

*June 2022*

LICENCE X/XX

**Xxxx Group**

JOINT OPERATING AGREEMENT

APPENDIX A

ACCOUNTING PROCEDURE

**INDEX**

ARTICLE I: PREFACE AND GENERAL PROVISIONS	1
1.1 Preface	1
1.2 Reporting to Authorities	1
1.3 Change of Accounting Procedure	1
1.4 Currency	1
1.5 Definitions	1
1.6 Disagreements	2
1.7 Monetary Limits	2
1.8 Sole Risk	2
1.9 Separate Accounting	2
1.10 Adjustments	2
ARTICLE II: BUDGETS AND FORECASTS	3
2.1 Investigation and Appraisal Budgets	3
2.2 Development and Storage Budgets	3
2.3 Budget Approval and Amendment	4
2.3.1 Capital Budgets	4
2.3.2 Administrative and Operating Expense	4
ARTICLE III: JOINT ACCOUNT	5
3.1 Charges	5
3.1.1 Licence Fees	5
3.1.2 Damages and Losses	5
3.1.3 Offices and Field Expenses	5
3.1.4 Insurance and Third Party Claims	5
3.1.5 Legal Costs	5
3.1.6 Material	5
3.1.7 Number not used	6
3.1.8 Personnel	6
3.1.9 Services	6
3.1.10 Taxes	7
3.1.11 Transportation	7
3.1.12 Sole Risk	7
3.1.13 Other Expenditures	7
3.2 Credits	7
3.2.1 Disposals	7
3.2.2 Interests and Miscellaneous	7
3.2.3 Material and Property	7
3.2.4 Sole Risk	7
3.2.5 Insurance	8

3.2.6 Claims	8
3.2.7 Other	8
<b>ARTICLE IV: BOOKS AND RECORDS</b>	<b>8</b>
4.1 Accounting Records	8
4.1.1 Accounting Codes	8
4.1.2 Joint Account	8
4.1.3 Access	8
4.1.4 Investment Records	8
4.1.5 Storage of books and records	9
4.1.6 AFE Reference	9
4.2 Bank Accounts	9
4.3 Material Classification	9
4.4 Other Property	10
4.5 Warehouse	10
4.5.1 Markings	10
4.5.2 Records	10
4.5.3 Major Material Handling Charges	10
4.5.4 Minor Material Handling Charges	10
4.5.5 Forwarding	10
<b>ARTICLE V: MATERIAL</b>	<b>11</b>
5.1 Disposals	11
5.1.1 Surplus Materials	11
5.1.2 Notification to Non-Operators	11
5.1.3 Bidding	11
5.1.4 Disposal	11
5.1.5 Donations	11
5.1.6 Limitation of Disposals	11
5.1.7 Condition "D" Material	11
5.2 Evaluation	11
5.3 Purchases	12
5.3.1 Warranty	12
5.3.2 Charges to Joint Account	12
5.4 Sales and Loans	12
<b>ARTICLE VI: CASH CALL, BILLING AND REPORTING REQUIREMENTS</b>	<b>13</b>
6.1 Cash Calls and Advances	13
6.1.1 Cash Call	13
6.1.2 Specification	13
6.1.3 Currency	13
6.1.4 Payments	13

6.1.5	Limitations	13	
6.1.6	Interest	13	
6.1.7	Forecast	14	
6.2	Billing Statement and Schedules		14
6.2.1	Monthly Billing Statement	14	
6.2.2	Classifications	14	
6.2.3	Currency	14	
6.3	Monthly Cash Reconciliation	14	
6.4	Cost Control Report	14	
6.4.1	Capital Expenditures	14	
6.4.2	Administrative and Operating Expenditures	15	
6.5	Inventories		15
6.5.1	Inventories	15	
6.5.2	Notice	15	
6.5.3	Surpluses, Shortages and Adjustments	15	
6.5.4	Special Inventories	15	
6.6	Storage Report		15
<b>ARTICLE VII: CONTROL PROCEDURES</b>			<b>16</b>
7.1	Audits		16
7.1.1	Access	16	
7.1.2	Notice	16	
7.1.3	Costs	16	
7.1.4	Report	16	
7.1.5	Adjustments	16	
7.1.6	Disagreements	16	
7.1.7	Time Limits	16	
7.1.8	Proprietary and Confidential Information	16	
7.1.9	Third Party Contract	17	
7.2	AFEs		17
7.2.1	Request for AFE	17	
7.2.2	Information	17	
7.2.3	Approval	17	
7.2.4	Deemed Approval (not applicable during the pre-drilling phase)	17	
7.2.5	Authority for the Operator	18	
7.3	Cost Control		18

