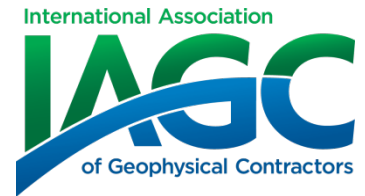


Statement of Principles

Third Party Direct Action



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

Key Words:

- Activists
- Client
- Company
- Contract
- Contractor
- Exploration Risk
- Force Majeure
- Geophysical Services
- Seismic Operations
- Standby Rate
- Third Party(ies)
- Third Party Direct Action Groups

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

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Statement of Principles

1. **Client** and **Contractor** should agree in **Contracts** for **Geophysical Services** that disruption by **Third Party Direct Action Groups** of legally approved and permitted **Seismic Operations** is an **Exploration Risk**. As such the consequences of such disruption should be the responsibility of the **Client** and the **Contractor** should be fully compensated in respect thereof.
2. Disruptions of **Seismic Operations** by **Third Party Direct Action Groups** should not be dealt with in the same way as **Force Majeure** since they are premeditated and specifically directed at the activities and interests of the **Client**, on whose behalf **Contractor** performs the **Seismic Operations**. Such disruptions should as a minimum be considered as a standby event under the **Contract** and trigger payment of the **Standby Rate**.
3. The following key points relating to disruption of **Seismic Operations** by **Third Party Direct Action Groups** should be covered in all **Contracts**:
 - **Contractor** should not be liable for any delays in performance of the **Contract** due to the actions of **Third Party Direct Action Groups**.
 - **Contractor** should be compensated at the applicable **Standby Rate** during any time when the **Seismic Operations** cannot be performed due to the actions of **Third Party Direct Action Groups**.
 - Adequate provision should be made for the possible suspension of **Seismic Operations**, including payment at the Standby Rates, associated cost recovery and extension of time for performance of the services.
 - In the event of prolonged disruption, **Contractor** should retain an ultimate right of termination without any liability towards the **Client**, and in the event of such termination right being exercised **Contractor** should be compensated as if the **Contract** had been terminated at **Client's** convenience.

Commercial Context

History

- For many years, the potential for **Seismic Operations** to be disrupted by the activities of **Third Party Direct Action Groups** has been recognized as a significant potential hazard to the safe conduct and completion of **Seismic Operations**.
- Several Geophysical **Contractors** have had direct experience of environmental **Activists** seeking to force a suspension of seismic acquisition programmes; most notably during 1997 and 1998 when Greenpeace campaigned against oil company exploration activity in the 'frontier' oil provinces West of Britain and the Alaskan Beaufort Sea in the Arctic.
- In some instances highly dangerous tactics were employed by the **Activists**, such as placing people in the water in front of the seismic vessel.
- Obviously, aside from the paramount safety related concerns, the disruption caused by these actions posed a number of significant contractual and commercial issues. With several surveys West of Britain, prior agreement on how these issues would be handled and resolved proved vital and very successful in minimizing the impact of the disruption on the conduct of the **Seismic Operations** and in protecting the business interests of **Client** and **Contractor** alike.
- Following this experience, it became common practice for Geophysical **Contractors** to include in survey HSE plans, guidelines and procedures to ensure that the welfare of the crew and equipment would be safeguarded in the event of such incidents.
- From a wider industry perspective, support for prior planning for such events ahead of any survey, is evident in a document published in 1997 by the Atlantic Margin Joint Industry Group (AMJIG), titled "Principles for Interaction with **Third Party** Pressure or Direct Action Groups during Geophysical Surveys". The document outlined guiding principles to be applied by AMJIG members in responding to, or drafting procedures for responses to actions by **Third Party Direct Action Groups** during seismic surveys.

Issue

- Client's standard general conditions of **Contract** for onshore and offshore seismic services do not systematically include terms specifically relating to disruption of survey services due to **Third Party Direct Action Groups** and the consequences for **Contractor** (including termination rights in the event of prolonged suspension of the services).
- Geophysical **Contractors** believe that responsibility for the consequences of any disruption of the survey by the activities of a **Third Party Direct Action Group** including delays should as a general rule rest solely with the **Client**.
- Disruptions due to **Third Party Direct Action Groups** tend to be included as a **Standby Rate** event under **Contracts**. However it is not common for **Contractor** to be granted any other rights with respect to such disruptions, such as suspension and termination rights.

Recent Examples:

West of Britain 1997

As part of its campaign against new oil exploration in the Atlantic Frontier region, Greenpeace **Activists** made repeated attempts to halt **Seismic Operations**; including blocking or impeding the navigation of seismic survey vessels in various ways and mounting and/or removing towed systems.

The disruption proved costly in terms of delays and associated costs, but its impact was minimized by prior contingency planning and, in some instances prior agreement on contractual terms relating to **Third Party Direct Action Groups**, including compensation to the **Contractor** for lost production time.

Contractual Language

It is acknowledged and agreed by the parties that **Contractor** may from time to time be prevented from fulfilling its obligations under this Agreement by reason of the actions of **Third Party Direct Action Groups** (including without limitation **Activists**) in which case the following provisions shall apply.

1. **Contractor** shall not be liable for any delay in performing or failing to perform any of its obligations under this Agreement caused by the activities of **Third Party Direct Action Groups**.
2. **Contractor** will notify **Company** in writing as soon as reasonably practicable of any such delay or stoppage (and its likely duration) and the parties will together take all reasonable steps to overcome the same. In particular (without limitation) the parties shall as soon as reasonably practicable following such a notification meet together in good faith to discuss appropriate measures to bring the delay or stoppage to a close or to find a solution by which this Agreement may be performed despite the activities of the **Third Party Direct Action Group**. Unless and until such measures are agreed between the parties, the following provisions shall apply:-
3. **Contractor's** performance under this Agreement will be suspended for the period during which the activities of the **Third Party Direct Action Group** continue and **Contractor** will have an extension of time for performance of the Services, which is reasonable and in any event no less than the period of delay or stoppage.
4. All chargeable production time lost as a result of the activities of **Third Party Direct Action Groups** shall be reimbursed by **Company** to **Contractor** at the **Standby Rate** set out in XXXXX. If notwithstanding the activities of **Third Party Direct Action Groups**, delays or stoppages would in any event occur as a result of one or more **Standby Rate** events as set out in XXXXX then **Contractor** shall be reimbursed by **Company** at the relevant **Standby Rate** listed in XXXXX.

If delay or stoppage continues for more than 48 hours then **Company** may by giving notice in writing to **Contractor** suspend the whole or any part of the Services temporarily in which event **Contractor** shall be entitled to payment for Services up to date of suspension and reimbursement of reasonable costs which the **Contractor** cannot avoid sustaining in suspending the Services (including without limitation demobilization costs). For the avoidance of doubt, during any suspension period pursuant to this clause the **Contractor** shall be compensated at the **Standby Rate** set out in XXXX.

- In the event of a temporary suspension of the Services by **Company**, **Contractor** shall with **Company's** assistance use its reasonable endeavours to re-commence the performance of the Services in accordance with the provisions of this Agreement as soon as reasonably practicable,

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having regard to operational circumstances at that time. All reasonable costs incurred by **Contractor** in connection with the re-commencement of the provision of the Services (including without limitation re-mobilization costs) shall be reimbursed by **Company** to **Contractor**.

- In the event that the delay or stoppage causes a prolonged delay in excess of [x] days in progress in carrying out the Services the relevant provisions regarding Survey Termination at **Company's** convenience under Article XXXX shall apply.