to complete the Work with or without the assistance of others. Company can free of charge use documentation, materials and other items, which may be required to complete the Work. This only applies when such use is of a limited duration.

Contractor shall if so requested by Company assign free of charge any Subcontracts to Company.

If the Contract and/or the Purchase Order are terminated according to **Article 6.4**, Company will only reimburse Contractor for those portions of the Work actually performed or delivered to Company.

When the Contract or a Purchase Order is terminated, Company shall also be entitled to present the following claims:

- a) damages for delay in accordance with the provisions of *Article 6.1 ref. Appendix B - Compensation*
- b) damages for defects and other breaches of Contract in accordance with the provisions of *Article 6.2.*

6.6 Company's Breach of Contract.

If Company is late in making payments in accordance with *Article 5*, then Company shall pay interest according to "Forsinkelsesrenteloven", unless the delay is caused by insufficient invoice documentation from Contractor, and Company has notified Contractor of this without undue delay.

7 FORCE MAJEURE.

7.1 Effects of Force Majeure.

Neither of the parties shall be considered in breach of an obligation under the Contract to the extent the party can establish that fulfillment of the obligation has been prevented by Force Majeure. Each party shall cover its own costs resulting from Force Majeure.

7.2 Notification.

The party invoking Force Majeure shall as soon as possible notify the other party of the Force Majeure situation. Such notice shall also include the cause of the delay and the presumed duration thereof.

7.3 Cancellation due to Force Majeure.

Each party is entitled to cancel the Contract if the Force Majeure situation lasts without interruption, or it is evident that it will do so, for more than 60 - sixty - Days.

8 LIABILITY AND INSURANCE.

8.1 Contractor's indemnity.

Contractor shall indemnify Company Group from and against any claim concerning:

- a) personal injury to or loss of life of any personnel of Contractor Group,
- b) loss of or damage to any property of Contractor Group,

arising out of or in connection with the Work.

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Company Group.

8.2 Company's indemnity.

Company shall indemnify Contractor Group from and against any claim concerning:

- a) personal injury to or loss of life of any personnel of Company group,
- b) loss of or damage to any property of Company group,

arising out of or in connection with the Work.

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Contractor Group.

8.3 Third party liability.

Subject to clause *Article 8.4 – Pollution from reservoir and property of Company*, Contractor shall indemnify Company Group from and against any claim arising out of loss or damage suffered by a Third Party in connection with the Work, to the extent that any such loss or damage is caused by the negligence or breach of duty (whether statutory or otherwise) of Contractor Group.

Subject to *Article 8.5 - Pollution from Contractor's property*, Company shall indemnify Contractor Group from and against any claim arising out of loss or damage suffered by a Third Party in connection with the Work, to the extent that any such loss or damage is caused by the negligence or breach of duty (whether statutory or otherwise) of Company Group.

8.4 Pollution from reservoir and property of Company.

Notwithstanding the provisions of *Article 8.3 – Third party liability*, and except as provided by *Article 8.1 – Contractor's indemnity and 8.5 – Pollution from Contractor's property*, Company shall indemnify Contractor Group from and against any claim arising from pollution and/or contamination, including without limitation such pollution or contamination emanating from the reservoir, or from the property of Company Group, arising from or related to the performance of the Work.

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Contractor Group.

8.5 Pollution from Contractor's property.

Notwithstanding the provisions of *Article 8.3- Third party liability*, and except as provided by *Article 8.2 – Company's indemnity*, Contractor shall indemnify Company Group from and against any claim arising from pollution occurring on the premises of Contractor Group or originating from the property and equipment of Contractor Group located above the rotary table, arising from or relating to the performance of the Work.

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Company Group.

8.6 In-hole equipment.

Notwithstanding the provisions of *Article 8.1 – Contractor’s indemnity*, Company shall reimburse Contractor for loss of or damage to property, materials or equipment of Contractor Group, which occurs whilst in-hole below the rotary table, unless due to fair wear and tear or caused by Contractor’s negligence.

Company's liability for such loss or damage shall be limited to the replacement value of Contractor Group's equipment, as specified in *Appendix B - Compensation*, minus an amount also specified in *Appendix B – Compensation* to be for Contractors own account.

