

7 PARTICIPATION ENTITLEMENT

Accounting agreement Attachment B article 1.4.1 states that a Non-operator shall have the right to audit the Operator. Prior to each audit, all Non-Operators shall be requested to indicate their desired participation in the forthcoming audit (ref par. 3.2.3). When nominating the audit team, efforts shall be made to accommodate all Non-Operators wishing to participate.

All Non-Operators participating in the audit with an auditor will receive copies of all correspondence relating to the audit. In addition, they are expected to participate actively in the audit program preparation, the review and finalization of the audit report, and the audit follow-up and close out process.

Non-Operators which only participate through cost sharing will receive copies of all follow-up correspondence. They are also entitled to request the Lead Auditor to include specific items in the audit program. The audit program, audit memoranda and replies, and other selected information from the work paper files will be made available on written request to the Lead Auditor.

8 COMMUNICATION AND CONFIDENTIALITY

Unless otherwise agreed, any notice or other communication required according to the Joint Venture Audit Guidelines listed herein, shall be sent in writing in the English language. The use of electronic mail for transfer of documents and files shall at all times be in accordance with internationally recognised standards and controls as adopted by the petroleum industry.

Confidential information shall be treated in strictest confidence and in accordance with the relevant confidentiality agreements reference is made to point 3.2.5 in this guideline.

APPENDIX A REVISION HISTORY

Changes to the guideline is highlighted in a separate document, Appendix A.

APPENDIX B – COST SHARING

NORWAY JOINT VENTURE AUDIT COST SHARING

These details for Norway joint venture audit cost sharing were developed in early 1986 and have subsequently been modified to reflect increases in Charge Out Rates. They serve as general guidance but may be modified to suit specific circumstances as deemed necessary by Audit Committees or individual Non-Operator audits. For Overhead Audits, ref. 4.3 to this Appendix A

1. Audit Cost Charge Out Rates - 2017

(a)	Per diem for auditors' salary plus departmental overhead costs	7,700 NOK/Day
(b)	Per diem for out of town auditors	2,950 NOK/Day
(c)	Per diem for local auditors	360 NOK/Day

All rates are adjusted yearly and approved in the yearly planning meeting. Adjustment is based on the Consumer Price Index (CPI) of Statistics Norway as of 15 July the preceding year. Reference is made to Minutes of Meeting from Norway Joint Venture Audit plan meeting.

2. Application of Charge Out Rates

- The per diem rate (a) applies to all auditors including the Lead Auditor.
- The per diem rate (a) applies to full working days only.
- The Lead Auditor can charge per diem rate (a) for an additional 10 days for audits of up to 2 weeks and 15 days for audits of 3 weeks or more to cover audit preparation, report writing and audit follow-up work. (b) and (c) do not apply.
- The initial per diem rate for out of town auditors (b) is made up as follows:
Hotel: 1,900 NOK, meals: 600 NOK, local transport, incidentals, etc. 400 NOK.
- Out of town auditors can charge the per diem rate (b) for all intermediate weekends (2 days) for which no return fares are reimbursed

3. Transportation Charges

3.1. Air fares will be charged to the audit costs on the following basis:

- Norwegian base auditor location: One return trip for every week or part of a week
- European base auditor location: One return trip economy premium class for every two weeks or part of two weeks.
- Outside Europe base auditor location: One return trip business class per audit (four weeks duration or more)

3.2. At locations with insufficient public transport or remote office locations, the cost of one rental car can be charged to the audit costs. Car rental shall be made on the most economic basis available to the audit team.

3.3. Additional transportation charges for audit visits to Operator's branch offices or

operating locations, contractor offices etc. (plane, train, ferry) can also be charged to the audit costs. To the extent possible, however, such visits shall be combined or covered with air fares under 3.1 or car rental under 3.2 above. All other costs associated with travel hereunder are deemed to be covered under the per diem rates in 1. above.

