

Учетная процедура

**(приложение к соглашению о разделе продукции между
Правительством Республики X, государственной и
зарубежной нефтяными компаниями)**

Accounting Procedure

**(Annex to Production Sharing Agreement between the
government of X Republic, state petroleum corporation and
foreign oil company)**

[См. Соглашения о разделе продукции: понятие, правовой режим и типовые формы на русском и английском языках](#)

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This Annex is made a part of the Production Sharing Agreement (hereinafter referred to as the "Agreement") between the **Government of XXX** of the United Republic of XXX and XXX Petroleum Development Corporation and **Contractor** made on the XX day XX of 200X.

SECTION I GENERAL PROVISIONS

1.1 Definitions

For the purpose of this Accounting Procedure the terms used herein which are defined in the Agreement shall have the same meaning when used in this Accounting Procedure.

1.2 Purpose

The purpose of this Accounting Procedure is to set out principles and procedures of accounting which will enable the **Government of XXX** to monitor the costs, expenditures, production and receipts so that both **XXX Corporation's** entitlement to Profit Oil and **Government of XXX's** revenues from the Additional Profits Tax can be accurately determined on the basis of the Agreement.

1.3 Documentation Required to be Submitted by the Contractor

(a) Within thirty (30) days of the Effective Date, the **Contractor** shall submit to and discuss with the Minister and **XXX Corporation** a proposed outline of charts of accounts, operating records and reports, which outline shall reflect each of the categories and sub-categories of costs and expenditures specified in Sections 2 and 3 below and shall be in accordance with generally accepted and recognized accounting systems and consistent with normal practice for joint venture operations of the international petroleum industry,. Within ninety (90) days of receiving the above submission the Minister in consultation with **XXX Corporation** shall either indicate approval of the proposal or request revisions to the proposal. Within one hundred and eighty (180) days after the Effective Date of the Agreement, the **Contractor** and the Minister in consultation with **XXX Corporation** shall agree on the outline of charts of accounts, operating records and reports which shall describe the basis of the accounting system and procedures to be developed and used under the Agreement. Following such agreement the **Contractor** shall expeditiously prepare and provide the Minister and **XXX Corporation** with formal copies of the comprehensive charts of accounts related to the accounting, recording and reporting functions, and allow the Minister and **XXX Corporation** to examine the manuals and to review procedures which are, and shall be, observed under the Agreement.

(b) Notwithstanding the generality of the foregoing, the **Contractor** shall make regular Statements to the Minister and **XXX Corporation** relating to the Petroleum Operations. These Statements are:

- (i) Production Statement (see Section 5 of this Annex).
- (ii) Value of Production, Pricing and Royalty payable Statement (see Section 6 of this Annex).
- (iii) Statement of Expenditures and Receipts (see Section 7 of this Annex),
- (iv) Cost Recovery Statement (see section 8 of this Annex),
- (v) End-of-Year-Statement (see Section 9 of this Annex),

(vi) Budget Statement (see Section 10 of this Annex).

(c) All reports and Statements shall be prepared in accordance with the Agreement, the laws of XXX and, where there are no relevant provisions in either of these, in accordance with the normal practice of the international petroleum industry.

1.4 Language, Units of Account and Exchange Rates

(a) The **Contractor** shall maintain accounts in XXX shillings and United States dollars; however, the United States dollar accounts will prevail in case of conflict. Metric units and barrels shall be employed for measurements required under the Agreement and this Annex. The language employed shall be English. [Where necessary for clarification the **Contractor** may also maintain accounts and records in other units of measurement and currencies].

(b) It is the intent of this Accounting Procedure that neither the **Government of XXX, XXX Corporation** nor the **Contractor** should experience an exchange gain or loss at the expense of, or to any of the benefit of, any of the other parties. However, should there be any gain or loss from exchange of currency, it will be credited or charged to the accounts under the Agreement.

(c)

(i) Amounts received and costs and expenditures made in XXX shillings or in United States dollars shall be converted from XXX shillings into United States dollars or from United States dollars into XXX shillings on the basis of the monthly average of the daily official buying and selling exchange rates between the currencies in question as published by the Bank of XXX or failing such publication, any other publication as agreed by the parties, for the Month in which the relevant transaction occurred.

