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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number 1-8590

MURPHY OIL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**71-0361522** (I.R.S. Employer Identification Number)
200 Peach Street, P.O. Box 7000, El Dorado, Arkansas (Address of principal executive offices)	**71731-7000** (Zip Code)

Registrant's telephone number, including area code: (870) 862-6411
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	**New York Stock Exchange**
Series A Participating Cumulative Preferred Stock Purchase Rights	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐.

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on average price at June 30, 2004, as quoted by the New York Stock Exchange, was approximately $6,725,984,000.

Number of shares of Common Stock, $1.00 Par Value, outstanding at January 31, 2005 was 92,034,083.

Documents incorporated by reference:

Portions of the Registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders on May 11, 2005 have been incorporated by reference in Part III herein.

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MURPHY OIL CORPORATION

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PART I

Items 1. and 2. BUSINESS AND PROPERTIES

Summary

Murphy Oil Corporation is a worldwide oil and gas exploration and production company with refining and marketing operations in North America and the United Kingdom. As used in this report, the terms Murphy, Murphy Oil, we, our, its and Company may refer to Murphy Oil Corporation or any one or more of its consolidated subsidiaries.

The Company was originally incorporated in Louisiana in 1950 as Murphy Corporation. It was reincorporated in Delaware in 1964, at which time it adopted the name Murphy Oil Corporation, and was reorganized in 1983 to operate primarily as a holding company of its various businesses. Its operations are classified into two business activities: (1) “Exploration and Production” and (2) “Refining and Marketing.” For reporting purposes, Murphy’s exploration and production activities are subdivided into six geographic segments, including the United States, Canada, the United Kingdom, Ecuador, Malaysia and all other countries. Murphy’s refining and marketing activities are subdivided into geographic segments for North America and United Kingdom. Additionally, “Corporate and Other Activities” include interest income, interest expense, foreign exchange effects and overhead not allocated to the segments.

The information appearing in the 2004 Annual Report to Security Holders (2004 Annual Report) is incorporated in this Form 10-K report as Exhibit 13 and is deemed to be filed as part of this Form 10-K report as indicated under Items 1, 2 and 7. A narrative of the graphic and image information that appears in the paper format version of Exhibit 13 is included in the electronic Form 10-K document as an appendix to Exhibit 13.

In addition to the following information about each business activity, data about Murphy’s operations, properties and business segments, including revenues by class of products and financial information by geographic area, are provided on pages 9 through 18, F-12, F-27 through F-29, F-34 through F-36, and F-38 of this Form 10-K report and on pages 6 through 14 of the 2004 Annual Report.

Interested parties may access the Company’s public disclosures filed with the Securities and Exchange Commission, including Form 10-K, Form 10-Q, Form 8-K and other documents, by accessing the Investor Relations section of Murphy Oil Corporation’s website at www.murphyoilcorp.com.

Exploration and Production

The Company’s exploration and production business explores for and produces crude oil, natural gas and natural gas liquids worldwide.

During 2004, Murphy’s principal exploration and production activities were conducted in the United States by wholly owned Murphy Exploration & Production Company-USA (Murphy Expro USA), in Ecuador, Malaysia and the Republic of the Congo by wholly owned Murphy Exploration & Production Company-International (Murphy Expro International) and its subsidiaries, in western Canada and offshore eastern Canada by wholly owned Murphy Oil Company Ltd. (MOCL) and its subsidiaries, and in the U.K. North Sea and the Atlantic Margin by wholly owned Murphy Petroleum Limited. Murphy’s crude oil and natural gas liquids production in 2004 was in the United States, Canada, the United Kingdom, Malaysia and Ecuador; its natural gas was produced and sold in the United States, Canada and the United Kingdom. MOCL owns a 5% undivided interest in Syncrude Canada Ltd. in Northern Alberta, the world’s largest producer of synthetic crude oil.

Murphy’s worldwide crude oil, condensate and natural gas liquids production from continuing operations in 2004 averaged 93,634 barrels per day, an increase of 22% compared to 2003. The increase was primarily due to a full year of production in 2004 at the Medusa and Habanero deepwater fields in the Gulf of Mexico and the West Patricia field offshore Sarawak, Malaysia. The Company’s worldwide sales volume of natural gas from continuing operations averaged 109 million cubic feet (MMCF) per day in 2004, down 2% from 2003 levels. The lower natural gas sales were due to production declines in mature producing areas that more than offset higher production from the Medusa and Habanero fields in the deepwater Gulf of Mexico.

Total crude oil, condensate and natural gas liquids production is expected to increase in 2005 because of a full year of production at the Front Runner field in the deepwater Gulf of Mexico and the Seal area in western Canada. Front Runner came on stream in December 2004. Natural gas sales volumes are expected to increase in 2005 compared to 2004 due to the higher production from the three deepwater Gulf of Mexico fields mentioned above.