- 3.4. Additional transportation charges for a visit by the Lead Auditor to the Operator for one additional visit prior to or after the audit can be charged to the audit costs.

4. Basis for Audit Cost Sharing

- 4.1. **Financial Audits:** Under individual licenses, operating units or group of licenses, audit costs shall be shared on the basis of each Non-Operator's financial share in the license or unit, adjusted to exclude the Operator's share and also any Non-Operators who have elected not to participate in cost sharing. By financing share is meant the Non-Operator's payment as per the Billing Statement.
- 4.2 **Hydrocarbon Audits:** The sharing methodology is as under 4.3. below.
- 4.3 **Overhead Audits:**
- For specific overhead and indirect costs audits the following method of cost sharing should be applied for all audits:
 - Each non-operator participating in the audit team bears his own costs.
 - Non-participating non-operators wishing the report and follow-up correspondence pay NOK 36,000
 - Income on sale of reports is collected by and credited to the Non-Operator leading the audit to compensate for extra time on planning, administration, report writing and follow-up.

APPENDIX C ELECTRONIC TRANSACTION DATA WITH/ATTACHMENTS

Data submission as referred to in paragraph 3.2.5 must be supplied with supporting tables allowing the lead auditor to extract relevant information. The supporting tables should at least give specification of the following:

1. Company code
2. License / Project / JV – code
3. Venture description
4. Equity group

5. Cost center number
6. Cost center name
7. Account number
8. Account name

9. Billing code- JIB (*Joint Interest Billing Reference*) code.

10. Fiscal Year - YYYY
11. Document date - DD.MM.YY
12. Posting date - DD.MM.YY
13. Posting period - MM. YY

14. Cost object / WBS / Internal order code
15. WBS - Description

16. Contract/Purchase order – reference
17. Vendor number
18. Vendor description

19. DT - Document type
20. DT - Description

21. Document/line item - text

22. Document number reference
23. Voucher number reference
24. Invoice number reference

25. VAT code
26. Credit / Debit – code

27. Amount in transaction currency
28. Currency code
29. Amount in local currency NOK
30. Text/description field

APPENDIX D SUGGESTED AUDIT REPORT FORMAT

1. **Cover letter** from Lead Company to the Operator
2. **Management summary** (no need to repeat from Fact book, from audit Program or comprehensive repeat of audit comments)
3. **Background information** (typical elements are Scope and Objectives, expenditure coverage, license mix when applicable, Audit Period, Location, Audit Coordinator and Team)
4. **Summary / List of Audit Exceptions** in table format *) – as **Attachment 1**
 - AE # and MF/PF nature
 - Subject
 - Amount Claimed NOK
 - Amount Accepted NOK
 - Amount Rejected NOK (if any)
 - Amount Withdrawn NOK (if any)
 - Status: Open, Accepted or Closed
 - Correction Voucher
5. **List of Open Information Requests**
6. **Detailed Audit Findings / Exceptions** - pending volume of communication etc, an alternative format to normal word writing is recording the facts in three columns,
 - Comment / Observation
 - Significance (when applicable)
 - Recommendation (includes Operator's response, Rebuttals and Status as Open / Accepted / Closed / Withdrawn)
7. **Signed minutes of follow-up meeting**

*) SUMMARY OF AUDIT EXCEPTIONS AND STATUS

AE #	Description *)	Type MF / PF	Amount Claimed	Amount Accepted	Amount Withdrawn	Status	Corr. Vouch ref.

*) for Hydrocarbon summary, a reference to findings detailed in another spreadsheet may be useful.

APPENDIX E PROCEDURE AND FORMAT STAND STILL AGREEMENT

1. Introduction

This procedure is worked out in collaboration with the major operators at NCS. The mandate of the group concerns the issue of time barring in relation to the 24-month audit pursuant to the Joint Accounting Agreement article 1.4. For the avoidance of doubt, 1 year audits are excluded from the mandate of this work group.