(ii) Notwithstanding the general policy described in the preceding sub-paragraph, all transactions in excess of the equivalent of **XX hundred and XX thousand** United States dollars (US \$ **XX0,000**) shall be converted at the mean of the buying and selling exchange rates published by the Bank of XXX on the day the transaction occurred.

(iii) Amounts received and expenditures made in currencies other than United States dollars and XXX shillings shall be converted into United States dollars or XXX shillings on the basis of the monthly average of the mean of the daily buying and selling exchange rates between the currencies in question as published by the Bank of XXX or, failing such publication, as published in the Financial Times (London edition) for the Month in which the relevant transaction occurred.

(iv) The average monthly exchange rate calculated in accordance with sub-section 1.4(c) (i) above and, where relevant, the exchange rates employed pursuant to sub-sections 1.4(c) (ii) and (iii) above, shall be identified in the relevant Statements required under sub-section 1.3(b) of this Annex.

1.5 Payments

(a) Subject to Article 7 (c) (iii) of the Agreement, all payments between the parties shall, unless otherwise agreed, be in United States dollars and through a bank designated by each receiving party.

(b) Discharge of the **Contractor's** obligation with respect to **XXX Corporation's** share of Profit Oil shall be made in accordance with the Agreement.

(c) All sums due from one party to the other under the Agreement during any Calendar quarter shall, for each day such sums are overdue during such quarter, bear interest compounded daily at an annual rate equal to the average London Interbank Offer Rate (LIBOR) for six (6) months US dollars as quoted at 11.00 a.m. London time on the first business day of such Quarter by the London office of National Westminster Bank, or such other bank as the parties may agree, plus two (2) percentage points.

1.6 Audit and Inspection Rights of Government of XXX

(a) Without prejudice to statutory rights, **XXX Corporation** shall have the right to cause to audit the **Contractor's** accounts and records maintained hereunder with respect to each Calendar year within two (2), years (or such longer period as may be required in exceptional circumstances) from the end of each such year. Notice of any exception to the accounts for any Calendar year shall be submitted to the **Contractor** within ninety (90) days of receipt by **XXX Corporation** of the report of its auditors. For purposes of auditing, **XXX Corporation** may examine and verify, at reasonable times, all charges and credits relating to the **Contractor's** activities under the Agreement and all books of accounts, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents, correspondence and records necessary to audit and verify the charges and credits. Furthermore, the auditors shall have the right in connection with such audit to visit and inspect at reasonable times all sites, plants, facilities, warehouses and offices of the **Contractor** directly or indirectly serving its activities under the Agreement and to visit and to inquire from personnel associated with those activities. Where **XXX Corporation** requires verification of charges made by an Affiliated company it shall have the right to obtain an audit certificate from a recognized firm of public accountants acceptable to both **XXX Corporation** and the **Contractor**.

(b) The **Contractor** shall answer any notice of exception under subsection 1.6 (a) within sixty (60) days of its receipt of such notice. Where the company has after the said sixty days' period failed to answer a notice of exception made by **XXX Corporation**, **XXX Corporation's** exception shall be deemed as accepted by the **Contractor** and the accounts shall be adjusted accordingly.

SECTION 2 CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES

Expenditures shall be segregated in accordance with the objectives for which such expenditure was made. The objectives which shall qualify are those which have been approved and included in the approved Work Programme and Budget for the Year in which the expenditure is made and other items which have been agreed by the parties from time to time. All expenditures allowable under Section 3 relating to Petroleum Operations shall be classified, defined and allocated as set out herein below. In the event of a discovery, expenditure records shall be maintained in expenditures to each Development Area.

2.1 Exploration Expenses are all direct and allocated indirect expenditures incurred in the search for Petroleum in area which is or was, at the time when such expenses were incurred, part of the Contract Area including:

(a) Aerial, geophysical, geochemical palaeontological geological, topographical and seismic surveys and studies and their interpretation.

(b) Core hole drilling and water well drilling.

(c) Labour, materials and services used in drilling wells with the object of finding new Petroleum Reservoirs, or for the purposes of appraising the extent of Petroleum provided such wells are not completed as producing wells.

(d) Facilities used solely in support of the purposes described (a), (b) and

(c) above including access roads, fixed assets and purchased geological and geophysical, all identified separately.

(e) Any General and Administrative Costs and Service Costs directly incurred on Exploration Operations and identifiable as such; and a portion of the remaining General and Administrative Costs and Service Costs allocated to the Exploration Operations, determined by the proportionate share of total Contract Expenses (excluding unallocated General and Administrative Costs and Service Costs) represented by all other Exploration Expenses.

