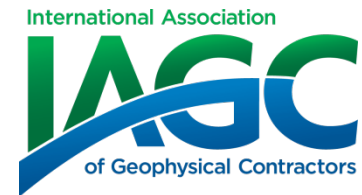


Statement of Principles

Standby – Permitting Delays



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Key Words:

- Client Contractor
- Contract
- Exploration Risk
- Geophysical Services
- Seismic Surveys
- Standby Rate
- Subcontractor
- Turnkey Contracts

Terms that are in bold type are defined in the Glossary of Terms which forms part of this family of Statements of Principles.

Statement of Principles

Contracts for Geophysical Services should take into account, and adequately compensate **Contractor** for unanticipated delays and circumstances, and particularly address the following points.

Crew Standby

- A. Compensable Crew Standby is defined as those periods of time during which **Contractor's** crew is unable to either (i) survey (ii) drill (iii) deploy recording and related equipment, (iv) record quality data or (v) remove recording and related equipment at conclusion of the **Geophysical Services** due to reasons, which are beyond the reasonable control of **Contractor**. Compensable crew standby also includes, but is not limited to time lost due to agriculture activities (haying, harvesting, planting, spraying, ploughing, etc.), oil field activities, any special or non-standard procedures resulting from unique data acquisition or operational requirements, or any production time lost as a result of other occurrences beyond **Contractor's** control that prevent the efficient acquisition of satisfactory data quality.
- B. The impact of Standby delays anticipated operational efficiency should also be considered by **Company** when compensating **Contractor** for a standby event with a **Standby Rate**.

In the event **Company** (or other **Subcontractors** of **Company**) are responsible for the permitting, surveying and/or drilling aspects of the **Geophysical Services** (the "Ancillary Services"), compensable crew stand by shall include delays of **Contractor's** operations which are caused by the Ancillary Services not being performed on a timely basis and, in the case of permitting, permits obtained by or on behalf of **Company** which contain onerous restrictions which hinder or delay **Contractor's** operations.

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Commercial Context

Contractor rates are typically based on providing a service in the most efficient manner and sequence. When the planned sequence is disrupted, project length is normally extended, and in the case of **Turnkey Contracts**, **Contractor** is exposed to reduced financial performance.

In some cases in US domestic surveys, **Company** personnel are reluctant to allow the **Contractor** to view the permits obtained by their agents. This causes not only un-needed tension between the **Company** and the **Contractor** due to insufficient information being supplied in order to complete the work efficiently, but also introduces additional **Exploration Risk**. Under such circumstances relations with the community are strained as surveyors are forced to work "blind", and the most common results include trespass claims, locked gates, threats or actual physical violence and "no-notification" permit cancellations. Under these circumstances counter-productive events could be easily avoided if better communication and information access were provided by **Company**.

In other scenarios, particularly in international locations where mobilisation of crews can take several months, the mobilisation process is commenced based on a **Company** defined start of work. Delays in receiving permits in order to allow the **Contractor** to commence work are delayed, which in turn impacts the **Contractors** ability to commence as scheduled. It is common practice for **Company** to exclude any standby time prior to commencement of work, which is typically defined as first shot in the case of **Seismic Surveys**, and therefore **Contractor** is exposed to additional unanticipated costs. In extreme cases, the performance of the **Geophysical Services** may be stopped completely from progressing or completing a survey, possibly before it even starts.

It should be recognised that **Contractors** make substantial advance financial and resource allocation commitment in such cases.

Recent Examples

A specific and common U.S. based example:

Large tracts of land and/or minerals are intentionally not permitted by **Company** prior to entry by **Contractor** and **Contractor** is "advised in writing to proceed." The strategy is for the **Company** to enforce its right for ingress/egress through use of a Temporary Restraining Order (TRO) on the surface owner. In order to secure the TRO, a trespass is required. This action places **Contractor's** personnel and equipment, and/or **Subcontractor's** personnel and equipment to confrontational situations, which may present an HSE risk. On a few occasions, **Contractors** have been instructed by **Company** agents to proceed, when the **Company** agents knew there was no permit in place; their objective being to just hope that the **Contractor** is not stopped. Again, it is the **Contractor** who is unduly and ultimately put at risk to potential threats or actual physical violence.

An international scenario:

A **Contractor** is awarded a **Contract** to acquire seismic data over a large regional area in a developing country. The project was **Tendered** and awarded based on acquiring the data in a specified sequence, optimising travel time from established base camps, and reducing non-productive times caused by long line changes. The progress on the seismic crew was dependent on several permitting processes, which were in the control, and the responsibility of the **Company**, including land owner permits, "Remnants of War" (safe passage) permits and explosives permits.

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Delays in obtaining all of the required permits in a sequential and timely manner, resulted in the **Contractor** being required to continually move from one area to another to accommodate the permit process, incurring substantial travel time, increased equipment failures resulting from extended travel over rough terrain, and extremely inefficient operations. While some standby time was paid to compensate the move time imposed by the **Company's** priorities and permit process, it was not adequate to compensate for the compromised time schedule and unforeseen operational inefficiency, and increased wear and tear on equipment and personnel resulting from the permit delays, resulting in significant loss to the **Contractor**.

Contractual Language

Unless otherwise provided herein, **Company** shall be responsible for securing any and all governmental, mineral, surface, land entry and other permits necessary for **Contractor** to enter upon the areas designated by the **Company** in order to perform the work contemplated hereby (the "Permits"). The Permits shall be in writing and shall be obtained from the person or entity authorized to grant said Permits. In the event **Contractor** provides assistance to **Company** in obtaining the Permits, **Contractor** shall be reimbursed for its reasonable time and expenses in providing support to obtain and/or obtaining the Permits. If the Permits are not obtained in a timely and prudent manner or these contain restrictions which impede or delay any aspect of the **Geophysical Services**, including but not limited to Advance parties, line preparation services, or recording, then **Company** shall compensate **Contractor** for such time lost as a result of said impediment or delay, by payment at the **Standby Rate** or a specified rate, or in the event of reduced productivity resulting from such delays, allow for project to proceed on a mutually agreed Term rate basis as set out herein or in the Supplemental Agreement.

Related Documents

IAGC Environmental Guidelines 2001

IAGC SOP 2H – Termination

IAGC SOP 2A - Ethics