

**CONTRACT NUMBER 10458429
(Participant Reference:)**

AGREEMENT FOR A JOINT INDUSTRY PROJECT BETWEEN

SPONSOR

and

**PENSPEN LIMITED
(PENSPEN INTEGRITY)**

Entitled:

**THE PIPELINE DEFECT ASSESSMENT MANUAL
AND
ONGOING MAINTENANCE AND UPDATE**

CONTENTS

1. DEFINITIONS
2. COMMENCEMENT AND DURATION
3. PROJECT MANAGEMENT
4. PROJECT STEERING COMMITTEE
5. ADDITIONAL PARTICIPANTS
6. FINANCIAL ARRANGEMENTS
7. RECORDS
8. CONFIDENTIALITY
9. OWNERSHIP AND USE OF RESULTS
10. LIABILITIES AND INDEMNITIES
11. FORCE MAJEURE
12. TERMINATION
13. COMMUNICATION
14. ASSIGNMENT
15. SUBCONTRACTING
16. LANGUAGE
17. LAW AND DISPUTES
18. PUBLICITY
19. WAIVER
20. STATUS OF THE PARTIES
21. VOID PROVISIONS
22. HEADINGS
23. ENTIRE AGREEMENT

PDAM+ Sponsor.

EXHIBIT A. Statement of Deliverables of the Pipeline Defect Assessment Manual (PDAM) Project and Scope of Work for Extension of the PDAM Project

EXHIBIT B. Basis for CONTRACTOR Lump Sum Charges

EXHIBIT C. Participants

Notwithstanding the date or dates of execution this Agreement between Penspen Ltd. having its registered office at 3 Water Lane, Richmond-Upon-Thames, Surrey, TW9 1TJ and represented in this Agreement by Penspen Integrity (hereinafter referred to as “Contractor”) and [HOLD] having its registered office at [HOLD] (hereinafter referred to as the “Participant”) shall be deemed to have commenced on [HOLD].

Either Contractor or Participant being sometimes referred to herein separately as “Party” or jointly as “Parties”.

PREAMBLE

- 0.1 Contractor having prepared as a joint industry project a Pipeline Defect Assessment Manual covering a comprehensive, critical and authoritative review of pipeline defect assessment methods and full scale test data, and the development of same into a manual proposes to extend the Project to provide ongoing maintenance and update to the Manual. Participant is willing to fund a portion of the cost of the extension of Project and desires to obtain the results thereof. Accordingly the Parties hereto have agreed as follows:
- 0.2 Whereas Contractor is prepared willing and able to prepare and circulate a proposal for a joint industry project to provide a “**PIPELINE DEFECT ASSESSMENT MANUAL (PDAM)**”, and the maintenance and update of same, and
- 0.3 Whereas Contractor has skill knowledge and experience in the provision of such studies, and
- 0.4 Whereas Participant has agreed to become a member of a group sponsoring the Project, on the following terms:

1. DEFINITIONS

- 1.1 As used herein the term **Agreement** shall mean the whole contents of this Agreement which shall apply between Contractor and Participant and shall be deemed to include the Joint Industry Project Defect Assessment Manual (version two) and that proposal given as Exhibit A, Financial Exhibit given as Exhibit B, List of Participants and Contact Representatives given as Exhibit C. In the event of any conflict between the terms and conditions of this Agreement and the Exhibits the terms and conditions of this Agreement shall take precedence.
- 1.2 As used herein the term **Project** or **PDAM+** shall mean the carrying out of the work defined in the Joint Industry Project Proposal as given in Exhibit A to this Agreement or as agreed by at the Effective Date or by the right of change through the Committee.

- 1.3 As used herein the term **Project Results** shall mean all reports drawings data and other information developed or acquired by Contractor in performing the Project but excluding Background Intellectual Property.
- 1.4 As used herein the term **Project Patents** shall mean all patents and patent rights relating to inventions discoveries or improvements conceived or made by employees of Contractor or any subcontractors either alone or jointly with others and resulting from the Project.
- 1.5 As used herein the term **Affiliate** shall mean any parent company of the Participant which now or hereafter owns or controls, directly or indirectly, at least fifty percent of the stock, capital or voting rights of the Participant and any other company in which the Participant or parent company owns or controls directly or indirectly at least fifty percent of the stock, capital or voting rights and within the meaning of [Section 1159 of the Companies Act 2006](#) with any subsequent amendment thereof or in the case of a Government Department any other Government Department or Body.
- 1.6 As used herein the term **Effective Date** shall mean the date Contractor notifies Participant that a sufficient number of the prospective Participants have signed their copy of the agreement in the same or not materially different form or have given written consent to such. The Effective Date shall be ratified and recorded at the first meeting of the Committee.
- 1.7 As used herein the term **Participant** shall mean the participating organisation stated in this Agreement, whether at or after the Effective Date. All Participants shall have signed an agreement the contents of such agreement shall be the same as this Agreement or not materially different in content from it.
- 1.8 As used herein the term **Participants** means more than one Participant.
- 1.9 As used herein the term **Committee** shall mean the project technical committee formed under clause 4.
- 1.10 As used herein the term **Background Intellectual Property** shall mean any information (including but not limited to financial information, processes, reports, drawings, techniques, know-how, manuals and the like both written and unwritten) patent applications, patents, copyrights and information contained in any other similar statutory right owned or controlled by a Party in a field which is the same or related to the work executed under this Agreement.
- 1.11 Reference to the singular includes reference to the plural and vice versa.