## ACCOUNTING PROCEDURE

### ARTICLE I: PREFACE AND GENERAL PROVISIONS

#### 1.1 Preface

The purpose of this Accounting Procedure is to establish accounting principles and procedures, which will aid the proper and efficient carrying out of the Joint Operations and will result in the true cost of the Joint Operations being reflected in the Joint Account. It is the intent and understanding of the Parties that the Operator shall, subject to the provisions of the Agreement, neither gain nor lose by reason of the fact that he acts as the Operator. Each of the Parties shall provide funds sufficient to cover all costs of the Joint Operations, such funds to be provided to the Operator by each Party in proportion to its Percentage Interest at the time of the incurrence of the costs.

#### 1.2 Reporting to Authorities

The Operator shall at all times ensure that all accounting data and other information relating to the Joint Operations is available in such a form as to facilitate all required reporting to governmental authorities, both for the Operator and for the Non-Operators. Each Party shall receive a copy of all reports and information relating to the Joint Operations, which are forwarded to governmental authorities by the Operator.

#### 1.3 Change of Accounting Procedure

If one (1) of the Parties is of the opinion that a change in the Accounting Procedure is desirable to rectify an inequity, or for other reasons, it may forward a proposal for amendment of the Accounting Procedure to the Operator who will arrange for the matter to be discussed at an Operating Committee meeting, or at a meeting of an appropriate sub-committee. The Accounting Procedure may be amended with the agreement of all the Parties, subject to the approval of the Danish Energy Agency.

#### 1.4 Currency

The Joint Account shall be maintained in Kroner. However, all Budgets, forecasts and reports will also present the main figures thereof in Dollars or the currency normally used by the Operator, provided the Operating Committee so approves. Translation of foreign currency transactions into Kroner shall be based on the rates published by the Danish National Bank and procedures approved by the Operating Committee.

#### 1.5 Definitions

In addition to the definitions in the Agreement, the following shall apply in this Accounting Procedure:

- (a) "Agreement" means the Joint Operating Agreement of which this Accounting Procedure forms part;
- (b) "Cash Call" means a request for payment of cash by the Operator to the Parties;
- (c) "Controllable Material" means the Material, which in the petroleum industry usually is subject to record, control and inventory;
- (d) "Accounting Committee" means an accounting sub-committee established by the Operating Committee pursuant to the Agreement;
- (e) "Accruals" means recording of charges and credits for work performed and goods received but not booked at the end of the accounting period, regardless of whether invoices or credits have been received.

#### 1.6 Disagreements

In the event of a conflict between the Parties with respect to this Accounting Procedure, the Accounting Committee, if any, or the Operating Committee shall meet and in good faith attempt to settle the conflict with the intent that no Party shall gain or lose at the expense of the other Parties.

#### 1.7 Monetary Limits

It is the intent that the monetary limits set forth in various sections of the Accounting Procedure shall be reviewed and adjusted from time to time by agreement of all the Parties in order to be in accordance with changes in prices and operating conditions.

#### 1.8 Sole Risk

In the event that one (1) or more of the Parties engages in sole risk operations, then, to the extent appropriate, the Accounting Procedure will apply to such sole risk operations but separate accounts, books, bank accounts and other records shall be established and maintained for such sole risk operations in such a manner that the statements and billing relating to the Joint Account do not reflect the sole risk operations.

#### 1.9 Separate Accounting

If it becomes appropriate to segregate Joint Account matters, whether for the purpose of "ring-fence" tax treatment or otherwise, the Operator will maintain books and records and act otherwise with respect to the Joint Operations in order to facilitate such segregation. If requests from other Parties for special records should cause a significant additional workload and/or costs, such costs should be borne by the requesting Party(ies).

#### 1.10 Adjustments

All billing and statements presented by the Operator to the other Parties shall be presumed to be true and correct until shown otherwise, and shall be paid as presented except for

obvious errors. Such payment shall not prejudice the right of any Non-Operator to question the charges or credits accruing to the Joint Account, and the Operator shall take immediate steps to clarify, explain and adjust any queried charges or credits. Requests for corrections shall be made within the time limit specified in Section 7.1.7.