(f) Any other Contract Expenses specifically incurred in the search for Petroleum after the Effective Date and not covered under sub-section 2.2, 2.3, 2.4 and 2.5.

2.2 Development Expenses shall consist of all expenditures incurred in:

(a) Drilling wells which are completed as producing wells and drilling wells for purposes of producing from a Petroleum Reservoir already discovered whether these wells are dry or producing, and drilling wells for the injection of water or gas to enhance recovery of Petroleum.

(b) Completing wells by way of installation of casing or equipment or otherwise, after a well has been drilled for the purpose of bringing the well into use as a producing well, or as a well for the injection of water or gas to enhanced recovery Petroleum.

(c) The cost of petroleum production, storage and transport facilities such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, petroleum storage facilities and access roads for production activities.

(d) The costs of engineering and design studies for facilities referred to in subsection 2.2.(c).

(e) Any General and Administrative Costs and Service Costs directly incurred on development activities and identifiable as such; and a portion of the remaining General and Administrative Costs and Service Costs allocated to development activities, determined by the proportionate share of total Contract Expenses (excluding unallocated General and Administrative Costs and Service Costs) represented by all other Development Expenses.

2.3 Operating Expenses are all expenditures incurred in the Petroleum Operations after the start of commercial production which are other than Exploration Expenses, Development Expenses, General and Administrative Costs and Service Costs directly incurred on operating activities and identifiable as such, as well as the balance of General and Administrative Costs and Service Costs. General and Administrative Costs and Service Costs not allocated to Exploration Expenses or Development Expenses shall be allocated to Operating Expenses.

2.4 Service Costs are direct and indirect expenditures in support of the Petroleum Operations including warehouses, export terminals, harbors, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service Costs in any Calendar Year shall include costs incurred in such Year to purchase

and/or construct said facilities as well as the annual costs to maintain and operate the same, each to be identified separately. All Service Costs shall be regularly allocated as specified in sub-sections 2.1(e), 2.2(e) and 2.3 to Exploration Expenses, Development Expenses and Operating Expenses and shall be separately shown under each of these categories.

2.5 General and Administrative Costs are:

(a) All main office, field office and general administrative expenses in XXX including but not limited to supervisory, accounting and employee relations services, but excluding commissions paid to intermediaries by the **Contractor**.

(b) An annual overhead charge for services rendered outside XXX and not otherwise charged under this Accounting Procedure, for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. For the period from the Effective Date until the date on which the first Development License under the Agreement is granted by the Minister this annual charge shall be the verifiable costs but in no event greater than one percent (1%) of the Contract Expenses; including those covered in sub-section 2.5(a) incurred during the Calendar Year. From the date of grant of the Development License the charge shall be at an amount or rate to be agreed between the parties and stated in the Development Plan approved with the grant of the said License. The annual overhead charge shall be separately identified in all reports to the **Government of XXX and XXX Corporation**

(c) All General and Administrative Costs will be regularly allocated as specified in sub-sections 2.1(e), 2.2(e) and 2.3. to Exploration Expenses, Development Expenses and Operating Expenses and shall be separately shown under each of these categories.

SECTION 3 COSTS, EXPENSES, EXPENDITURES AND CREDITS OF THE CONTRACTOR

3.1 Costs Recoverable

Costs Recoverable without Further Approval of **XXX Corporation** Subject to the provisions of the Agreement, the **Contractor** shall bear and pay all costs and expenses in respect of Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. The following costs and expenses are recoverable out of Cost Oil by the **Contractor** under the Agreement:

(a) Surface Rights

This covers all direct costs attributable to the acquisition, renewal, or relinquishment of surface rights acquired and maintained in force for the purposes of this Agreement.

(b) Labour and Associated Costs

(i) Gross salaries and wages including bonuses of the **Contractor's** employees directly and necessarily engaged in the Petroleum Operations, irrespective of the location of such employees, it being understood that in case of those personnel only a portion of whose time is wholly dedicated to Petroleum Operations, only that pro-rata portion of applicable wages and salaries will be charged.

(ii) Cost to the **Contractor** of established plans for employees' group life insurance, hospitalization, company pension, retirement and other benefits of a like nature customarily granted to the employees and the costs regarding holiday, vacation, sickness and disability payments applicable to

the salaries and wages chargeable under subsection (i) above shall be allowed at actual cost, provided however that such total costs shall not exceed twenty-five per centum (25%) of the total labour costs under subsection (i) above.