2. COMMENCEMENT AND DURATION

- 2.1 The term shall commence on the Effective Date following the completion of existing Project and agreement that PDAM+ shall commence and continue for an

initial period of two years unless terminated earlier pursuant to the terms of this Agreement.

- 2.2 There shall be on completion of the initial term an option to extend the term for a further year and annually thereafter subject always to mutual agreement of the Parties and the availability of finance.

3. PROJECT MANAGEMENT

- 3.1 Contractor shall inform the Participant of the names of the other potential Participants who have expressed their intent to contribute to the Project.

- 3.2 Contractor shall present at the outset of the Project a detailed project scope for performing the Project which shall include such procedures as may be necessary to define in detail the work to be performed. The above mentioned detailed project scope forms Exhibit A of this Agreement.

- 3.3 Contractor shall use all reasonable endeavours to maintain the progress of the Project.

- 3.4 Contractor shall co-operate fully and work closely with the Participant, and the Committee, on the Project and shall ensure that all procedures followed and designs and specifications prepared shall be in accordance with relevant laws, standards, codes of practice, rules and regulations, particularly in respect of safety.

- 3.5 At the completion of each task, draft reports will be issued in electronic form to Participants coincident with issue to critical review. A maximum review period will be agreed between Contractor and the Committee giving consideration to Project progress and work schedule.

4. TECHNICAL COMMITTEE

- 4.1 The PDAM+ Project will be supervised by a Technical Committee comprising one member each from the original fifteen sponsoring Participants listed in Exhibit C and any additional sponsors that subsequently join the Project. Each Participant can also designate an alternate member. Decisions of the Committee shall be binding upon Participants and Contractor and the quorum for the Committee meetings shall be the attendees from six Participants.

- 4.2 A Participant represented on the Committee will have the right to one vote on that Committee. Such vote can be transferred or cast by proxy with prior written notification and before a Committee meeting. A Participant may elect not to be represented on the Committee but in so doing that Participant waives its right to a vote.

- 4.3 The Chairperson of the Committee will be elected by its members.

- 4.4 The Technical Committee will meet once a year, to review the work conducted in the previous year and to agree the subsequent years work. In the first year of the PDAM+ Project there will be an additional meeting of the Technical Committee to initiate the Project. Such meetings shall be convened upon at least 21 days written notice unless otherwise agreed by the Committee.
- 4.5 Contractor or a member of Committee may approach the Chairperson of the Committee and request that an extraordinary meeting be convened. The Chairperson of the Committee shall consider the request and if in agreement that a meeting would benefit the Project convene such a meeting.
- 4.6 Contractor shall provide the venue for meetings of the Committee together with the appropriate project staff and any reasonable information required for the business of the meeting, including the necessary secretarial service to record the minutes of the meeting. All documents prepared for the Committee by Contractor shall be circulated in a timely manner.
- 4.7 Any decisions made by the Committee shall wherever possible be made by unanimous consent. Should it be necessary for any decision to be made by the casting of votes then the support of a majority of the members will be required. In the event that there is no majority the chairperson shall have the casting vote.
- 4.8 The Committee will review the progress of the Project together with the costs incurred to date and comment on any technical reports that are issued. The Committee will also have responsibility for approving any amendments to the Project consistent with the objectives of the Project, subject to the agreement of Contractor to undertake any resulting additional work. In the event that Contractor was to decline to perform any additional work an alternative agent would be approached by Contractor on the instruction of the Committee and the work may be subcontracted according to the conditions of clause 15 of this Agreement.
- 4.9 The Committee shall have the right to recommend variations in the financial commitment of the Participants. Notwithstanding any other provisions of this Agreement the implementation of such variations shall require the unanimous agreement in writing of the Participants and Contractor before becoming effective.
- 4.10 The Committee shall have the right to approve applications by other companies or organisations to become Participants in the Project after the Effective Date.
- 4.11 Prior to the Effective Date the right to approve proposals by Participants to submit materials and/or technical data in lieu of their financial contribution shall be vested in Contractor. After the Effective Date the right of approval shall transfer to the Committee. Neither Contractor nor the Committee shall approve such arrangements if to do so would increase the financial contribution of the other Participants unless those Participant have consented to such increase in writing beforehand. Contractor shall circulate to all Participants information regarding all contributions by

prospective Participants proposed in lieu of financial contributions in sufficient detail so as to allow all Participants to assess the value of such contributions.

- 4.12 Each Participant will be responsible for all its costs incurred regarding attendance at meetings associated with the Project.

5. ADDITIONAL PARTICIPANTS

- 5.1 Contractor shall promptly inform the Participants of any application by other companies or organisations to participate in the Project received after the Effective Date.
- 5.2 Subject to the agreement of the Committee, provided any such applicant wishing to participate in the Project warrants to observe and be bound by similar terms and conditions or terms and conditions not materially different from those contained in this Agreement particularly regarding confidentiality, then such applicant shall be entitled to receive such information as shall have been received by the Participants at the stage of entry of the new applicant and thereafter. If it has executed an agreement on the same terms and conditions as this Agreement or on terms and conditions not materially different from those in this Agreement the applicant shall be deemed for purposes of Project Results to be a Participant in retrospect from the Effective Date.
- 5.3 Upon joining the Project the new Participant shall pay the Contract Price of Twenty Thousand Pounds Sterling (GBP20,000) as determined by the Committee.