## **ARTICLE II: BUDGETS AND FORECASTS**

### 2.1 Investigation and Appraisal Budgets

Each investigation and appraisal Budget prepared under the Agreement shall contain expenditures in accordance with normal practice in the petroleum industry and shall include;

- (a) an estimate of the total cost of the relevant Programme in Kroner and a subdivision of such total into each main classification of cost and with a reference to assumptions regarding exchange rates, inflation etc.;
- (b) an estimate by Year of the amount of each currency in which such total cost is to be paid, except for the first Budget Year, which will be stated separately for each Quarter of such Year;
- (c) an estimate of the manpower requirements to carry out the relevant Programme;
- (d) such other estimates relating to expenditures to be made during the three (3) Years after the period covered by such Budget, as shall be requested by any Party; and

### 2.2 Development and Storage Budgets

Each Development and Storage Budget prepared under the Operating Agreement shall contain expenditures in accordance with normal practice in the petroleum industry and shall include;

- (a) an estimate of the total cost of the relevant Programme and operations in Kroner and a sub-division of such total into each main classification of cost and with a reference to assumptions regarding exchange rates, inflation etc.;
- (b) an estimate by Year of the amount of each currency in which such total cost is to be paid, except for the first coming Budget Year, which will be stated separately for each Quarter of such Year;
- (c) an estimate of investment in Joint Account warehouse stock movement;
- (d) an estimate of the manpower requirements to carry out the relevant Programme;
- (e) an estimate of annual operating costs for the first five (5) Years of storage.

- (f) contingencies for unknown price, scope or volume deviations in a development Budget shall appear as separate budget items.

2.3 Relinquishment and Decommissioning Budget

[...]

2.4 Budget Approval and Amendment

2.4.1 Capital Budgets

Approval of capital Budgets does not permit the Operator to enter into any commitments or incur any expenditures for any item included in said Budgets until an AFE is approved by the Operating Committee as provided in the Agreement and Section 7.2.4. herein.

2.4.2 Administrative and Operating Expense

Approval of administrative and operating expense Budgets permits the Operator without prior approval of the Parties to issue AFE's covering the full Year and to record such expenditures in the Joint Account, except for major exceptional operating expenditures (e.g. workover of wells) that shall require a separate approved AFE as stated in Section 2.4.1. above.



**ARTICLE III: JOINT ACCOUNT****3.1 Charges**

Subject to the limitations hereinafter set forth, and to the other relevant provisions of the Agreement, the Operator shall, with proper documentation, charge the Joint Account with the following items of expenditure in so far as the expenditure has been duly authorized and relates to and is necessary for the conduct of the Joint Operations:

**3.1.1 Licence Fees**

Licence fees paid by the Operator on behalf of the Parties in connection with the Joint Operations.

**3.1.2 Damages and Losses**

All expenses incurred for the repair or replacement of damaged or lost Joint Property, provided that all insurance coverage shall be appropriately credited. The Operator shall separately and without delay inform the Non-Operators in writing of any incident involving expenses estimated to be in excess of two hundred and fifty thousand Kroner (DKK 250,000), with documentation as may be reasonably requested. Incidents involving smaller amounts shall be reported on a monthly basis.

**3.1.3 Offices and Field Expenses**

The net cost of establishing and operating offices, field offices, warehouses, shore bases and other facilities used for the Joint Operations. If any such facilities serve more than the Joint Operations, the costs shall be allocated in an equitable manner as approved by the Operating Committee in the Budget. However, during the exploration and appraisal period, office expenses may, with the agreement of all Parties, be charged to the Joint Account at a fixed rate as approved by the Operating Committee in the Budget.

**3.1.4 Insurance and Third Party Claims**

Premiums paid for insurance coverage obtained in accordance with the Operating Agreement, and expenditures incurred in settlement of claims from third parties.

**3.1.5 Legal Costs**

All legal costs and expenses arising from the handling of claims and disputes in connection with the Joint Operations except those arising in connection with disputes among the Parties. All such costs and expenses shall be subject to the provisions contained in Sections 3.13.2 and 3.13.3 of the Agreement.

**3.1.6 Material**

(a) Material purchased by the Operator from third parties for use in the Joint Operations shall be charged to the Joint Account at cost after deducting all trade and discounts received. Transport costs and handling, insurance, duties and other related costs are also chargeable to the Joint Account.