(iii) Expenses or contributions made pursuant to assessments or obligations imposed under the laws of XXX which are applicable to the cost of salaries and wages chargeable under (i) above.

(iv) Reasonable travel and personal expenses of employees of the **Contractor** including those made for travel and relocation of the expatriate employees assigned to XXX all of which shall be in accordance with the normal practice.

(v) Any personal income taxes of XXX incurred by employees of the **Contractor** and paid or reimbursed by the **Contractor**.

(c) Transportation

The cost of transportation of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations and not provided for elsewhere.

(d) Charges for Services

(i) Third Party Contracts

The actual costs of contracts, for technical and other services entered into by the **Contractor** for Petroleum Operations, made with third parties other than Affiliated Companies are recoverable; provided that the costs paid by the **Contractor** are no higher than those generally charged by other international or domestic suppliers for comparable work and services.

(ii) Affiliated Companies

Without prejudice to the charges to be made in accordance with subsection 2.5, in the case of general services, advice and assistance rendered to the Petroleum Operations by an Affiliated **Contractor**, the charges will be based on actual costs without profits and will be competitive. The charges will be no higher than the most favourable prices charged by the Affiliated company to third parties for comparable services under similar terms and conditions elsewhere. The **Contractor** will, if requested by **XXX Corporation**, specify the amount of charges which constitutes an allocated proportion of the general material, management, technical and other costs of the Affiliated company, and the amount which is the direct cost of providing the services concerned. If necessary, certified evidence regarding the basis of prices charged may be obtained from the recognised auditors of the Affiliated **Contractor**

(iii) In the event that the prices and charges referred to in sub-paragraphs (i) and (ii) above are shown to be uncompetitive then **XXX Corporation** will have the right to disallow that portion as it deems fit for cost recovery purposes.

(e) Exclusively Owned Property

For services rendered to Petroleum Operations through the use of property exclusively owned by the **Contractor**, the accounts shall be charged at rates, not exceeding those prevailing in the region, which reflect the cost of ownership and operation of such property, or at rates to be agreed.

(f) Material and Equipment

(i) General

So far as is practicable and consistent with efficient economical operation, only such material shall be purchased or furnished by the company for use in the petroleum Operations as may be required for use in the reasonably foreseeable future and the accumulation of surplus stocks shall be avoided.

(ii) Warranty of material

The **Contractor** does not warrant material beyond the supplier's or manufacturer's guarantee and, in case of defective material or equipment, any adjustment received by the **Contractor** from the suppliers/manufacturers or their agents will be credited to the accounts under the Agreement.

(iii) Value of Material Charged to the Accounts under the Agreement

(a) Except as otherwise provided in (b) below, material purchased by the **Contractor** for use in Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, custom duties consular fees, other items chargeable against imported material and, where applicable, handling and transportation expenses from point of importation to warehouse or operating site, and its costs shall not exceed those currently prevailing in normal arms length transactions on the open market.

(b) Material purchased from or sold to Affiliated Companies or transferred to or from activities of the company, other than petroleum Operations under this Agreement, shall be priced and charged or credited at the prices specified in (1) and (2) below:

(1) New Material (Condition "A") shall be valued the current international price which shall not exceed price prevailing in normal arms length transactions on the open market.

(2) Used Material (conditions "B" and "C")

(i) Material which is in sound and serviceable condition and is suitable for re-use without reconditioning shall be classified as condition "B" and priced at not more than seventy-five percent (75%) of the current price of new materials defined in (1) above.

(ii) Material which cannot be classified as Condition "B" but which:

(a) after reconditioning will be further serviceable for original function as good second hand material Condition "B" or

(b) is serviceable for original function but substantially not suitable for reconditioning shall classified as Condition "C" and priced at not more than fifth percent (50%) of the current price of new material (Condition "A") as defined in (1) above. The cost of reconditioning shall be charged to reconditioned material provided that the Condition "C" material value plus the cost or reconditioning does not exceed the value of Condition "B" material

(iii) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value to be agreed between **XXX Corporation** and the **Contractor**.

(iv) Material involving erection costs shall be charged at applicable condition percentage of the current knocked-down price of new material as defined in (1) above.