In the United States, Murphy has production of oil and/or natural gas from 13 fields operated by the Company and 15 fields operated by others. Of the total producing fields at December 31, 2004, four are in the deepwater Gulf of Mexico, 20 are in more shallow waters on the Gulf of Mexico continental shelf, three are onshore in Louisiana and one is the Northstar field in Alaska. The Company’s primary focus in the U.S. is in the deepwater Gulf of Mexico, which is generally defined as water depths of 1,000 feet or more. The Company operates and owns a 60% interest in the Medusa field, in Mississippi Canyon Blocks 538/582. Medusa produced about 12,000 barrels of oil per day and 12 MMCF of gas

per day net to the Company in 2004. Peak net production from Medusa is expected to be 25,000 barrels of oil equivalent per day. The Company owns a 33.75% interest in the Habanero field in Garden Banks Block 341. Habanero, which is operated by Shell, produced about 4,000 barrels of oil per day and 10 MMCF of gas per day net to the Company in 2004. The Front Runner field in Green Canyon Blocks 338/339 came on stream in December 2004 and will have additional wells completed and hooked up throughout 2005. Murphy owns 37.5% and operates the Front Runner field, which is expected to have peak net production of 20,000 barrels of oil equivalent per day in 2006. Hurricane Ivan caused temporary shut in of wells and damaged certain facilities which ultimately reduced the Company's annualized production in the U.S. during 2004 by about 4,000 barrels of oil equivalent per day. The other deepwater producing field is at Tahoe in Viosca Knoll Block 783 (30%). Tahoe is operated by Shell and in 2004 produced about 13 MMCF of natural gas per day and 300 barrels of oil per day net to the Company. In 2004, Murphy announced a discovery at the Thunderhawk wildcat well in Mississippi Canyon Block 734 and in early 2005 announced a discovery at South Dachshund in Lloyd Ridge Blocks 1 and 2. Murphy holds an interest in 183 blocks in the deepwater Gulf of Mexico, and expects to drill about four deepwater prospects per year over the next several years. The Company's largest producing field on the continental shelf of the Gulf of Mexico is at South Timbalier Blocks 63/86 (100%/96%). Murphy operates South Timbalier Blocks 63/86 with a combined net production of about 400 barrels of oil per day and 10 MMCF per day in 2004. Onshore production, which is mostly natural gas, is primarily located on several leases in Vermilion Parish, Louisiana. Murphy's net production in 2004 from onshore fields was 26 MMCF per day. The Company owns approximately a 1.4% working interest in the Northstar field operated by BP in Alaska. Total net oil production for this field was approximately 800 barrels per day in 2004.

In Canada, the Company owns an interest in three legacy assets, the Hibernia and Terra Nova fields offshore Newfoundland and Syncrude Canada Ltd. In addition, the Company owned interests in two heavy oil areas and one natural gas area in the Western Canada Sedimentary Basin (WCSB) at the end of 2004. In the second quarter 2004, the Company completed the sale of most of its WCSB assets, while retaining a limited number of heavy oil and natural gas fields which are strategic to the Company. Assets sold produced about 20,000 barrels of oil equivalent per day in 2003 and had total proved reserves of approximately 43 million barrels of oil equivalent at the time of sale. In late 2004, Murphy acquired additional acreage in the Seal heavy oil area at a cost of $121 million. Murphy holds a 6.5% interest in Hibernia and a 12% interest in Terra Nova, with these being the first two fields on production in the Jeanne d'Arc Basin, offshore Newfoundland. Total net production in 2004 was 12,700 barrels of oil per day from Hibernia, which is operated by Hibernia Management and Development Company, while net production from Terra Nova, which is operated by PetroCanada, was also 12,700 barrels of oil per day. Murphy owns a 5% undivided interest in Syncrude Canada Ltd., a joint venture located about 25 miles north of Fort McMurray, Alberta. Syncrude utilizes its assets to extract bitumen from oil sand deposits and to upgrade this bitumen into a high-value synthetic crude oil. Syncrude is currently expanding its facilities and is adding a third coker that will allow for increased production beginning in 2006. Total net production in 2004 was 11,800 barrels of crude oil per day, but with the expansion net production is expected to exceed 15,000 barrels per day in 2006. Although Syncrude produces a very high quality synthetic crude oil from bitumen, the U.S. Securities and Exchange Commission (SEC) does not allow the Company to include Syncrude's reserves in its proved oil reserves, which are reported on page F-32. The SEC considers Syncrude to be a mining operation, and not a conventional oil operation.