(b) Material transferred from the Operator or its Affiliates for use in the Joint Operations shall be charged to the Joint Account at a value determined by an agreed

Material classification system with regards to Used, Unused, Refurbished and Obsolete Materials:

- (c) Accumulation of surplus stocks of Material shall be avoided.
- (d) Material, which will be used partially or on a temporary basis, may be charged to the Joint Account on terms and conditions to be agreed by the Operating Committee. Such charges shall never exceed market rates available through third parties for comparable Material.
- (e) The Operator shall promptly credit the Joint Account for Material returned to the Operator or with any adjustments received from a supplier or manufacturer.
- (f) The Operator shall be entitled to make a reasonable charge to cover financing and storage cost of drawing Material from the Operator's stock.

The basis for such charge shall be reviewed annually and be subject to the prior approval of the Operating Committee.

#### 3.1.7 Number not used

#### 3.1.8 Personnel

All costs for the Operator's personnel shall be computed and charged to the Joint Account on an equitable basis, primarily taking into consideration the percentage of the total cost of each such employee to the Operator that is equivalent to the percentage of such employee's entire working time, which is spent on the Joint Operations. For the avoidance of doubt, the total cost of such employees to the Operator shall take into consideration allowances and benefits, retirement benefits, relocation expenses and similar costs. The cost of personnel of other Parties or third parties who are working under the direct control of the Operator shall be charged to the Joint Account. Any travel and relocation expenses incurred by such personnel and required for the conduct of the Joint Operations shall also be charged to the Joint Account.

If agreed by all Parties, the Operator may propose a fixed hourly rate to be charged for personnel of different categories (e.g. professional staff and supporting staff, etc.). The rates shall be based on the above principles and the rates shall be presented and approved in connection with the annual budget.

#### 3.1.9 Services

The cost of consultants and other services and facilities provided by third parties (including Non-Operators) for the Joint Operations, unless otherwise chargeable under this Accounting Procedure.

The costs of services and facilities provided by the Operator or its Affiliates shall be charged to the Joint Account on an equitable basis, provided that such charges shall not exceed the rates for comparable services available to the Joint Operations from third parties and that the prior approval of the Operating Committee is necessary if the Operator

or its Affiliates wish to provide services or facilities the charges of which will individually exceed two hundred and fifty thousand Kroner (DKK 250,000).

3.1.10 Taxes

All taxes, duties and other governmental levies, which have been incurred and paid by the Operator on behalf of the Joint Operations, shall be charged to the Joint Account. For the avoidance of doubt, royalties and direct taxes imposed on the Parties are not chargeable to the Joint Account.

3.1.11 Transportation

- (a) Travel and relocation expenses, when these are required for the conduct of the Joint Operation. All charges to the Joint Account shall be in accordance with the Operator's normal practice, and include expenses for families and households, when appropriate. Relocation expenses at the termination of work for the Joint Operation will be based on a return to the home of record, except if the employee is relocated for the benefit of another operation, in which case the costs shall not be charged to the Joint Account.
  
- (b) All costs to transport and handle Material for use in the Joint Operations, unless otherwise chargeable under this Accounting Procedure.

3.1.12 Sole Risk

No expenditures in connection with sole risk operations shall be charged to the Joint Account without the prior approval of all the Parties.

3.1.13 Other Expenditures

Any other expenditures not covered by the expenditures otherwise described in this Accounting Procedure which the Operator in accordance with the Agreement incurs and which are necessary and proper for the Joint Operations.

3.2 Credits

The Operator shall credit to the Joint Account the following:

3.2.1 Disposals

Any amounts received from the disposal of Material or other Joint Property.

3.2.2 Interests and Miscellaneous

Any amounts received as interest or otherwise with respect to the Joint Property or accumulated in connection with the Joint Operations.

3.2.3 Material and Property

Any amounts received as a result of the return of Material or other property.

3.2.4 Sole Risk

Any amounts received from third parties or from Parties engaged in sole risk activities for services or for use of Joint Property.

3.2.5 Insurance

Any amounts received pursuant to insurance claims made by the Operator in respect of insurance carried for the benefit of all the Parties.

3.2.6 Claims

Any amounts received pursuant to claims made by the Operator on behalf of the Parties and any other event giving rise to a receipt (including interest) by the Operator on behalf of the Parties.

