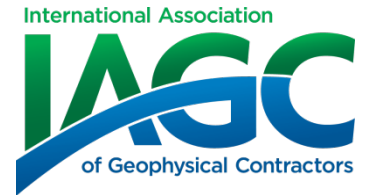


Statement of Principles

Transfer Fees Due Under Geophysical Data License Agreements



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This document includes the Statement of Principles, a description of the issues (with examples) and contractual language.

Statement of Principles

Key Words:

- Data Owner
- IAGC
- License Agreement
- Licensee
- Multi-Client Data
- Third Parties
- Transfer Fees

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

In the event the assignment and transfer provisions in **Multi-Client Data License Agreements** are triggered due to a **Third Party** merger or acquisition of **Licensee**, the acquiring or merged entity should:

1. Recognize that the provisions of the license agreement may require the new third party owner to pay a **Transfer Fee** in order to access the **Multi-Client Data** utilized by the acquired **Licensee**.
2. Recognize that the **Transfer Fee** mechanism was created to offset the reduction of potential **Licensees** occasioned by the acquisition or merger.
3. Recognize that the price originally charged the acquired **Licensee** was based upon the inclusion of the assignment and transfer provisions addressing **Transfer Fees**.
4. Honor commitments made in good faith and with the full knowledge of both parties when they entered into the **License Agreement**.
5. Refrain from threatening retribution against the **Data Owner** if **Data Owner** declines requests to reduce or waive **Transfer Fees**.
6. Recognize the need to begin discussions with the relevant **Data Owners** during the "due diligence" process to understand its rights, obligations, and restrictions under the **License Agreements**.
7. Recognize that, in the absence of written agreement to the contrary, **Data License Agreements** of **Licensee** terminate upon the closing of the merger or acquisition and any use thereafter is a trespass on the **Data Owners** rights.
8. When no accommodation has been reached regarding **Transfer Fees** upon the closing of an acquisition or merger, thereafter refrain from the use in any form of the affected licensed **Multi-Client Data** without prior written consent from the **Data Owner**.

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9. In those cases where the acquiring party or combined entity chooses not to pay the **Transfer Fee**, locate and return to **Data Owner** all licensed **Multi-Client Data**, including that in all paper, digital, analogue and reprocessed forms.

Commercial Context

Geophysical contracting companies have invested billions of dollars in the creation of **Multi-Client Data** throughout the world that have dramatically improved the success rate and lowered the cost of finding and developing new oil and gas supplies. The continued viability of this business depends on the **Data Owner's** ability to earn a reasonable economic return through licensing of the **Multi-Client Data** to multiple E & P companies over a period of time.

The business model for **Multi-Client Data** is created and priced based upon complex financial models that take advantage of economies of scale by spreading the cost of acquisition and processing over a specified time period and depend on the **Data Owner's** ability to generate a specific number of future **License Agreements** from a pool of prospective **Licensees**. **Licensee** mergers and acquisitions change these future assumptions by diminishing the pool of prospective **Licensees**. **Transfer Fees** represent a contractual mechanism designed to: (a) mitigate the financial exposure of the **Data Owner**, and (b) provide the acquiring E&P company an opportunity to license the **Multi-Client Data** under very favorable pricing terms. This contractual mechanism is fundamental to the successful economics of the non-exclusive business.

Most non-exclusive license agreements require the consent of the **Data Owner** before a **License Agreement** can be assigned or transferred to another party. A **Transfer Fee** is either specifically enumerated in the **License Agreement** or more generally referenced as a possible condition of receiving consent to assign. If the **Licensee** and the **Data Owner** cannot agree on transfer terms, all of the **Multi-Client Data**, including derivative products, must be destroyed or returned to the **Data Owner**. Unfortunately, cases sometimes arise when these **License Agreements** are not even considered until an acquisition or merger has been consummated and the acquiring company already is benefiting from the unique **Multi-Client Data** brought into the combined company.

Once an acquisition or merger is finalized, the **License Agreement** terminates unless the **Data Owner** has granted prior written consent; however, the **Data Owner** may consent to a "grace period" to allow the parties' time to finalize terms of the license transfer if the parties are actively moving forward on a transfer settlement. If it becomes apparent that the merged E&P company has no use for the **Multi-Client Data**, has protested any compensation or cannot resolve in a timely fashion their interest in the **Multi-Client Data**, all relevant **License Agreements** terminate and the relevant **Multi-Client Data** and derivatives should promptly be destroyed or returned to the **Data Owner** along with written certification signed by an officer of the company that said **Multi-Client Data** and Derivatives have been returned and/or destroyed.

During periods of increased acquisitions and mergers between E&P company clients, an issue of increasing contention for **Data Owners** of **Multi-Client Data** surrounds the attempt by E&P companies to reduce or eliminate **Transfer Fees** provided for in virtually all such **License Agreements** in place today. Recently, large merged E&P companies have aggressively attempted to leverage their increased purchasing power to pressure **Data Owners** into reducing or waiving **Transfer Fees** previously referenced and agreed to in the **License Agreements**. Such pressure has generally come in the form of threats to withhold future business. The IAGC condemns these practices as attempts to void and interfere with established lawful contracts.

Contractual Language

The **IAGC** Model MASTER GEOPHYSICAL NON-EXCLUSIVE DATA-USE LICENSE contains language/terms addressing mergers, acquisitions, and **Transfer Fees**.

Specific terms relevant to mergers, acquisitions, and **Transfer Fees** can be found in Section 5-Transfer of License and Section 8-Effects of Termination.