Murphy produces oil and natural gas in the United Kingdom sector of the North Sea. The Company's primary oil production in the U.K. is now derived from two areas, Schiehallion and Mungo/Monan. Murphy owns 5.88% of the Schiehallion field operated by BP. This field is located in an area known as the Atlantic Margin and lies west of the Shetland Islands. Schiehallion produces oil into a Floating Production Storage and Offloading vessel (FPSO). The oil is transported via dedicated tanker to Sullom Voe terminal, where the oil is sold to third parties. Schiehallion produced approximately 5,300 net barrels of oil per day in 2004. Schiehallion development will continue with further infield drilling planned in 2005 onwards. Murphy owns a 4.843% interest in the FPSO, which also handles production from a nearby field owned by others. Mungo/Monan is also operated by BP and is 12.65% owned by Murphy. The Mungo field produces through an unmanned platform, while Monan is produced through subsea facilities. Both the platform and subsea facilities are tied to a central processing facility that is linked to the Forties pipeline system. In 2004, the Mungo and Monan fields produced approximately 4,500 barrels of oil per day, net to Murphy's interest. In 2004, the Company sold its interest in the "T" Block field. Production from this field averaged about 1,600 net barrels per day in 2004 prior to the sale.

In Ecuador, Murphy owns a 20% working interest in Block 16, which is operated by Repsol YPF under a participation contract. The Company's net production was about 7,700 barrels of oil per day in 2004. Between June and December 2004, Murphy did not receive its equity share of oil sales from Block 16 due to a dispute with the operator involving the Company's new transportation and marketing arrangements. Murphy is owed more than 1.5 million barrels from other Block 16 working interest owners as of December 31, 2004. Murphy expects to make up this shortfall owed by the other owners in 2005 by either a cash settlement or an allocation of additional 2005 production barrels to the Company.

The Company has majority interests in eight separate production sharing contracts (PSCs) in Malaysia. The Company serves as the operator of all these areas, which cover approximately 14.4 million acres in total. Murphy has an 85% interest in two shallow water blocks, known as SK 309 and SK 311. The West Patricia field in Block SK 309, discovered in 2002, came on stream in May 2003. The Company's net share of production averaged about 11,900 barrels of oil per day in 2004. The Company made a major discovery at the Kikeh field in deepwater Block K in 2002 and added a discovery at Kikeh Kecil in 2003 and discoveries at Kakap, Senangin and Kikeh deep formation in 2004. Further exploration and appraisal drilling will occur in the 80% owned Block K in 2005. In 2004, our Board of Directors and Malaysian authorities sanctioned the Kikeh field development plan, and in early 2005 engineering and construction contracts for major equipment were awarded. The Company added proved oil reserves of 40.5 million barrels related to the Kikeh field in Block K Malaysia at year-end 2004. These proved reserves did not include any volumes attributable to pressure maintenance programs that the Company intends to utilize to produce the Kikeh field when

production begins, which is currently projected to be in the second half of 2007. Murphy also owns 75% interests in Blocks PM 311 and PM 312, located offshore peninsular Malaysia. Murphy announced discoveries at Kenarong and Pertang in PM 311 in 2004. The Company has a number of exploration prospects in Block H (80%) in deepwater. The Company was awarded interests in PSCs covering deepwater Blocks L (60%) and M (70%) in early 2003. The Sultanate of Brunei also claims this acreage. Murphy drilled a wildcat well in Block L in mid-2003. Well results have been kept confidential and well costs of $12 million are held in suspension pending the resolution of the ownership issue. The Company is unable to predict when the ownership issue will be resolved or the outcome of such a resolution. A total of 2.9 million gross acres associated with Blocks L and M have been included in the acreage table below.

The Company finalized the award of Production Sharing Agreements (PSAs) covering two offshore blocks in the Republic of the Congo in 2004. The Company has an 85% interest in each PSA. These blocks are named Mer Profonde Sud and Mer Profonde Nord, and together, these blocks cover approximately 1.8 million acres with water depths ranging from 490 to 6,900 feet. Murphy drilled its first exploration well in late 2004 and in early 2005 announced a significant oil discovery at Azurite Marine #1 in Mer Profonde Sud.

Murphy's estimated net quantities of proved oil and gas reserves and proved developed oil and gas reserves at December 31, 2001, 2002, 2003 and 2004 by geographic area are reported on pages F-31 and F-32 of this Form 10-K report. Murphy has not filed and is not required to file any estimates of its total net proved oil or gas reserves on a recurring basis with any federal or foreign governmental regulatory authority or agency other than the U.S. Securities and Exchange Commission. Annually, Murphy reports gross reserves of properties operated in the United States to the U.S. Department of Energy; such reserves are derived from the same data from which estimated net proved reserves of such properties are determined.

Net crude oil, condensate, and gas liquids production and sales, and net natural gas sales by geographic area with weighted average sales prices for each of the five years ended December 31, 2004 are shown on page 8 of the 2004 Annual Report.

Production expenses for the last three years in U.S. dollars per equivalent barrel are discussed on page 14 of this Form 10-K report. For purposes of these computations, natural gas sales volumes are converted to equivalent barrels of crude oil using a ratio of six thousand cubic feet (MCF) of natural gas to one barrel of crude oil.

Supplemental disclosures relating to oil and gas producing activities are reported on pages F-30 through F-38 of this Form 10-K report.

At December 31, 2004, Murphy held leases, concessions, contracts or permits on developed and undeveloped acreage as shown by geographic area in the following table. Gross acres are those in which all or part of the working interest is owned by Murphy. Net acres are the portions of the gross acres attributable to Murphy's working interest.