6. FINANCIAL ARRANGEMENTS

- 6.1 Contractor shall perform the work which constitutes Project PDAM+ as described in this Agreement and Exhibits attached hereto for the sum of monetary contribution detailed herein (“the Lump Sum”) or as otherwise amended by formally executed Contract Amendments. The initial lump sum funding for the Project PDAM+ shall be from Forty Thousand Pounds (GBP40,000) residual from the original Pipeline Defect Assessment Manual project and thereafter from new Participants and, subject to the agreement of the Participants of the PDAM+ project, the sale of the Pipeline Defect Assessment Manual. The scope of work is returned in Exhibit A. The Contract Price for new sponsors will be Twenty Thousand Pounds Sterling (GBP20,000). The extended programme will run for as long as there is funding to support it.
- 6.2 a) In the event that a large number of additional Participants join the PDAM+ project (or a large number of copies of the Pipeline Defect Assessment Manual are sold), the funds will initially be allocated to securing the maintenance and update cycle for six years. Surplus funds will be expended in accordance with provisions of the Agreement on either securing the maintenance and update cycle for

subsequent years, or for additional work as agreed between the Technical Committee and Contractor. Additional work will be conducted by Contractor, or subcontracted through it. If Contractor agrees to carry out the additional work, it will prepare and submit to the Committee a proposal for the additional work.

b) In the event that insufficient external funds are raised, the sponsors will have the options of

- (i) reducing the scope of the maintenance and update,
- (ii) contributing additional funds, or
- (iii) discontinuing the PDAM+ project.

In the event that it is agreed to seek additional funding from the Participants all Participants shall contribute equally.

- 6.3 In the event of a Participant defaulting on payment and having its participation terminated by Contractor in accordance with clause 12, the Committee, as reconstructed, shall decide whether to either, reduce the scope of the Project, or increase the contribution of each Participant on a pro rata basis, in proportion to the amount outstanding from such defaulting Participant or else come to such other arrangement as may be necessary to rectify the situation.
- 6.4 In the event that Contractor terminates this Agreement before completion of the Project, Contractor shall promptly repay any monies in excess of the value of work satisfactorily performed by Contractor up until the date of termination. Such repayment shall be on a pro rata basis in proportion to each Participant's monetary contribution to the Project
- 6.5 Contractor shall invoice the Participant for the full Contract Price on the signing of this Agreement. Invoices rendered under this clause 6.5 shall be in a format and detail reasonably required by the Committee and shall not in total amount to more than the Participant's agreed liability under the Contract Price shown in this Agreement or any amendment thereto unless otherwise agreed between the Parties in writing.
- 6.6 Subject to the provisions of this Agreement the Participant shall pay all invoices rendered within 42 days of receipt. Contractor reserves the right to charge interest on overdue payments at the rate of two percent above the prevailing National Westminster Bank base rate calculated on a daily basis on the amount outstanding and compounded annually. Contractor warrants that it will not exercise this right unreasonably.

7. RECORDS

- 7.1 Contractor shall keep accurate records, comprising but not limited to books of accounts, consumables, where applicable third party and subcontract charges, timesheets for its staff and personnel relating to the costs claimed under this

Agreement and shall retain such records for a period of not less than two years after completion of the Project.

- 7.2 During the performance of the Project and up to six months after its completion one Participant elected by and representing the others shall have the right of access to audit the records to the extent necessary to verify the number of hours and any reimbursable costs claimed by Contractor. Contractor shall be given reasonable notice of audit and the Participant performing the audit shall perform it with the minimum disruption to Contractor and Contractor's business.
- 7.3 All technical records and project external costs will be kept for a minimum period of two years after the completion of the Project and any Participant can have reasonable access during that period on payment of a reasonable sum to be agreed to cover effort and costs incurred by Contractor in retrieving, photocopying and the like of such information.

8. CONFIDENTIALITY

- 8.1 All information arising directly from the Project shall be treated as confidential by the Parties for a period of two years after the completion or termination of the Project. This obligation of confidentiality shall not apply to information which:
- a) has to be disclosed as a statutory or legal obligation; or
 - b) is obtained or created independently of this Agreement; or
 - c) at the time of disclosure is or subsequently becomes part of the public domain without breach of this Agreement or other improper conduct by either of the Parties hereto; or
 - d) is released with the prior written consent of all Participants and the Contractor.
- 8.2 Each Party shall keep confidential any information or process of the other or any Participant which is disclosed in connection with the Project and shall not use the same other than for furtherance of the Project.
- 8.3 The Participant shall be allowed to disclose information arising from the Project to any Affiliate who agrees in writing to observe the same obligations of confidentiality as specified in clauses 8.1 and 8.2. The Participant and its Affiliates shall be allowed to disclose such information to any third party who agrees in writing to observe the same obligations of confidentiality as stipulated in clauses 8.1 and 8.2.
- 8.4 Notwithstanding the provisions of clause 8.1 the Health and Safety Executive shall have the right to publish the Project Results or such part thereof as may be necessary to enable the Health and Safety Executive to fulfil its current and future

statutory obligations. In such event the Health and Safety Executive agrees where possible to provide the Committee with 30 days prior written notice together with copy of any material to be published.