3.2.7 Other

Any other amounts of revenues or credits, which accrue in any manner in connection with the Joint Operations.

**ARTICLE IV: BOOKS AND RECORDS**

4.1 Accounting Records

4.1.1 Accounting Codes

The Operator shall, upon request, provide the Non-Operators with a copy of any accounting codes it uses, or proposes to use, in connection with the Accounting Procedure.

4.1.2 Joint Account

The Joint Account shall be maintained to reflect the current status of the Joint Operations, to the extent that all major amounts for work carried out, but not yet paid, shall be included and identified in the accounts as Accruals in connection with month-end closings. At the end of each Year all significant outstanding identifiable debits and credits shall be recorded as Accruals.

4.1.3 Access

The Non-Operators shall with reasonable notice have free access to all books and records containing charges and credits to the Joint Account, including the supporting detail.

4.1.4 Investment Records

The Operator shall maintain detailed records of the investments carried in the Joint Account in such a manner as to enable an effective reconciliation of a physical inventory.

4.1.5 Storage of books and records

All books and records, including the supporting detail or true copies thereof relating to the Joint Account, shall be stored in accordance with relevant legislation.

4.1.6 AFE Reference

Investments recorded in the Joint Account shall carry a reference number to the AFE(s) under which the expenditure has been approved.

#### 4.2 Bank Accounts

The Operator shall establish separate bank accounts in Kroner and other currencies in which Cash Calls are made to cover transactions for the Joint Account. The Non-Operators shall be notified of the banks, the account numbers and other relevant information. The bank accounts shall at all times be kept at the lowest possible level consistent with an effective operation. The Operator shall obtain the best available terms for interest, and interest shall promptly be credited or debited to the Joint Account or distributed.

#### 4.3 Material Classification

The Operator shall use the generally accepted principles approved by the Operating Committee for classification of jointly owned Material. The Operator shall also include such other Material in the Controllable Material category as is considered desirable for operational or financial control purposes.

#### 4.4 Other Property

Jointly owned property shall be marked in such a manner as to enable an effective reconciliation of a physical inventory.

#### 4.5 Warehouse

##### 4.5.1 Markings

Materials shall be marked or stored in such manner as to enable an effective reconciliation of a physical inventory.

##### 4.5.2 Records

The Operator shall maintain detailed records of all Controllable Materials charged to and/or stored in a warehouse for the Joint Operations. The records shall be segregated by category and include all Materials which are physically present in the warehouse.

##### 4.5.3 Major Material Handling Charges

Transportation costs, customs duties and other significant amounts shall be recorded as part of the Material cost.

##### 4.5.4 Minor Material Handling Charges

Local and minor transportation and handling charges for Material, which are chargeable to the warehouse stock account, may be accumulated in a separate warehouse sub-account containing handling and transportation costs from vendor to warehouse. When Materials are issued from the warehouse stock to the Joint Operations, a proportionate share of the sub-account shall be charged to the Joint Operations in addition to the cost of the item, the basic principle being that when the warehouse stock has been exhausted, the balance in the transportation sub-account will also be nil.

#### 4.5.5 FORWARDING

Transportation and handling expenses from the warehouse to the operations - and return - shall be charged directly to the operation involved.

### ARTICLE V: MATERIAL

#### 5.1 Disposals

##### 5.1.1 Surplus Materials

The Operator shall make timely disposal of idle and surplus Material charged to the Joint Account.

##### 5.1.2 Notification to Non-Operators

For all items which have an original value of two hundred and fifty thousand Kroner (DKK 250,000) or more, the Non-Operators shall be notified of the intended disposal, the original purchase price, current book value and an estimate of the price which can be obtained by sale to a third party.

##### 5.1.3 Bidding

Within twenty (20) days of receiving such a notice, the Non-Operators shall inform the Operator if they are interested in purchasing the item and at what price. Sales at prices below the estimated obtainable price shall be approved by the Operating Committee.

##### 5.1.4 Disposal

If no Parties are interested in making a purchase, the Operator may proceed with the disposal, provided that all disposals of items having an original value in excess of two hundred and fifty thousand Kroner (DKK 250,000) shall be approved by the Operating Committee.

##### 5.1.5 Donations

Non-Operators shall be advised in advance of donations of all jointly owned Material. Donations with a total value in excess of ten thousand Kroner (DKK 10,000) require Operating Committee approval.