	Developed		Undeveloped		Total	
Area (Thousands of acres)[1]	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
United States – Onshore	5	2	206	87	211	89
– Gulf of Mexico	22	7	1,310	851	1,332	858
– Alaska	3	—[1]	9	2	12	2
Total United States	30	9	1,525	940	1,555	949
Canada – Onshore	65	44	228	191	293	235
– Offshore	88	7	8,504	2,661	8,592	2,668
Total Canada	153	51	8,732	2,852	8,885	2,903
United Kingdom	33	4	328	77	361	81
Ecuador	7	1	524	105	531	106
Malaysia	2	2	14,431[2]	11,100[2]	14,433[2]	11,102[2]
Republic of Congo	—	—	1,773	1,507	1,773	1,507
Ireland	—	—	325	49	325	49
Spain	—	—	36	6	36	6
Totals	225	67	27,674	16,636	27,899	16,703
Oil sands – Syncrude	95	5	158	8	253	13

[1] Less than one.

[2] Includes 2,935 gross acres and 1,910 net acres in Blocks L and M, which were awarded to the Company by Malaysia, but also have been claimed by the Sultanate of Brunei.

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The only significant undeveloped acreage that expires in the next three years is approximately 9.5 million net acres in Malaysia and .9 million acres offshore the East Coast of Canada. The Company is currently negotiating to extend the exploration rights for the Malaysian acreage.

As used in the three tables that follow, "gross" wells are the total wells in which all or part of the working interest is owned by Murphy, and "net" wells are the total of the Company's fractional working interests in gross wells expressed as the equivalent number of wholly owned wells.

The following table shows the number of oil and gas wells producing or capable of producing at December 31, 2004.

	Oil Wells		Gas Wells	
Country	**Gross**	**Net**	**Gross**	**Net**
United States	119	26	120	46
Canada	381	262	60	40
United Kingdom	29	3	22	2
Malaysia	17	14	—	—
Ecuador	115	23	—	—
Totals	661	328	202	88
Wells included above with multiple completions and counted as one well each	15	8	29	12

Murphy's net wells drilled in the last three years are shown in the following table.

	United States		Canada		United Kingdom		Malaysia		Ecuador and Other		Totals	
	Productive	**Dry**	**Productive**	**Dry**	**Productive**	**Dry**	**Productive**	**Dry**	**Productive**	**Dry**	**Productive**	**Dry**
2004												
Exploratory	**1.3**	**2.0**	**4.6**	**1.4**	**—**	**.1**	**6.0**	**5.8**	**—**	**—**	**11.9**	**9.3**
Development	**1.0**	**—**	**84.1**	**25.0**	**—**	**—**	**7.7**	**—**	**2.8**	**—**	**95.6**	**25.0**
2003												
Exploratory	2.5	2.4	10.4	9.4	—	—	.8	2.7	—	.1	13.7	14.6
Development	2.4	—	108.2	3.9	.2	.3	4.1	—	2.4	—	117.3	4.2
2002												
Exploratory	1.0	3.2	8.8	4.1	—	.5	4.3	3.7	—	—	14.1	11.5
Development	2.2	—	45.5	3.9	.7	.2	3.4	—	3.4	—	55.2	4.1

The increase in the number of development dry hole wells in Canada in 2004 was caused by 23 nonproducing stratigraphic wells drilled in the Seal area for the purpose of placement of horizontal development wells for the field.

Murphy's drilling wells in progress at December 31, 2004 are shown below.

	Exploratory		Development		Total	
Country	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
United States	3.0	.6	—	—	3.0	.6
Canada	—	—	4.0	.8	4.0	.8
Malaysia	2.0	1.6	—	—	2.0	1.6
Republic of Congo	1.0	1.0	—	—	1.0	1.0
Ecuador	—	—	1.0	.2	1.0	.2
Totals	6.0	3.2	5.0	1.0	11.0	4.2

Additional information about current exploration and production activities is reported on pages 5 through 10 of the 2004 Annual Report.

Refining and Marketing

The Company's refining and marketing businesses are located in North America and the United Kingdom, and primarily consist of operations that refine crude oil and other feedstocks into petroleum products such as gasoline and distillates, buy and sell crude oil and refined products, and transport and market petroleum products.

Murphy Oil USA, Inc. (MOUSA), a wholly owned subsidiary of Murphy Oil Corporation, owns and operates two refineries in the United States. The Meraux, Louisiana refinery is located on fee land and on two leases that expire in 2010 and 2021, at which times the Company has options to purchase the leased acreage at fixed prices. The refinery at Superior, Wisconsin is located on fee land. Murco Petroleum Limited (Murco), a wholly owned U.K. subsidiary serviced by Murphy Eastern Oil Company, has an effective 30% interest in a refinery at Milford Haven, Wales that can process 108,000 barrels of crude oil per day. Refinery capacities at December 31, 2004 are shown in the following table.