- 8.5 Except as otherwise provided herein, following expiration of the confidentiality period set forth in this clause Contractor and Participant may each use, copy, disclose, publish, distribute, license or otherwise transfer all or any part of the Project Results to any third party without restriction and without accounting to each other or any third party thereof.

9. OWNERSHIP AND USE OF RESULTS

- 9.1 All intellectual property rights arising under or in connection with the Project, including but not limited to copyright, inventions, results and know-how, shall be the property of Contractor unless otherwise provided herein.

- 9.2 Contractor shall promptly notify Participants of any inventions or development of new technology that arise from Contractor's performance of the Project and which are based on or derived from information:

- a) mainly provided by Participants, or
- b) provided by both Parties but where it is impossible to establish which of the Parties has provided the majority of the information.

Any such inventions and/or new technology shall become the property of the Participants jointly. Contractor shall take all steps necessary to ensure that Participants obtain patents for such inventions and / or new technology. Participants shall reimburse Contractor for all reasonable expenses incurred in performing such activities.

- 9.3 Contractor shall immediately notify Participants of any inventions or development of new technology which Contractor or its personnel may produce in connection with the performance of the Project and which are based on or derived from information mainly provided by Contractor. In such instance Contractor shall allow Participants and their Affiliates an irrevocable royalty-free and non exclusive licence to use such inventions or new technology for use in Participants' or Affiliates' normal operations and internal research purposes.

- 9.4 The copyright to the manual derived from the Project shall belong to the Contractor except that such ownership shall not entitle the Contractor to sell the manual or review or any material which is based upon the review or the manual without the consent of the Participants. Such aforementioned consent shall not be unreasonably withheld provided that an agreement is reached between the Contractor and the Participant under this Agreement giving each Party equal shares of the profit, such profit to be calculated on a bone fide basis, from each sale of the manual (alternatively, with the agreement of all Participants, the profit from the sale of the

manual will be used to fund the updating of the manual). The foregoing arrangement shall remain in place until:

- a) either the profits from the sales equal the fee paid by the Participant to Contractor in accordance with clause 6.1 or, where applicable, the equivalent of that fee plus contribution in kind, or
- b) the expiry of three (3) years from completion of the Project or termination of this Agreement

whichever is the earlier.

On expiry of the foregoing arrangement the copyright shall be exclusive to the Contractor.

- 9.5 With respect to the reproduction, publication and sale of the manual derived from the Project, Contractor shall ensure that a statement disclaiming any liability whatsoever, on the part of itself and the Participants, in respect of the accuracy of the information contained therein and the use to which such information is put is printed in a prominent position in such manual.
- 9.6 For the avoidance of doubt the reversion of copyright to Contractor shall be subject to the Participant's rights to use the manual in its commercial operations and to reproduce copies in the ordinary course of business.
- 9.7 Nothing herein shall be construed as limiting the right of any Party or its Affiliates to conduct independent studies including research within the scope of this Project.

10. LIABILITIES AND INDEMNITIES

- 10.1 Contractor shall ensure that itself and any subcontractors perform the Project with reasonable skill, care and diligence and shall endeavour to ensure that all results and interpretations provided to the Participant are accurate and accurately reflect current thinking and practice within the field of activity. Contractor warrants that the services supplied in the performance of the Project shall be in accordance with the specification detailed in the proposal as shown in Exhibit A of this Agreement and agreed between Contractor and Participant. Provided that Contractor shall have performed the Project in accordance with this Agreement, Contractor shall have no liability to the Participant in respect of any claim arising from the use of the said results and interpretations by the Participant or by any third party or arising from the design, certification, manufacture, installation or use of any article or structure consequent upon the use of the said results or interpretations.
- 10.2 Neither Party shall be liable to the other for any indirect consequential or economic loss suffered by the other including but not limited to loss of use, profit, production, revenue, interest or for business interruption arising under or in connection with this Agreement or the undertaking of the Project and each shall indemnify defend

and hold the other harmless against any indirect consequential or economic loss of its own.

- 10.3 The Parties shall each indemnify defend and hold the other harmless from and against any or all claims losses costs damages and expenses of every kind and nature including legal expenses with respect to sickness injury or death of any person employed by itself or of its other contractors of any tier arising under or in connection with this Agreement or the undertaking of the Project from any cause whatsoever including but not limited to the sole or concurrent negligence (but not wilful misconduct) of the other.
- 10.4 The Parties shall each be liable for and shall indemnify defend and hold the other harmless from and against any and all claims losses costs damages and expenses of every kind and nature including legal expenses with respect to loss of or damage to their respective real and personal property or that of their contractors or sub-contractors of any tier arising under or in connection with this Agreement or in the undertaking of the Project from any cause whatsoever including but not limited to the sole or concurrent negligence (but not wilful misconduct) of the other.
- 10.5 Nothing in this Agreement shall be construed as altering in any way the ownership of any Background Intellectual Property owned by or licensed to a Party prior to the execution of this Agreement.
- 10.6 Notwithstanding clause 10.1 Contractor shall indemnify and hold each Participant harmless from all claims, losses, costs, damages and expenses of any kind including reasonable legal costs thereof arising from any alleged patent, design, or copyright infringement arising out of the execution of the Project providing such alleged patent, design, or copyright infringement is not the result direct or indirect of Contractor using Background Intellectual Property supplied by one or more Participants. For the avoidance of doubt no contractual arrangements exist between Participants under this Agreement.
- 10.7 Contractor shall effect and maintain and shall require its subcontractors to effect and maintain throughout the continuance of this Agreement adequate insurance coverage with reputable insurers in respect of its obligations and liabilities hereunder.