8.7 Use of equipment according to Article. 6.5.

Notwithstanding the provisions of *Article 8.1 – Contractor’s indemnity*, Company shall indemnify Contractor Group from and against any claim concerning loss of or damage to any property of Contractor Group when being used by Company according to *Article 6.5- Effects of termination due to breach of Contract*.

8.8 Loss of hole, blowout, damage to reservoir and use of radioactive tools.

Subject to *Article 8.1 - Contractor’s indemnity and 8.5 - Pollution from Contractor’s property* but notwithstanding anything contained elsewhere in the Contract to the contrary, Company shall indemnify Contractor Group against all claims and losses resulting from:

- a) loss of or damage to any well or hole;
- b) blowout, fire, explosion, cratering or any uncontrolled well condition (including the cost to control a wild well and the removal of debris);
- c) damage to any reservoir, geological formation or underground strata or the loss of oil or gas therefrom;
- d) the use of radioactive tools in relation to the Work or any contamination resulting therefrom (including retrieval and/or containment and clean up)

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of Contractor group.

8.9 Infringement of patents/property rights.

Contractor shall indemnify Company Group from claims resulting from infringement of patents or other industrial property rights arising out of or in connection with the Work or Company's use of the Work, except where such infringement necessarily arises from the use of Company Provided Items or Company's instructions.

Company shall indemnify Contractor from claims resulting from infringement of patents or other industrial property right arising out of or in connection with the obligations of the Company under the Contract, or the use by the Contractor of Company Provided Items.

8.10 Indirect losses.

Notwithstanding any provisions to the contrary elsewhere in the Contract, and except to the extent of any liquidated damages or termination fees provided for in the Contract, Company shall indemnify Contractor Group from Company Group's own indirect losses and Contractor shall indemnify Company Group from Contractor Group's own indirect losses.

This applies regardless of any form of liability, whether strict or by negligence, in whatever form, on the part of either group.

Indirect losses according to this provision include but are not limited to loss of production, loss of earnings, loss of revenue, loss of profit or anticipated profit.

Indirect losses according to this *Article 8.10* shall also include losses related to the rental of drilling rigs.

8.11 Notice of received claims.

The parties shall immediately notify each other of claims, which involve the other party. The party being liable for settlement of a claim, shall, if possible, handle the claim.

The parties shall give each other information and other assistance needed for handling the claim.

Neither party shall, without the written consent of the other party, approve of a claim, which shall be indemnified in whole or in part, by the other party.

8.12 Insurance.

Company shall provide and maintain the insurances Company is obliged to take out according to applicable laws and regulations.

Contractor shall at its own expense procure and maintain insurance to cover its liabilities under this Contract

Contractor's insurance policies shall be taken out with first class insurers and according to the best insurance terms available on the market.

The insurances shall be in force upon commencement of the Work and shall remain in force during the term of the Contract.

Company shall be included in Contractor's insurances as protected additional insured to the extent of the liability assumed by Contractor under this Contract.

Contractor shall ensure that all insurance policies include a clause requiring the insurer to notify Company in writing at least 30 – thirty - days prior to variations, cancellation or expiry of the insurance policies.

Contractor shall cause its insurers to waive all rights of subrogation against Company and Company group, for the term of the Contract to the extent of liabilities assumed hereunder by Contractor.

Contractor shall on Company's request, submit to Company evidence that all insurance required have been duly effected.

Contractor shall, upon Company's request, verify that all policy terms and insured amounts are meeting said requirements.

If Contractor fails to take out insurance according to its obligations under this **Article 8.12**, Company is entitled to take out such insurance and claim a refund of the costs from Contractor.

9 PROPRIETARY RIGHTS ETC.

9.1 Rights to information, technology and Inventions.

9.1.1 Commercial and technical information, including drawings, documents and computer programs regardless of method of storage, and copies thereof, provided by Company to Contractor shall be the property of Company. The same applies to information developed by Contractor mainly on the basis of information provided by Company.

Inventions made by Contractor during the performance of the Work mainly based on such information as stated in the first paragraph shall also be the property of Company.

This shall, however, not apply, if the rights of anyone other than the Contractor or Company prevent it and Contractor has made reasonable efforts to obtain the right.

Contractor shall notify Company of such inventions, which shall be Company's property. Contractor shall provide the necessary assistance to enable Company to acquire the patents to the inventions. Company shall pay Contractor for all reasonable costs in connection with such assistance, including compensation for Contractors employees or others in accordance with applicable law or general agreements concerning compensation for inventions.