	Meraux, Louisiana	Superior, Wisconsin	Milford Haven, Wales (Murco's 30%)	Total
Crude capacity – b/sd*	125,000	35,000	32,400	192,400
Process capacity – b/sd*				
Vacuum distillation	50,000	20,500	16,500	87,000
Catalytic cracking – fresh feed	37,000	11,000	9,960	57,960
Naphtha hydrotreating	35,000	9,000	5,490	49,490
Catalytic reforming	32,000	8,000	5,490	45,490
Gasoline hydrotreating	—	7,500	—	7,500
Distillate hydrotreating	52,000	7,800	20,250	80,050
Hydrocracking	32,000	—	—	32,000
Gas oil hydrotreating	12,000	—	—	12,000
Solvent deasphalting	18,000	—	—	18,000
Isomerization	—	2,000	3,400	5,400
Production capacity – b/sd*				
Alkylation	8,500	1,500	1,680	11,680
Asphalt	—	7,500	—	7,500
Crude oil and product storage capacity – barrels	4,336,000	3,085,000	2,638,000	10,059,000

* Barrels per stream day.

Murphy has expanded the Meraux refinery allowing the refinery to now meet new low-sulfur gasoline specifications which become effective for the Company in 2008. The expansion included a new hydrocracker unit, central control room and two new utility boilers; expansion of the crude oil processing capacity to 125,000 barrels per stream day (b/sd); expansion of naphtha hydrotreating capacity to 35,000 b/sd; expansion of the catalytic reforming capacity to 32,000 b/sd; and construction of a new sulfur recovery complex, including amine regeneration, sour water stripping and high efficiency sulfur recovery. The Meraux plant had no solvent deasphalting processing capability during 2004 because of the fire in June 2003 that destroyed the Residual Oil Supercritical Extractor (ROSE) unit. The ROSE unit has been rebuilt, primarily using proceeds of property insurance, and was restarted in early 2005. While the ROSE unit was being rebuilt, the refinery produced a larger volume of heavy fuel oil. During 2004 the Company also completed an FCC gasoline hydrotreater unit at its Superior, Wisconsin refinery, that allows the refinery to meet low-sulfur gasoline specifications.

MOUSA markets refined products through a network of retail gasoline stations and branded and unbranded wholesale customers in a 23-state area of the southern and midwestern United States. Murphy's retail stations are primarily located in the parking areas of Wal-Mart stores in 21 states and use the brand name Murphy USA®. Branded wholesale customers use the brand name SPUR®. Refined products are supplied from 11 terminals that are wholly owned and operated by MOUSA, one terminal that is jointly owned and operated by others, and numerous terminals owned by others. Of the wholly owned terminals, three are supplied by marine transportation, three are supplied by truck, three are supplied by pipeline and two are adjacent to MOUSA's refineries. MOUSA receives products at the terminals owned by others either in exchange for deliveries from the Company's terminals or by outright purchase. The Company sold all but one of its jointly owned terminals in early 2004. At December 31, 2004, the Company marketed products through 752 Murphy USA stations and 366 branded wholesale SPUR stations. MOUSA plans to add about 150 new Murphy USA stations at Wal-Mart sites in the southern and midwestern United States in 2005. The Company's Canadian subsidiary operates eight Murphy Canada™ stations at Wal-Mart sites in Canada.

Murphy has master agreements that allow the Company to rent space in the parking lots of Wal-Mart stores in 21 states and in Canada for the purpose of building retail gasoline stations. The master agreements contain general terms applicable to all sites in the United States and Canada. As each individual station is constructed, an addendum to the master agreement is entered into, which contains the terms specific to

that location. The terms of the agreements range from 10-15 years at each station, with Murphy holding two successive five-year extension options at each site. The agreements permit Wal-Mart to terminate the agreements in their entirety, or only as to affected sites, at its option for the following reasons: Murphy vacates or abandons the property; Murphy improperly transfers the rights under this agreement to another party; an agreement or a premises is taken upon execution or by process of law; Murphy files a petition in bankruptcy or becomes insolvent; Murphy fails to pay its debts as they become due; Murphy fails to pay rent or other sums required to be paid within 90 days after written notice; or Murphy fails to perform in any material way as required by the agreements. Sales from these stations amounted to 38.6% of total Company revenues in 2004, 35.8% in 2003 and 30.3% in 2002. As the Company continues to expand the number of gasoline stations at Wal-Mart sites, total revenue generated by this business is expected to grow.

At the end of 2004, Murco distributed refined products in the United Kingdom from the Milford Haven refinery, three wholly owned terminals supplied by rail, six terminals owned by others where products are received in exchange for deliveries from the Company's terminals, and 358 branded stations primarily under the brand name MURCO.