11. FORCE MAJEURE

- 11.1 Neither Party shall be liable for any failure or breach under this Agreement if such failure or breach has been caused by reason of force majeure which shall mean circumstances beyond the control of that Party so affected, which that Party could not reasonably have foreseen at the time of entering into this Agreement and which, by the exercise of reasonable diligence, said Party is unable to prevent or overcome provided that the Party affected shall promptly give notice to the other Parties of such occurrence. Lack of funds shall not be classed as force majeure.

- 11.2 Each Party shall be liable for and shall bear all its own costs, expenses, losses and charges suffered and incurred as a result of an occurrence of force majeure.

12. TERMINATION

- 12.1 The Project may be terminated without cause at any time prior to completion thereof by the unanimous consent of the Committee with written notice to Contractor. Termination will be effective five days after receipt by Contractor of such notice subject to the Participant's fee set forth in clause 6. Participant will reimburse Contractor for its proportionate share of all Project costs incurred by Contractor through the effective date of termination including reasonable expenses incurred by the Contractor in satisfying authorised commitments entered into by the Contractor with third parties prior to receipt of such written notice. Contractor will use its best efforts to minimise termination expenses and will give appropriate credit to Participant where applicable. In the event of termination Contractor will provide Participant with one copy of the Project Results in whatever stage of completion they are in.
- 12.2 Participant may withdraw from the Project at any time after commencement but prior to completion or termination thereof by giving Contractor written notice to that effect. Withdrawal shall not affect the withdrawing Participant's confidentiality or payment obligations under this Agreement. Any such withdrawal under this Agreement will terminate the Participant's payment obligations as to all subsequent work in the Project but may not result in a refund of money paid in excess of proportion of Project completed at time of Participant giving notice of termination. If such withdrawal would result in the remaining Participants having to provide additional funding to complete the Project as envisaged at the time when the withdrawing Participant originally joined the Project no refund shall be due to the withdrawing Participant. In no event shall the withdrawing Participant's liability exceed the fee due under clause 6 of this Agreement unless such has been amended in writing.
- 12.3 Where a Participant is providing their fee in Contribution In Kind to this Agreement whether in whole or in part that Participant warrants that should it terminate the Agreement for its operational, convenience or similar cause it shall take all reasonable steps in consultation with Contractor to source a replacement participant capable of and willing to become a Participant and complete the Scope of Work committed to under this Agreement by the withdrawing Participant under this Agreement.
- 12.4 Either Party may terminate this Agreement in the event of material breach by the other on giving not less than 60 days prior written notice to remedy such breach which notice shall have the effect at the end of that 60 days period if the Party in breach has not taken reasonable steps to commence to remedy the alleged breach and once commenced continue diligently to remedy until rectification.

- 12.5 Each Party may terminate this Agreement on immediate written notice in the event that the provision of the Project is delayed by reason of force majeure as provided in clause 11 for not less than 60 days.
- 12.6 Notwithstanding the termination of this Agreement for any reason, the Participant shall receive all such reports on the Project to which it is entitled under this Agreement up to the date of termination and in addition Contractor shall promptly after termination provide to the Participant an interim report with full details of the results achieved up until the date of termination.

13. COMMUNICATION

- 13.1 All notices between the Parties shall be sent by telex, fax, first class registered or recorded delivery mail or other electronic means in a form generating a record copy to the addressed below.

Contractor

Contractual

Penspen Ltd.
Michael Speirs
Contracts Department
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1UP. UK

cc. Technical

Penspen Integrity
Dr Philip Hopkins
Hawthorn Suite
Units 7-8 St Peter's Wharf
Newcastle upon Tyne
NE6 1TZ. UK

Participant

[HOLD]

- 13.2 or to such other addresses as either Party shall notify in writing in advance of sending.

14. ASSIGNMENT

Neither Party shall be entitled to assign all or any of its rights and obligations including any benefit or interest under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Contractor may make such assignment to any other company within its group of companies or to an Affiliate without the consent of the Participant provided that Contractor has no reason to believe that performance of the Project may be adversely affected by such assignment.

15. SUBCONTRACTING

- 15.1 Contractor may subcontract certain portions of the Project only after receiving approval of the Committee.
- 15.2 The Participant may not subcontract any or all of its involvement in the Project without the prior approval of the Committee and, if applicable, the Contractor.
- 15.3 In the event that either Party subcontracts any portion of its involvement in the Project it shall not relieve that Party of any of its liability or obligation under this Agreement. Furthermore the subcontracting Party shall be responsible for the acts, omissions, defaults or negligence of any subcontractor, its agents, servants or workpersons as fully as if they were the acts, omissions, defaults or negligence of the subcontracting Party.
- 15.4 The Party subcontracting any portion of its involvement in the Project shall be obligated to ensure that such subcontract contains the same obligations and liabilities on the subcontractor as prevail under this Agreement on the Party subcontracting.