(v) When the use of material is temporary and its service to Petroleum Operations does not justify the reduction in prices as provided for in sub-paragraph (2) (ii) above, such material shall be priced on a basis that will result in a net charge to the accounts under the Agreement consistent with the value of the service rendered.

(g) Rentals, Duties and Other Assessments

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the **Government of XXX** in connection with Petroleum Operations and paid directly by the **Contractor**, except any Additional Profits Tax paid pursuant to Article 13.

(h) Insurance and Loses

Insurance premia and costs incurred for insurance pursuant to Article 18, provided that if such insurance is wholly or partly placed with an Affiliated company such premia and costs shall be recoverable only to the extent generally charged by competitive insurance companies other than an Affiliated **Contractor**.

Costs and losses incurred as a consequence of events which are, and in so far as, not made good by insurance are recoverable unless costs have resulted solely from an act of willful misconduct or negligence of the **Contractor**.

(i) Legal Expenses

All reasonable costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area, and in defending or prosecuting lawsuits involving the Area or any third party claim arising out of activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of the joint interest of **Government of XXX, XXX Corporation** and the **Contractor** are recoverable. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the **Contractor** or an Affiliated company, such compensation shall be included instead under sub-section 3.1(b) or 3.1(b) or 3.1(d) above as applicable.

(j) Training Costs

All costs and expenses incurred by the **Contractor** in training of its XXX employees engaged in Petroleum Operations and such other training as is required under Article 17 of the Agreement.

(k) General and Administrative Costs

The costs described in sub-section 2.5(a) and the charge described in subsection 2.5(b).

3.2 Costs not Recoverable under the Agreement

The following costs shall not be recoverable for the purposes of Profit Oil sharing, and shall not be taken into account for the determination of APT:

- (a) All Costs incurred before the Effective Date
- (b) Interest and any other financing charges incurred on loans raised by the **Contractor**.
- (c) Petroleum marketing or transportation costs of Petroleum beyond the Delivery Point.
- (d) The costs of any bank guarantee or letter of guarantee required under the Agreement (and any other amounts spent on indemnities with regard to non fulfillment of contractual obligations).
- (e) Costs of arbitration and the sole expert in respect of any dispute under the Agreement.
- (f) Fines and penalties imposed by courts of law in XXX.
- (g) Costs incurred as a result of willful misconduct or negligence of the **Contractor**.

- (h) Donations and contributions made by the **Contractor**.
- (i) Any costs which, by reference to general oil industry practices, can be shown to be excessive.

3.3 Other costs and Expenses

Any other costs and expenses not covered or dealt with in the foregoing provisions of this Section 3 and which are incurred by the **Contractor** for the necessary and proper conduct of Petroleum Operations are recoverable only with the prior approval in writing of **XXX Corporation**

3.4 Credits under the Agreement

The net proceeds received from Petroleum Operations (other than the proceeds from the sale of Crude Oil and Natural Gas), including but not limited to the transactions listed below, will be credited to the accounts under the Agreement. For Profit Oil sharing purposes such credits shall be offset against Recoverable Contract Expenses and for the calculation of Additional Profits Tax the credits shall be included in the definition of the net cash position as provided in Article 13 of the Agreement.

- (a) The net proceeds of any insurance or claim in connection with Petroleum Operations or any assets charged to the accounts under the Agreement when such operations or assets were insured and the premia charged to the accounts under the Agreement.
- (b) Legal expenses charged to the accounts under Section 3.1(i) and subsequently recovered by the **Contractor**.
- (c) Revenue received from third parties including Affiliated Companies for the use of property or assets charged to the accounts under the Agreement.
- (d) Any adjustment received by the **Contractor** from the suppliers manufacturers or their agents in connection with defective material, the cost of which was previously charged by the **Contractor** to the accounts under the Agreement.
- (e) Rentals, refunds or other credits received by the **Contractor** which apply to any charge which has been made to the accounts under the Agreement but excluding any award granted to the **Contractor** under arbitration or sole expert proceedings.
- (f) The net proceeds for material originally charged to the accounts under the Agreement and subsequently exported from XXX without being used in Petroleum Operations.
- (g) The net proceeds from the sale or exchange by the **Contractor** of materials, equipment, plant or facilities, the acquisition costs of which have been charged to the accounts under the Agreement.
- (h) The proceeds from the sale of any petroleum information which relates to the Contract Area provided that the acquisition costs of such rights and information have been charged to the accounts under the Agreement.
- (i) The proceeds derived from the sale or license of any intellectual property the development costs of which were incurred under this Agreement.