##### 5.1.6 Limitation of Disposals

If disposal of Joint Property other than Material is required, the Operating Committee shall decide the terms and conditions of such disposal for all items having an original value of two hundred and fifty thousand Kroner (DKK 250,000) or more. Items with an original value under two hundred and fifty thousand Kroner (DKK 250,000) may be disposed of with due regard to the Parties' interests.

##### 5.1.7 Obsolete Material

Material classified as obsolete under Section 3.1.6. may be disposed of as needed.

#### 5.2 Evaluation

The Operator shall annually review the condition of the jointly owned Material and determine if a change in the value thereof is warranted. If so, the Operator shall make a proper charge to the Joint Account reflecting the change and inform the Non-Operators of the action taken and the reasons for the change in value. Write-offs in excess of two hundred and fifty thousand Kroner (DKK 250,000) in total shall be approved by the Operating Committee.

### 5.3 Purchases

#### 5.3.1 Warranty

The Operator does not warrant the Material charged to the Joint Account beyond the guarantees received from the supplier or manufacturer, but shall promptly credit the Joint Account with any adjustment received by a supplier or manufacturer. Material transferred from the Operator, Non-Operators or Affiliates which appears to be defective at the time it was transferred shall either promptly be repaired for the account of the transferring Party or returned for a full credit to the Joint Account.

#### 5.3.2 Charges to Joint Account

Material purchased by the Operator shall be charged to the Joint Account as provided in Section 3.1.6.

### 5.4 Sales and Loans

To the extent it can do so without any detrimental effect to the Joint Operations, the Operator may sell, rent or lend jointly owned Material to third parties. The Operator shall inform the Non-Operators and seek their prior approval if any financial or operational risk is involved, or if the amount involved is in excess of two hundred and fifty thousand Kroner (DKK 250,000).

**ARTICLE VI: CASH CALL, BILLING AND REPORTING REQUIREMENTS**

6.1 Cash Calls and Advances

Cash calls are issued and paid on a monthly basis, unless otherwise unanimously agreed by the Operating Committee.

6.1.1 Cash Call

Not less than ten (10) days prior to the beginning of any Month in respect of which the Operator requires funds, the Operator shall furnish the Parties with a Cash Call requesting an Advance or Advances for such Month. The amount requested in a Cash Call shall be the Operator's estimate of the amount required from the Parties to enable the Operator to defray the net cash payments, being cash payments less cash receipts, due in the relevant Month under obligations properly incurred by the Operator in connection with the Joint Operations.

6.1.2 Specification

Each Cash Call shall specify, in respect of each Advance, the amount of each currency required by major AFE and/or Budget category as requested by the Operating Committee, the bank account or accounts to which payment is to be made and the due date on which payment is required. The due date or dates on which payment of an Advance or Advances is or are required shall be at least fifteen (15) days from date of a cash call.

6.1.3 Currency

Unless otherwise agreed by the Operating Committee, Cash Calls shall be made in Kroner or in a currency other than Kroner, but only to the extent that the expenditures are contractually required to be paid in such other currency.

6.1.4 Payments

Following a Cash Call, each Party shall pay to the Operator for the Joint Account a share of each Advance in proportion to its Percentage Interest in sufficient time to be credited to the bank account on the due date specified in the Cash Call. If any Party fails to pay in full its share of any Advance by the due date, the default provisions of the Agreement shall apply.

6.1.5 Limitations

The Operator shall restrict the funds of the Parties held for the Joint Account to a level consistent with that required for the current conduct of the Joint Operations in accordance with Section 6.1.2. above.

6.1.6 Interest

Any interest from the joint bank accounts received by the Operator shall be credited to the Joint Account each Month or promptly distributed.

6.1.7 Forecast

Each Cash Call forwarded by the Operator shall be accompanied by a forecast pursuant to which the Operator specifies the details of the anticipated Cash Calls for the two (2) Months after the Month covered by the Cash Call.



6.2 Billing Statement and Schedules

Statements and Schedules are issued on a monthly basis unless otherwise unanimous agreed by the Operating Committee.

6.2.1 Monthly Billing Statement

The Operator shall send a report to the Parties within twenty-five (25) days following the end of each Month on all payments made and all receipts obtained by the Operator in connection with the Joint Operations during such Month, in sufficient detail to form the basis for the annual tax return and other reports required by the Danish authorities.