16. LANGUAGE

The language and any construction or interpretation of this Agreement shall be English.

17. LAW AND DISPUTES

The Agreement shall be governed by English law and any dispute of the Parties under or in connection with this Agreement or the provision of the Project shall be subject to the exclusive jurisdiction of the English Courts.

18. PUBLICITY

- 18.1 Neither Party shall make use for publicity purposes of the name, or of any trade name or trademark of the other Party, or of any information obtained under or in connection with this Agreement or the undertaking of the Project from the other Party without the prior written consent of the other Party. Neither Party shall issue any publicity or other announcement in relation to this Agreement or the Project without the prior written approval of the other Party of the form and content thereof, which approval shall not be unreasonably withheld or delayed. The Participant shall not issue any publicity or other announcement in relation to another Participant of the group without that Participant's prior approval in writing.
- 18.2 During the confidentiality period, any publication arising in connection with this project shall be first approved by the Committee and due acknowledgement given to the Participants.

19. WAIVER

No delay neglect waiver or forbearance on the part of either Party under this Agreement shall be construed as a formal waiver of or otherwise prejudicial to the rights of such Party under this Agreement or at law or equity.

20. STATUS OF THE PARTIES

Nothing in this Agreement shall create or be deemed to create a partnership, agency or employment relationship between the Parties or the other Participant members of the group.

21 VOID PROVISIONS

If any provision of this Agreement is found to be contrary to the law or is legally unenforceable that provision shall be deemed to be deleted and the remainder of this Agreement shall remain in force provided that the substance of this Agreement shall not be affected thereby.

22. HEADINGS

All headings and titles in this Agreement are used for convenience only and are not to be construed as part of this Agreement in any way which limits or extends the provision therein.

23. ENTIRE AGREEMENT

This Agreement comprises the entire agreement between the Parties and supersedes all prior agreements understandings representations warranties and arrangements of the Parties which are otherwise excluded upon this Agreement being entered into.

IN WITNESS whereof Contractor and the Participant have caused this Agreement to be signed for and on their behalf by the signatories hereto who have been duly authorised so to do by the Contractor and the Participant respectively.

Signed by Participant Signed by Contractor

Name . Name

Designation Designation

Date Date

EXHIBIT A

STATEMENT OF DELIVERABLES OF THE PIPELINE DEFECT ASSESSMENT MANUAL (PDAM) PROJECT AND SCOPE OF WORK FOR EXTENSION OF THE PDAM PROJECT

A. STATEMENT OF DELIVERABLES OF PDAM

The Pipeline Defect Assessment Manual (PDAM) project was a joint industry project sponsored by fifteen international oil and gas companies (see Exhibit C). The PDAM project presents a considered view of the 'best' currently available methods for assessing the fitness-for-purpose of defects in oil or gas, onshore or offshore pipelines manufactured from steel line pipe. The PDAM project produced a Pipeline Defect Assessment Manual and sixteen separate, detailed, background literature reviews.

All of the current participants of the original PDAM project contributed in cash or in kind an amount equivalent to GBP20,000.

THE PIPELINE DEFECT ASSESSMENT MANUAL

The Pipeline Defect Assessment Manual (PDAM) PDAM (NR00018) R1.01.doc

THE BACKGROUND LITERATURE REVIEWS

1	Assessment Methods for Defect Free Pipe	NR99011R3(DefectFreePipe).doc
2	Assessment Methods for Corrosion in Pipelines	NR99012R3(CorrosionReview).doc
3	Assessment Methods for Gouges in Pipelines	NR99013R3(GougeReview).doc
4	Assessment Methods for Dents in Pipelines	NR99014R3(DentReview).doc
5	Spring Back and Rerounding in Dented Pipelines	NR99046R3(SpringBackandReroundingReview).doc
6	Assessment Methods for Dents and Gouges in Pipelines	NR99015R3(DentsandGougeReview).doc
7	Assessment Methods for Dents and Other Defects in Pipelines	NR99048R3(DentandOtherDefectsReview).doc
8	Time Dependent Behaviour of Defects in Pipelines	NR99047R3(TimeDependentBehaviour).doc
9	Assessment Methods for Cracking in Pipelines	NR99016R3(Cracking).doc
10	Assessment Methods for Manufacturing Defects in	NR99017R3(ManufacturingD

	Pipelines	effects).doc
11	Assessment Methods for Defects in Pipeline Girth Welds and Seam Welds	DNV 00.1012 Rev 03 (GirthWeldsSeamWelds).doc
12	Assessment Methods for Environmental Cracking in Pipelines	NR99020R3(EnvironmentalCracking).doc
13	Methods governing and preventing long running ductile and brittle propagating fast fracture in gas transmission pipelines	PDAM JIP _ CSM Final Report No.10423R.doc
14	Assessment Methods for Defects in Pipeline Fittings	NR99024R3(Fittings).doc
15	The Leak-Rupture Behaviour of Defects in Pipelines	NR99035R3(LeakandRuptureReview).doc
16	Interaction Between Defects in Pipelines	NR99049R3(InteractionReview).doc