3.5 Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting procedure, it is agreed that there shall be no duplication of charges or credits to the accounts under the Agreement.

SECTION 4 RECORDS AND VALUATION OF ASSETS

The **Contractor** shall maintain detailed records of property and assets in use for Petroleum Operations in accordance with normal practice in exploration and production activities of the international petroleum industry. At six monthly intervals the **Contractor** shall notify **XXX Corporation** in writing of all assets acquired during the preceding six (6) months indicating the quantities, costs and location of each asset. At reasonable intervals but at least once a year with respect to movable assets and once every four (4) years with respect to immovable assets, inventories of the property and assets under the Agreement shall be taken by the **Contractor**. The **Contractor** shall give **XXX Corporation** at least thirty (30) days written notice of its intention to take such inventory and **XXX Corporation** shall have the right to be represented when such inventory and **XXX Corporation** shall have the right to be represented when valuation of the inventory has been based. When an assignment of rights under the Agreement takes place a special inventory may be taken by the **Contractor** at the request of the assignee provided that the costs of such inventory are borne by the assignee.

SECTION 5 PRODUCTION STATEMENT

5.1 Upon commencement of production from the Contract Area, the **Contractor** shall submit a monthly Production Statement to **XXX Corporation** showing the following information for each Development Area and for the Contract Area:

- (a) The quantity and quality of Crude Oil produced and saved.
- (b) The quantity and composition of Natural Gas produced and saved.
- (c) The quantities of Petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage as well as quantities injected into the formation.
- (d) The quantities of Petroleum unavoidably lost.
- (e) The quantities of Natural Gas flared.
- (f) The size of Petroleum stocks held at the beginning of the Month in question.
- (g) The size of petroleum stocks held at the end of the Month in question.
- (h) The number of days in the Month during which Petroleum was produced from each development area within the Contract Area.

5.2 At the end of each Calendar quarter aggregated statements in respect of the three Months comprising that quarter shall be submitted for each of the items (a) to (g) in sub-section 5.1 above. Additionally, the average daily production rate for the Quarter shall be calculated in accordance with Article 9 of the Agreement.

5.3 The Production Statement for each Month or quarter shall be submitted to

Government of XXX and XXX Corporation not later than seven (7) days after the end of such Month or quarter.

SECTION 6 VALUE OF PRODUCTION, PRICING AND ROYALTY STATEMENT

6.1 The **Contractor** shall, for the purposes of Article 10 of the Agreement, prepare a Statement providing calculations of the value of Crude Oil produced saved during each Calendar Quarter. This Statement, which shall be prepared for each Quality of XXX Crude Oil produced and saved from the Contract Area, shall contain the following information:

- (a) The quantities, prices and receipts realised therefore by the **Contractor** in third Party Sales of XXX Crude Oil during the Calendar Quarter in question.
- (b) The quantities, prices and receipts realised therefore by the **Contractor** in sales of XXX Crude Oil during the Calendar quarter in question, other than in Third Party Sales.
- (c) The value of stocks of Crude Oil held at the beginning of the Calendar Quarter in question.
- (d) The value of stocks of Crude Oil held at the end of the Calendar Quarter in question.
- (e) The percentage volume of total sales of XXX Crude Oil made by the **Contractor** during the Calendar Quarter that the Third party Sales.
- (f) All information available to the **Contractor**, if relevant for the purposes of Article 10 of the Agreement, concerning the prices of the selection of major competitive crude oils, including contract prices, discounts and premia, and prices obtained on the spot markets.
- (g) The statement of Royalty payable.

6.2 The Value of Production and Pricing Statement for each Calendar quarter shall be submitted to **Government of XXX and XXX Corporation** not later than twenty (20) days after the end of such Calendar Quarter.

SECTION 7 STATEMENT OF EXPENDITURE AND RECEIPTS

7.1 The **Contractor** shall prepare with respect to each Calendar Month a Statement of Expenditure and Receipts under the Agreement. The Statement will distinguish between Exploration Expenses, Development Expenses and Operating Expenses and will separately identify all significant items of expenditures within these categories, if **XXX Corporation** is not satisfied with the degree of disaggregation within the categories it shall be entitled to ask for a more detailed breakdown. The statement will show the following:

- (a) Actual expenditure and receipts (including all credits pursuant to Section 3.4 of this Accounting Procedure) for the Month in question showing variances from the budget and explanations thereof.
- (b) Cumulative expenditure and receipts (including all credits pursuant to Section 3.4 of this Accounting Procedure) for the budget year in question.
- (c) Latest forecast of cumulative expenditure at the year end.
- (d) Variations between budget forecast and latest forecast, with explanation thereof.