2. Procedure

Since the parties cannot agree in advance that limitation shall not set in, the intention of entering into a Stand Still Agreement (attachment 1) should first of all be addressed and added as an item on the agenda for the yearly audit meeting where all companies in principle will be represented.

Furthermore, the undertaking of a Stand Still Agreement should be dealt with at the meeting to be held in accordance with JAA article 1.4.1.1, second paragraph where the licensees go through all outstanding issues from the audit, including any audit exceptions and information requests. Such meeting is held after the field work has been completed but prior to the issuance of the audit report. Accordingly, the meeting will as a basis take place within the audit execution year, and therefore prior to any audit claim being time barred pursuant to the general 3 year limitation period, cf. the time line illustration above.

Alternatively, if the audit is conducted in Q4 of the audit execution year, undertaking of a Stand Still Agreement should be dealt with at the end of field work meeting (meeting normally held at the end of the audit field work and prior to meeting regulated in JAA article 1.4.1.1)

If the Operator signs a Stand Still Agreement at the JAA article 1.4.1.1 meeting or at the end of field work meeting, one will first of all avoid any audit exceptions being time barred during the audit follow up for the duration of the agreement. Also, the parties will have a fixed date to act in accordance with to avoid any time barring, which implies predictability for all parties. Secondly, by signing an agreement at one of these meetings one can avoid any discussions concerning commencement of the limitation period, supplementary limitation period and the question of whether the licensees had necessary knowledge of a claim.

However, in order for the Operator to sign a Stand Still Agreement at the JAA article 1.4.1.1 meeting or at the end of field work meeting, the Minutes of Meeting should be prepared and ready to sign at the end of the meeting. Alternatively, the Agreement may be enclosed the Minutes of Meeting which shall be sent to the participants for signing shortly after the meeting is held.

Furthermore, the undertaking of a Stand Still Agreement at the meeting in accordance with JAA 1.4.1.1 or at the end of field work meeting or alternatively when signing the Minutes of Meeting following such meeting is based on the assumption that the audit exceptions are sufficiently identified at this stage. To be covered by the Stand Still Agreement open information requests must be converted to audit exceptions.

The Operator cannot undertake an agreement where a claim is not identified or is only vaguely stated. One does not have to specify any amount or give an estimate with regards to the relevant claim. However, the frame of each potential claim will, to a certain extent, have to be specified so that the Operator knows which claims the undertaking comprises.

All outstanding audit exceptions identified in the field work will be comprised by the Stand Still Agreement. If the licensees identify other audit exceptions during the audit follow up, the on-operators could request the Operator to include these in the Stand Still Agreement. The Operator shall not, however be obligated to accommodate such requests.