THE FULL SCALE TEST DATA (COMPILATIONS OF PUBLISHED TEST DATA)

1	BurstTestsonDefectFreePipe.xls
2	ExternalPressureandOtherLoadsTests.xls
3	BucklePropagationTests.xls
4	BurstTestsonCorrosion.xls
5	TestsonCorrosion.xls
6	TestsonCircumferentialCorrosion.xls
7	BurstTestsonGouges(PartWallDefects).xls
8	FatigueTestsonGouges(PartWallDefects).xls
9	TestsonLongitudinalPartWallDefects.xls
10	TestsonCircumferentialPartWallDefects.xls
11	TestsonCircumferentialThruWallDefects.xls
12	TestsonHelicalThruWallPartWallDefects.xls
13	BurstTestsonThruWallDefects.xls
14	BurstTestsonDents.xls
15	BurstTestsonDentsonWelds.xls
16	FatigueTestsonDents.xls
17	FatigueTestsonDentsonWelds.xls
18	SpringBackandReroundingofDents.xls
19	BurstTestsonDentsandGouges.xls
20	FatigueTestsonDentsandGouges.xls
21	BurstTestsonDentsandOtherDefects.xls
22	TestsonDefectsatConstantPressure.xls
23	LeakandRupture.xls
24	Full scale burst test pipes data bank.xls
25	Full scale burst test on longitudinal welded pipes data bank.xls
26	Full scale burst test on spiral welded pipes.xls
27	TestsonInteraction.xls
28	TestsonDefectFreeBends.xls
29	TestsonDefectsinBends.xls

THE PDAM EXAMPLES (SPREADSHEETS)

- 1 corrosion internal pressure (burst) (DNV-RP-F101 Part B) R2.xls
- 2 corrosion internal pressure (burst interaction) (DNV-RP-F101 Part B) R2.xls
- 3 corrosion internal pressure and compressive external (burst) (DNV-RP-F101 Part B) R2.xls
- 4 corrosion internal pressure (burst) (DNV-RP-F101 Part A) R2.xls
- 5 corrosion internal pressure (burst) (modified B31G) R2.xls
- 6 corrosion internal pressure (burst) (B31G) R2.xls
- 7 corrosion circumferential in-plane bending R2.xls
- 8 corrosion circumferential internal pressure axial load R2.xls
- 9 corrosion circumferential internal pressure axial load in-plane bending R2.xls
- 10 gouge longitudinal internal pressure (burst) R2.xls
- 11 gouge circumferential in-plane bending R2.xls
- 12 gouge circumferential internal pressure axial load R2.xls
- 13 gouge circumferential internal pressure axial load in-plane bending R2.xls
- 14 gouge helical internal pressure axial load in-plane bending R2.xls
- 15 plain dent internal pressure (burst) R2.xls
- 16 plain dent internal pressure (fatigue) R2.xls
- 17 smooth dent and gouge internal pressure (burst) R2.xls
- 18 smooth dent and gouge internal pressure (fatigue) R2.xls
- 19 smooth dent on weld internal pressure (fatigue) R2.xls
- 20 girth weld defect (EPRG) R2.xls
- 21 leakrupture longitudinal internal pressure (toughness dependent) R2.xls
- 22 leakrupture longitudinal internal pressure (flow stress dependent) R2.xls
- 23 leakrupture circumferential in-plane bending R2.xls
- 24 leakrupture circumferential internal pressure axial load R2.xls
- 25 leakrupture circumferential internal pressure axial load in-plane bending R2.xls
- 26 fracture propagation (EPRG) R2.xls
- 27 Prevention ductile fracture.xls

B. SCOPE OF WORK FOR EXTENSION OF THE PDAM PROJECT

INTRODUCTION

The primary purpose of the Scope of Work is to extend the joint industry Project to provide ongoing maintenance and update of the Pipeline Defect Assessment Manual (PDAM). The Project hereafter shall be referred to as PDAM+.

BENEFITS

The benefits of the PDAM+ Project to the original Participants of the Defects Assessment Manual (Version Two) project and new Participants are:

1. Regular (annual) maintenance and update of the Defect Assessment Manual (PDAM), the literature reviews, the test database and the simple spreadsheets.
2. Securing international recognition for PDAM the Pipeline Defect Assessment Manual.
3. Influence over the development and improvement of the Pipeline Defect Assessment Manual.
4. Attracting additional sponsors and funding to further develop PDAM.