Such information as stated in the first paragraph and inventions as stated in the second paragraph shall not be used by Contractor other than for the purpose of the Work. All documentation, all computer programs and copies shall be returned to Company at the expiry of the Contract, unless otherwise agreed.

9.1.2 Commercial and technical information, including drawings, documents and computer programs regardless of method of storage, and copies thereof, provided by Contractor to Company shall be the property of Contractor. The same applies to information developed by Contractor mainly on the basis of such information and all other information developed by Contractor group in connection with the Work and which is not compromised by **Article 9.1.1**.

Inventions made by Contractor during the performance of the Work and which are not covered by **Article 9.1.1, second paragraph** shall be the property of Contractor.

Contractor shall give Company an irrevocable royalty-free, non-exclusive right to use information mentioned in the first paragraph, and inventions mentioned in the second paragraph to the extent they are necessary for performing the Work or for the future operation, maintenance or repair of any Contract Object.

9.2 Confidentiality.

All information exchanged between the parties shall be treated as confidential and shall not be disclosed to anyone other than Contractor or Company without the other party's written permission, unless such information:

- a) may be disclosed to anyone other than Contractor or Company in accordance with *Article 9.1*,
- b) is already known to the party in question at the time the information was received, or
- c) is or becomes part of the public domain other than through a fault of Company Group or Contractor Group, or
- d) is rightfully received from anyone other than Contractor or Company without an obligation of confidentiality

Each of the parties may, however, use or disclose confidential information to anyone other than Contractor or Company to the extent necessary for the performance of and control of the Work.

In such cases the parties shall ensure that the party in question signs a written confidentiality agreement in accordance with this *Article 9.2*.

Company shall be entitled to free use of information presented and consecutively handed over to Company as Contractor's result of the Work.

Contractor shall not publish information concerning the Work or the Contract including any well data without Company's written approval, which shall not be unreasonably withheld.

The provisions of this *Article 9.2* shall not prevent a party from disclosing confidential information to the Ministry of Oil and Energy or the Petroleum Directorate or to anyone other than Contractor or Company to the extent necessary, according to applicable law.

Confidential information shall be treated in a secure manner, documentation shall be kept in locked files and electronically stored information shall be inaccessible to unauthorized personnel.

The obligation of confidentiality also applies after the Contract expires or is terminated.

10 OTHER PROVISIONS.

10.1 Assignment of the Contract.

Company is entitled to assign its rights and obligations under the Contract, fully or partly provided that Company can demonstrate that the assignee has the financial strength required to fulfill Company's obligations under the Contract.

Contractor may not assign or mortgage the Contract, a part of or interest in it, without Company's approval. Such approval shall not be unreasonably withheld.

10.2 Company's right to utilize the Contract.

Company is entitled to give any licence group on the Norwegian continental shelf where [X] is the operator a right to utilize the Contract.

Except for [X], the other members of the Licence Group, or other operators can not utilize the Contract without Contractors approval.

10.3 Amendments.

Any amendments under the Contract shall be in writing duly signed and mutually agreed by the parties.

10.4 Notices and claims.

All notices and claims to be given in accordance with the provisions of the Contract shall be submitted in writing to the relevant party's representative under *Article 1.5*, with such address as given in *Appendix D* or as changed by written notice.

10.5 Business Ethics.

Contractor shall comply with applicable laws, rules and regulations and international conventions prohibiting the employment of child labour. Contractor shall take measures to ensure compliance by its Subcontractors, and all Subcontracts executed by Contractor shall provide that violations of child labour laws shall be a ground for termination of the Subcontract.

Contractor Group shall not make any payment or offer to pay thing of value, directly or offer to pay any thing of value, directly or indirectly, to any government officials in connection with the Contract for the purpose of influencing an act or decision in such government official's capacity or inducing such government official to influence the government in violation of any law applicable to any of Contractor, Company or their Affiliates in the area of operation.

10.6 Norwegian law and disputes.

This Contract shall be governed by and interpreted in accordance with Norwegian law.

Disputes arising in connection with, or as a result of the Contract, and which are not resolved by mutual agreement, shall be settled by court proceedings before [X] court, unless the parties agree otherwise.

Pending the resolution of a dispute, Contractor shall continue the Work in accordance with the provisions of the Contract.