THE NON COMPATIBILITY FOR AUDIT OF THE TIME BAR ISSUE WITH JOA

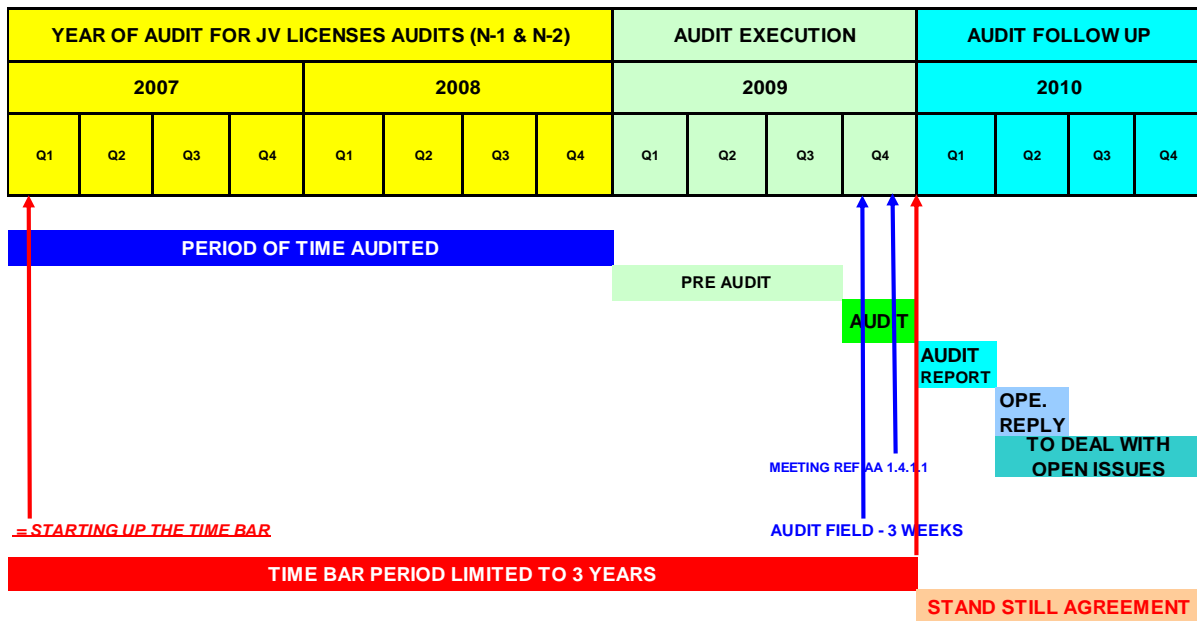


Figure 1: Time line example (for illustration purposes only)

ATTACHMENT 1 – STAND STILL AGREEMENT

STAND STILL AGREEMENT

This Stand Still Agreement is undertaken in relation to audit performed for License [x and x] for the years 20xx and 20xx.

[Company name] hereby declares that it will not claim time barring pursuant to the Norwegian Limitation Act for any audit exceptions as specified in the Minutes of Meeting dated [dd.mm.yyyy] up to and including one year after the date of signing this Stand Still Agreement.

This Stand Still Agreement shall not constitute any precedence for how the audit exceptions are resolved.

[Place, date]

Name:

[Authorized signature]

APPENDIX F DECLARATION OF CONFIDENTIALITY

Audit of "Operators name" PLXXX "year" accounts

In this audit, I will likely have accidental access to other Joint Ventures' information, which are not pertinent to this audit's scope. In such event, I will act in accordance with 032 Offshore Norge Recommended Guidelines: Norway Joint Venture Audit, Article 3.2.5 on Audit Information, and Article 8 on Communication and Confidentiality. I will also be familiar with those guidelines.

I further accept and commit myself to the following:

- To not open, copy, remove or send documents, accounts and files, of which the costs are not charged to the Joint Venture being audited;
- If I open such documents, accounts and files by mistake or for any other reason, I shall not reveal such information to any person or use it in any matter;
- To maintain strict secrecy towards any unauthorized party to all matters brought to my knowledge during my work in this audit;
- To exercise the utmost care with the Operator's records, including, but not limited to, correspondence, contracts, computer records, drawings etc., to prevent unauthorized access to such records;
- That my work related to this audit requires me to act with responsibility, loyalty and conscientiousness;
- That Operator will log all computer access records and failures;
- That other personnel will not be able to view any information when I am working in the Operator's SAP system on my own laptop or Operator's provided equipment;
- If printing is required, I will ensure that no other person is able to review the prints and I will ensure that the audit information is destroyed immediately after completion of the audit;
- That this declaration remains effective also after the termination of this audit; and
- That unauthorized use of other applications or any other information originating from the Operator's accounting and other database management systems will be considered a breach of confidentiality. In such cases, the Operator may instruct me to leave the premises and may bar my participation in future partner audits concerning the Operator's accounts, and may take other appropriate actions. Such unauthorized use of information may also give rise to liability for the damage or loss caused and to criminal liability.

Name	Signature	Date	Company