Murphy owns a 20% interest in a 120-mile refined products pipeline, with a capacity of 165,000 barrels a day, that transports products from the Meraux refinery to two common carrier pipelines serving the southeastern United States. The Company also owns a 3.2% interest in LOOP LLC, which provides deepwater unloading accommodations off the Louisiana coast for oil tankers and onshore facilities for storage of crude oil. A crude oil pipeline with a diameter of 24 inches connects LOOP storage at Clovelly, Louisiana to the Meraux refinery. Murphy owns 29.4% of the first 22 miles of this pipeline from Clovelly to Alliance, Louisiana and 100% of the remaining 24 miles from Alliance to Meraux. The pipeline is connected to another company's pipeline system, allowing crude oil transported by that system to also be shipped to the Meraux refinery. In February 2002, the Company sold its 22% interest in a 312-mile crude oil pipeline in Montana and Wyoming for $7 million.

Additional information about current refining and marketing activities and a statistical summary of key operating and financial indicators for each of the five years ended December 31, 2004 are reported on pages 11 through 14 of the 2004 Annual Report.

Employees

At December 31, 2004, Murphy had 5,826 employees – 2,139 full-time and 3,687 part-time.

Competition and Other Conditions Which May Affect Business

Murphy operates in the oil industry and experiences intense competition from other oil companies, which include state-owned foreign oil companies, major integrated oil companies, independent producers of oil and natural gas and independent refining companies. Virtually all of the state-owned and major integrated oil companies and many of the independent producers and independent refiners that compete with the Company have substantially greater resources than Murphy. In addition, the oil industry as a whole competes with other industries in supplying energy requirements around the world. Murphy is a net purchaser of crude oil and other refinery feedstocks, and also purchases refined products, particularly gasoline needed to supply its retail marketing stations located at Wal-Mart sites. The Company may be required to respond to operating and pricing policies of others, including producing country governments from whom it makes purchases. Additional information concerning current conditions of the Company's business is reported under the caption "Outlook" beginning on page 22 of this Form 10-K report.

In 2004, the Company's production of oil and natural gas represented approximately .1% of the respective worldwide totals. Murphy owned approximately 1% of the crude oil refining capacity in the United States and its market share of U.S. retail gasoline sales was approximately 1.4%.

The operations and earnings of Murphy have been and continue to be affected by worldwide political developments. Many governments, including those that are members of the Organization of Petroleum Exporting Countries (OPEC), unilaterally intervene at times in the orderly market of crude oil and natural gas produced in their countries through such actions as setting prices, determining rates of production, and controlling who may buy and sell the production.

In addition, prices and availability of crude oil, natural gas and refined products could be influenced by political unrest and by various governmental policies to restrict or increase petroleum usage and supply. Other governmental actions that could affect Murphy's operations and earnings include tax changes and regulations concerning: currency fluctuations, protection and remediation of the environment (See the caption "Environmental" beginning on page 18 of this Form 10-K report), preferential and discriminatory awarding of oil and gas leases, restrictions on drilling and/or production, restraints and controls on imports and exports, safety, and relationships between employers and employees. Because these and other factors too numerous to list are subject to changes caused by governmental and political considerations and are often made in response to changing internal and worldwide economic conditions and to actions of other governments or specific events, it is not practical to attempt to predict the effects of such factors on Murphy's future operations and earnings.

Murphy's business is subject to operational hazards and risks normally associated with the exploration for and production of oil and natural gas and the refining and marketing of crude oil and petroleum products. The occurrence of an event, including but not limited to acts of nature, mechanical equipment failures, industrial accidents, fires and intentional attacks could result in the loss of hydrocarbons and associated revenues, environmental pollution or contamination, and personal injury or bodily injury, including death, for which the Company

could be deemed to be liable, and could subject the Company to substantial fines and/or claims for punitive damages. Murphy maintains insurance against certain, but not all, hazards that could arise from its operations, and such insurance is believed to be reasonable for the hazards and risks faced by the Company. As of December 31, 2004, the Company maintained total excess liability insurance with limits of $750 million per occurrence covering employees, general liability and certain "sudden and accidental" environmental risks. The Company also maintained insurance coverage with an additional limit of $250 million per occurrence, all or part of which could be applicable to certain gradual and/or sudden and accidental pollution events. There can be no assurance that such insurance will be adequate to offset lost revenues or costs associated with certain events or that insurance coverage will continue to be available in the future on terms that justify its purchase. The occurrence of an event that is not fully insured could have a material adverse effect on the Company's financial condition and results of operations in the future.

Executive Officers of the Registrant

The age at January 1, 2005, present corporate office and length of service in office of each of the Company's executive officers are reported in the following listing. Executive officers are elected annually but may be removed from office at any time by the Board of Directors.

Claiborne P. Deming – Age 50; President and Chief Executive Officer since October 1994 and Director and Member of the Executive Committee since 1993.

Steven A. Cossé – Age 57; Executive Vice President since February 2005 and General Counsel since August 1991. Mr. Cossé was elected Senior Vice President in 1994 and Vice President in 1993.

W. Michael Hulse – Age 51; Executive Vice President – Worldwide Downstream Operations effective April 2003. Mr. Hulse has been President of MOUSA from November 2001 to present. He served as President of Murphy Eastern Oil Company from April 1996 to November 2001.