7.2 At the end of each Calendar Quarter aggregated Statements in respect of the three Months comprising that quarter shall be submitted for each of the items (a) to (d) in sub-section 7.1 above.

7.3 The Statement of Expenditure and Receipts for each Calendar Month or quarter shall be submitted to **Government of XXX** and **XXX Corporation** not later than twenty-one (21) days after the end of such Month or Quarter.

SECTION 8 COST RECOVERY STATEMENT

8.1 The **Contractor** shall prepare with respect to each Calendar Quarter a Cost Recovery Statement containing the following information:

- (a) Recoverable Contract Expenses carried forward from the previous Quarter, if any.
- (b) Recoverable Contract Expenses for the Quarter in question.
- (c) Total Recoverable Contract Expenses for the Quarter in question (sub-section 8.1(a) plus sub-section 8.1(b)).
- (d) Quantity and value of Cost Oil taken and disposed of by the **Contractor** for the Quarter in question.
- (e) Contract Expenses recovered for the Quarter in question.
- (f) Total cumulative amount of Contract Expenses recovered up to the end of the Quarter in question.
- (g) Amount of Recoverable Contract Expenses to be carried forward into the next Quarter.

8.2 The cost recovery information required pursuant to sub-section 8.1 above shall be presented in sufficient detail so as to enable **Government of XXX** and **XXX Corporation** to identify how the cost of assets are being recovered for the purposes of Article 18 of the Agreement.

8.3 The Cost Recovery Statement for each Quarter shall be submitted to **Government of XXX** and **XXX Corporation** not later than twenty one (21) days after the end of such Quarter.

SECTION 9 END-OF-YEAR STATEMENT

The **Contractor** shall prepare a definitive End-of-Year Statement. The Statement will contain aggregated information for the Year in the same format as required in the Value of Production, Pricing Statement, and Royalty payable statement Cost Recovery Statement and Statement of Expenditures and Receipts and Additional Profit Tax Statement but will be based on the actual quantities of Petroleum produced and the costs and expenses incurred. The End-of-Year Statement for each Calendar Year shall be submitted to **Government of XXX** and **XXX Corporation** within sixty (60) days of the end of such Calendar Year.

SECTION 10 BUDGET STATEMENT

10.1 The **Contractor** shall prepare an annual Budget Statement. This Statement shall distinguish between Exploration Expenses, Development Expenses and Operating Expenses and shall show the following:

- (a) Forecast expenditure and receipts for the budget year under the Agreement.
- (b) Cumulative expenditures and receipts to the end of the said budget year.
- (c) A schedule showing the most important and individual items of Development Expenses for the said budget year.

10.2 The Budget Statement shall be submitted to **Government of XXX** and **XXX Corporation** with respect to each budget year no less than ninety (90) days before the start of the year except in the case of the year in which the Effective Date falls, when the Budget Statement shall be submitted within thirty (30) days of the Effective Date.

SECTION 11 REVISION OF ACCOUNTING PROCEDURE

11.1 The provisions of this Accounting Procedure may be amended by agreement between the **Contractor**, **Government of XXX** and **XXX Corporation**. The amendments shall be made in writing and shall state the date upon which the amendments shall become effective.

11.2 In the event, and at the time, that **XXX Corporation** elects to participate in Joint Operations as defined in Article 7 of this Agreement the parties shall modify this Accounting Procedure to reflect **XXX Corporation's** status as a party to the Operating Agreement.

11.3 Following any second discovery in the Contract Area the parties will meet in order to establish specific principles and procedures for identifying all costs, expenditures and credits, and for allocating Cost Oil and Profit Oil, on a Development Area basis, it being understood that costs, expenditures and credits which do not uniquely arise in respect of any one Development Area shall be apportioned between Development Areas in a reasonable, equitable and consistent manner.

SECTION 12 CONFLICT WITH THE AGREEMENT

In the event of any conflict between the provisions of this Accounting Procedure and the Agreement the provisions of the Agreement shall prevail.