SCOPE OF WORK FOR FIRST TWO YEARS OF EXTENSION

1. A new revision of PDAM (PDAM 1.1) based on feedback from sponsors (support and maintenance).
2. Simple spreadsheets for river-bottom methods (RSTRENG, DNV-RP-F101), and simple spreadsheets for defect-free pipe.
3. An updated literature review based on the literature published since the reviews were completed (including the findings of other relevant JIP's), considering the period from circa 2001. A single report would be issued (rather than updating each of the existing reviews), containing a chapter for each existing review.
4. A new revision of PDAM (PDAM 2) based on recently published literature (update).
5. A comparison of PDAM limits and limits in regulations/codes/standards (ASME B31.8S, API 1160, Title 49 CFR, etc.).
6. A 'gap analysis' of pipeline defect assessment methods (identifying limitations of existing methods and the absence of methods, together with some appraisal of the significance of these 'gaps').
7. Specification and protocol for the information that should be included when full scale test data is published (this would then be published with the intention of influencing what is published in the future). This could involve a commitment from the sponsors that any experimental work they are involved in would (if published) contain the data as recommended in the specification.
8. Maintenance and ongoing update of a 'database' of published full scale tests.
9. Simple defect acceptance charts (possibly leading to a short version of PDAM (a supplement to PDAM, or PDAMs) containing brief guidance and defect acceptance charts).
10. Continuation of efforts to raise industry awareness of PDAM, through publications in conferences and journals.

11. Work towards the development of an international standard (ISO/EN/BS/DNV or similar) for pipeline defect assessment, based around the shortened PDAM (PDAMs), referencing more detailed documents such as PDAM 2).

PROVISIONAL SCOPE OF WORK FOR SUBSEQUENT YEARS (ASSUMING AN ANNUAL CYCLE)

1. An updated literature review based on the literature published since the last literature review (again a single report would be issued rather than multiple reports).
2. The release of a new revision of PDAM based on feedback from sponsors (support and maintenance) and recently published literature (update)
3. Maintenance and update of the simple spreadsheets and of the 'database' of published full scale tests.
4. Additional work as agreed with the Technical Committee (subject to available funding).

REDUCED SCOPE OF WORK FOR FIRST TWO YEARS OF EXTENSION

The reduced scope of work for the first two years of the extension comprises items 1 to 4 of the full scope of work for the first two years of the extension.

EXHIBIT B FINANCIAL EXHIBIT

Note.

The Contractor has been fully paid for the preparation of the Pipeline Defect Assessment Manual as described in Exhibit A Statement of Deliverables.

A. Financial Budget

1. The budget for the first two years of the Project PDAM+ as described in Exhibit A Scope of Work is GBP 120,000 (one hundred and twenty thousand pounds sterling)¹.
2. The budget for the reduced scope of work for the first two years of the Project PDAM+ as described in Exhibit A Scope of Work is GBP 40,000 (forty thousand pounds sterling).
3. The budget for subsequent years of the PDAM+ as described in Exhibit A Scope of Work is GBP 40,000 (forty thousand pounds sterling), subject to an annual increase of 5 percent. The budget figure assumes that no additional work will be performed.
4. Each Participant shall be invoiced equally by Contractor

B. Basis of Contractor Charge

Under this Agreement the Contractor charges shall include the following:

1. For all work performed or services provided in complying with the Scope of Work in Exhibit A
2. For the cost of materials which are necessarily incurred by Contractor in connection with the Project.
3. For fees paid or payable by Contractor for the services of any outside consultants, sub-contractors or other specialists engaged by Contractor specifically for the Project.
4. For the actual cost of travelling, subsistence and any other similar expenses as are necessarily incurred by Contractor for the efficient provision of services or performance of tasks specifically for the Project.

¹ There is currently GBP 80,000 available to the PDAM+ project (arising from Shell Global Solutions and PETROBRAS joining the PDAM project, and Promigas and Chevron Energy Technology Company joining the PDAM+ project). The planned budget of GBP 120,000 assumes that two new sponsors will join the project.

5. For all secretarial and administration charges as a result of the project management of the Project.

C. Additional Expenditure

Contractor shall obtain agreement from Committee to expenditure on any areas not included in the foregoing and the Committee shall not unreasonably delay its decision.

D. Value Added Tax

All figures quoted are exclusive of VAT.

EXHIBIT C
LIST OF PARTICIPANTS AND CONTACT REPRESENTATIVES

1. List of Participants

Original Participant

1. BG plc (BG Technology)
2. BP Exploration Operating Company Ltd
3. Centro Sviluppo Materiali SpA
4. Den Norske Stats Oljeselskap a.s.
5. Det Norske Veritas
6. European Marine Contractors Ltd
7. Gaz de France
8. Health and Safety Executive
9. MOL Hungarian Oil and Gas plc
10. PII Ltd

11. SNAM SpA
12. Toho Gas Company Ltd
13. TotalFinaElf Exploration UK plc
14. Shell Global Solutions International B.V.
15. Petróleo Brasileiro S.A.

Current Participant

- Advantica Technologies Ltd
BP Exploration Operating Company Ltd
Centro Sviluppo Materiali SpA
Statoil ASA
Det Norske Veritas
Saipem UK Ltd
Gaz de France
Health and Safety Executive
MOL Hungarian Oil and Gas plc
GE Power Systems Oil & Gas PII
Pipeline Solutions Ltd
SNAM Rete Gas SpA
Toho Gas Company Ltd
Total E&P UK plc
Shell Global Solutions International B.V.
Petróleo Brasileiro S.A.
PROMIGAS S.A. E.S.P.
Chevron Energy Technology Company
ExxonMobil
CNRI
BG International Ltd. (proposed)

2. List of Participant's Contact Representative

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PDAM+ Sponsor.

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PDAM+ Sponsor.

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