Bill H. Stobaugh – Age 53; Senior Vice President since February 2005. Mr. Stobaugh joined the Company as Vice President in 1995.

Kevin G. Fitzgerald – Age 49; Treasurer since July 2001. Mr. Fitzgerald was Director of Investor Relations from 1996 to June 2001.

John W. Eckart – Age 46; Controller since March 2000.

Walter K. Compton – Age 42; Secretary since December 1996.

Item 3. LEGAL PROCEEDINGS

In December 2000, two of the Company's Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen's Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, the Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL's president individually seeking compensatory damages of C$3.61 billion. In September 2004 the court summarily dismissed all claims against MOCL's president and all but C$356 million of the counterclaim against the Company; however, this dismissal order is currently on appeal. It is anticipated that a trial concerning the 25% disputed interest and any remaining issues will commence in 2005. While the litigation is in the discovery stage and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Predator were to prevail in its counterclaim in an amount approaching the damages sought, Murphy would incur a material expense in its consolidated statement of income, and would have a material effect on its financial condition and liquidity.

On June 10, 2003, a fire severely damaged the Residual Oil Supercritical Extraction (ROSE) unit at the Company's Meraux, Louisiana refinery. The ROSE unit recovers feedstock from the heavy fuel oil stream for conversion into gasoline and diesel. Subsequent to the fire, numerous class action lawsuits have been filed seeking damages for area residents. All the lawsuits have been administratively consolidated into a single legal action in St. Bernard Parish, Louisiana, except for one such action which was filed in federal court. Additionally, individual residents of Orleans Parish, Louisiana, have filed an action in that venue. On May 5, 2004, plaintiffs in the consolidated action in St. Bernard Parish amended their petition to include a direct action against certain of the Company's liability insurers. In responding to this direct action, one of the Company's insurers, AEGIS, has raised lack of coverage as a defense. The Company believes that this contention lacks merit and has been advised by counsel that the applicable policy does provide coverage for the underlying incident. Because the Company believes that insurance coverage exists for this matter, it does not expect to incur any significant costs associated with the class action lawsuits. Accordingly, the Company continues to believe that the ultimate resolution of the June 2003 ROSE fire litigation will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

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On March 5, 2002, two of the Company's subsidiaries filed suit against Enron Canada Corp. (Enron) to collect approximately $2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for approximately $19.8 million allegedly owed by Murphy under those same agreements. Although the lawsuit in the Court of Queen's Bench, Alberta, is in its early stages and no assurance can be given about the outcome, the Company does not believe that the Enron counterclaim is meritorious and does not believe that the ultimate resolution of this matter will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Enron were to prevail in the lawsuit, the Company could incur expense in a future period approximating the amount of the judgment.

Murphy and its subsidiaries are engaged in a number of other legal proceedings, all of which Murphy considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of matters referred to in this item is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock is traded on the New York Stock Exchange using "MUR" as the trading symbol. There were 2,864 stockholders of record as of December 31, 2004. Information as to high and low market prices per share and dividends per share by quarter for 2004 and 2003 are reported on page F-38 of this Form 10-K report.

Item 6. SELECTED FINANCIAL DATA

(Thousands of dollars except per share data)	2004	2003	2002	2001	2000
Results of Operations for the Year					
Sales and other operating revenues*	**$ 8,299,147**	5,094,518	3,779,381	3,579,143	3,548,125
Net cash provided by continuing operations	**1,035,057**	501,127	372,205	491,326	644,391
Income from continuing operations	**496,395**	278,410	87,279	296,563	272,312
Net income	**701,315**	294,197	111,508	330,903	296,828
Per Common share – diluted					
Income from continuing operations	**5.31**	3.00	.95	3.25	3.01
Net income	**7.51**	3.17	1.21	3.63	3.28
Cash dividends per Common share	**.85**	.80	.775	.75	.725
Percentage return on					
Average stockholders' equity	**31.3**	16.4	7.3	23.5	26.4
Average borrowed and invested capital	**21.8**	11.0	5.8	17.7	20.3
Average total assets	**13.5**	6.7	3.9	10.2	11.2
Capital Expenditures for the Year					
Continuing operations					
Exploration and production	**$ 839,182**	689,632	538,994	500,726	320,733
Refining and marketing	**134,706**	215,362	234,714	175,186	153,750
Corporate and other	**1,505**	1,120	1,136	5,806	11,415
	975,393	906,114	774,844	681,718	485,898
Discontinued operations	**9,065**	73,050	93,256	182,722	71,999
	$ 984,458	979,164	868,100	864,440	557,897
Financial Condition at December 31					
Current ratio	**1.35**	1.28	1.19	1.07	1.10
Working capital	**$ 424,372**	228,529	136,268	38,604	71,710
Net property, plant and equipment	**3,685,594**	3,530,800	2,886,599	2,525,807	2,184,719
Total assets	**5,458,243**	4,712,647	3,885,775	3,259,099	3,134,353
Long-term debt	**613,355**	1,090,307	862,808	520,785	524,759
Stockholders' equity	**2,649,156**	1,950,883	1,593,553	1,498,163	1,259,560
Per share	**28.78**	21.24	17.38	16.53	13.98
Long-term debt – percent of capital employed	**18.8**	35.9	35.1	25.8	29.4

* Sales and other operating revenues for 2000–2003 have been revised to conform to 2004 presentation.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Murphy Oil Corporation is a worldwide oil and gas exploration and production company with refining and marketing operations in North America and the United Kingdom. A more detailed description of the Company's significant assets can be found in Items 1 and 2 of this Form 10-K report.