6.2.2 Classifications

Such report shall be made on a billing statement which shall show the net total of all payments (less all receipts) relating to the Joint Account and each Party's Percentage Interest share thereof and shall be accompanied by billing schedules dividing such payments and receipts into main classifications of expenditure indicative of the nature thereof and in accordance with the approved Budgets. The billing schedules shall also show cumulative net totals of all payments (less all receipts). In addition, any interest received and any unusual payments and receipts shall be indicated separately.

6.2.3 Currency

All billing statements and schedules shall be in Kroner. All payments made and receipts obtained in currencies other than Kroner and the rates used for their translation to Kroner shall be identified in the billing schedules.

6.3 Monthly Cash Reconciliation

As at the end of each Month in which the Operator has received funds, the Operator shall make a separate reconciliation for each currency between:

- (a) the cumulative total of Advances received by the Operator from the Parties in such currency, and
- (b) the cumulative total of cash payments, net of cash receipts other than interest, made in such currency by the Operator as reflected in the billing statement for such Month.

6.4 Cost Control Report

6.4.1 Capital Expenditures

The Operator shall, within twenty-five (25) days following the end of each Month, prepare and forward to the Non-Operators a report (status of open AFEs) showing a comparison between the approved AFE amount, the cost to date and the estimated final cost for the work covered by each AFE. In the case of a major project, the AFEs shall be grouped together and be included in the best estimate of the final cost for such project. The Operator shall make appropriate comments by budget break-down relating to the progress of the project in relation to the amount expended to date and the estimated final cost.

6.4.2 Administrative and Operating Expenditures

The administrative and operating expenditures shall, within twenty-five (25) days following the end of each Month, be reported compared to the annual Budget.

6.5 Inventories

6.5.1 Inventories

A complete inventory shall be taken at reasonable intervals, and at least annually for warehouse stock, covering all Controllable Material charged to the Joint Account.

6.5.2 Notice

The Non-Operators shall receive at least thirty (30) days' notice of the intention to take an inventory and shall have the right to be represented when the inventory is taken. If the Operator is taking an inventory on a continuous basis, the Non-Operators shall be informed of the schedule to enable them to be present if desired. Failure of a Non-Operator to be present after having received such notice shall bind such Non-Operator to accept the result of the inventory.

6.5.3 Surpluses, Shortages and Adjustments

The Operator shall, within sixty (60) days of the completion of an inventory, furnish the Non-Operators with copies of the inventory, showing surpluses, shortages and adjustments made, with the relevant explanations.

6.5.4 Special Inventories

Any Non-Operator may, with reasonable notice and at his own expense, require the Operator to take a special inventory of the Material charged to the Joint Account, and shall have the right to be represented when the inventory is taken.

6.6 Storage Report

The Operator shall, within twenty-five (25) days following the end of each Month after the commencement of any production prepare and forward to the Non-Operators a report containing Information about available storage capacity, volumes transported and volumes injected in a format agreed by OPCOM.

Within five (5) Working Days after the end of a Month a provisional report shall be forwarded by telex or telefax.

If required due to the type of operation, a reconciliation of the Parties' share of storage shall be included.

**ARTICLE VII: CONTROL PROCEDURES**

7.1 Audits

**7.1.1 Access**

All Non-Operators shall at reasonable times during normal business hours have free access to all books, records, manuals, inventories and property maintained by the Operator and its Affiliates relating to the Joint Operations.

**7.1.2 Notice**

The Non-Operators shall give at least thirty (30) days' notice of their intention to conduct an audit and make every reasonable effort to conduct audits jointly or simultaneously in a manner, which will result in a minimum of inconvenience to the Operator. The Operator shall make all reasonable efforts to cooperate with any audit and will provide reasonable facilities and assistance therefor.

**7.1.3 Costs**

The cost of an audit by the Non-Operators is not chargeable to the Joint Account, but a copy of the audit report shall be distributed to the Parties participating in the audit within sixty (60) days of the completion of the audit.

**7.1.4 Report**

The audit report shall include all claims arising from the audit and comments relating to the settlement of outstanding matters, as well as comments to the accounts and records.

**7.1.5 Adjustments**

The Operator shall reply to the report in writing within sixty (60) days and promptly record all adjustments, which have been agreed between the Operator and the Non-Operators. If any such adjustment is in excess of one million Kroner (DKK 1,000,000) or equivalent in another currency in relation to a specific claim, consideration shall also be given to the gain or loss of interest which the Parties may have incurred during such period that the Parties either have had the use of or were denied the use of the relevant funds. The computation of any such interest shall be calculated on a day to day basis at the rate of one per cent (1%) above the Cost of Funds Rate.

**7.1.6 Disagreements**

Outstanding claims, which cannot be agreed upon, shall be referred to the Accounting Committee, if any, or the Operating Committee for settlement before going to arbitration.

**7.1.7 Time Limits**

The Parties' right to claim any adjustment shall cease twenty-four (24) Months after the end of each Year, unless a written request for such adjustment is given to the other Parties during such twenty-four (24) Month period. Adjustments involving or resulting from third party claims, physical inventories or statutory requirements are exempt from the twentyfour (24) Month limitation. Non-Operators shall have the right to further investigations in relation to the outstanding matter until such matter has been settled.

**7.1.8 Proprietary and Confidential Information**

If an audit of the Operator and Affiliated Companies by the Non-Operators involves information, which is generally accepted as proprietary and confidential, the Operator may require that such audit is carried out by an external auditor of international standing

acting under the instructions of the Non-Operators. Such assistance will, however, be chargeable to the Joint Account.

7.1.9 Third Party Contract

The Operator shall use his best efforts to obtain audit rights for the Non Operators in all contracts where the Operator obtains such rights for itself. Audits shall normally be carried out jointly and in any case arranged through the Operator.

7.2 AFEs

7.2.1 Request for AFE

Before entering into a commitment, the Operator shall, with the exception of expenditures mentioned in Section 2.3.2., request the Parties to authorise an AFE at a time when the main details of the relevant commitment or expenditure can be ascertained, but consistent with giving the Parties sufficient time to consider the matter.

7.2.2 Information

Each AFE shall set forth the following information:

- (a) a brief summary of the scope or work covered by the AFE,
- (b) an itemised breakdown of expenditures showing separately base cost, and allowance for contingencies,
- (c) an estimate of phasing of Cash Calls on a monthly basis,
- (d) an estimate of the amounts of any alternative currencies required,
- (e) the Operator's direct and indirect charges, and
- (f) each Party's total share of expenditure.

Necessary further details to support estimated costs will be included as attachments to the AFE to the extent required by the Operating committee.

7.2.3 Approval

Any Party, which has voted in favour of an AFE, which has been approved by the Operating Committee, shall sign an AFE form indicating its authorization thereof. Copies of the relevant AFEs showing a sufficient number of authorizations by the Parties shall be promptly distributed to the Parties by the Operator.

7.2.4 Deemed Approval (not applicable during the pre-drilling phase)

If the Operator requests the Parties to authorise an AFE for a total expenditure not exceeding one million Kroner (DKK 1,000,000), or such other amount as may be determined by the Operating Committee, the AFE in question shall be deemed to be approved and shall be binding upon the Parties unless within fourteen (14) days after the

Parties have received the AFE, an objection thereto is made to the Operator by any Party. If an objection is made, approval shall take place in accordance with Section 7.2.3. above.

7.2.5 Authority for the Operator

Approval of an AFE by the Operating Committee constitutes authority for the Operator to enter into any commitment or incur any expenditure properly made in relation thereto whether or not payments in respect of such commitments and expenditures will result in the final cost of such commitments and expenditure exceeding the total Budget amount or the AFE, provided that if at any time it becomes apparent that either,

- (a) commitments yet to be made will, or are likely to, cause the total annual Budget to be exceeded by five per cent (5%), or
- (b) expenditures to be incurred under commitments already made will cause an individual Budget item or AFE to be exceeded by the lesser of ten per cent (10%) or one million Kroner (DKK 1,000,000) or that the cumulative total of such excess expenditures shall, or are likely to, exceed five per cent (5%) of the total Budget,

the Operator shall immediately notify the Parties and shall without delay prepare a revised AFE and if necessary a revised Budget, giving the reasons for the increased cost, and shall request approval of the revised AFE and Budget, and shall not enter into any new commitment in relation to the AFE until the revised AFE and Budget has been approved by the Operating Committee.

7.3 Cost Control

The Operator shall establish and maintain an effective cost control system for the benefit of the Joint Operations. Such system shall include such controls as may be decided by the Operating Committee.