Murphy generates revenue primarily by selling its oil and natural gas production and its refined petroleum products to customers at hundreds of locations in the United States, Canada, the United Kingdom and other countries. The Company's revenue is highly affected by the prices of oil, natural gas and refined petroleum products it sells. Also, because crude oil is purchased by the Company for refinery feedstocks, natural gas is purchased for fuel at its refineries and oil fields, and gasoline is purchased to supply its retail gasoline stations in North America that are primarily located at Wal-Mart stores, the purchase prices for these commodities also have a significant effect on the Company's costs. In order to make a profit and generate cash in its exploration and production business, revenue generated from the sales of oil and natural gas produced must exceed the combined costs of producing these products, amortization of capital expenditures and expenses related to exploration. Profits and generation of cash in the Company's downstream operations are dependent upon achieving an adequate margin, which is determined by the sales prices for refined petroleum products less the costs of refinery feedstocks and gasoline purchases and expenses associated with manufacturing, transporting and marketing these products. Murphy also incurs certain costs for general company administration and for capital borrowed from lending institutions.

In general, worldwide oil prices and North American natural gas prices were stronger in 2004 than in 2003. The average price for a barrel of West Texas Intermediate crude oil in 2004 was $41.47, an increase of 34% compared to 2003. The NYMEX natural gas price averaged $6.18 per million British Thermal Units (MMBTU) in 2004, up 13% over 2003. These price improvements were a significant factor leading to higher profits in the Company's exploration and production business in 2004 compared to the prior year. If the prices for crude oil and natural gas decline significantly in 2005 or beyond, the Company would expect this to have an unfavorable impact on operating profits for its exploration and production business. Such lower oil and gas prices could, but may not, have a favorable impact on the Company's refining and marketing operating profits.

Results of Operations

The Company had net income in 2004 of $701.3 million, $7.51 per diluted share, compared to net income in 2003 of $294.2 million, $3.17 per diluted share. In 2002 the Company earned $111.5 million, $1.21 per diluted share. The higher net income in 2004 compared to 2003 was caused by a combination of better earnings in the Company's exploration and production and refining and marketing operations, partially offset by higher net costs for corporate functions. The income improvement in 2003 compared to 2002 was due to higher earnings in the exploration and production business, a smaller loss in the refining and marketing area, and lower net costs for corporate functions. Further explanations of each of these variances are found in the following sections.

Each of the three years ended December 31, 2004 included income from discontinued operations. In the second quarter 2004 the Company sold most of its conventional oil and natural gas properties in Western Canada for cash proceeds of $583 million. This sale generated an after-tax gain of $171.1 million. In December 2002 the Company sold its interest in Ship Shoal Block 113 in the Gulf of Mexico, with a resulting after-tax gain of $10.6 million. In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the gains on disposal of these assets and operating results for the fields prior to their sale have been included, net of income tax expense, as Discontinued Operations in the consolidated statements of income for the three-year period ended December 31, 2004. Income from discontinued operations was $204.9 million, $2.20 per share, in 2004, $22.8 million, $.25 per share, in 2003, and $24.2 million, $.26 per share, in 2002.

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, which requires the Company to record a liability equal to the fair value of the estimated cost to retire an asset. Upon adoption of SFAS No. 143, the Company recorded an expense of $7 million, net of $1.4 million in income taxes, as the cumulative effect of a change in accounting principle. Further explanation of this accounting change is included in Note G to the consolidated financial statements. Income before the cumulative effect of a change in accounting principle was $301.2 million, $3.25 per share, in 2003.

Income from continuing operations was $496.4 million, $5.31 per share, in 2004, $278.4 million, $3.00 per share, in 2003, and $87.3 million, $.95 per share, in 2002.

2004 vs. 2003 – Net income in 2004 was $701.3 million, $7.51 per share, compared to $294.2 million, $3.17 per share, in 2003. Both periods included income from discontinued operations associated with conventional oil and natural gas properties in Western Canada that were sold in the second quarter 2004. Income from discontinued operations amounted to $204.9 million in 2004 and $22.8 million in 2003, $2.20 and $.25 per share, respectively. The 2004 amount included a $171.1 million gain net of taxes associated with the sale, which netted proceeds of $583 million for the Company. All financial information has been reclassified to present the operating results for these properties as discontinued operations. The 2003 period included an after-tax expense of $7 million, $.08 per share, for a cumulative effect of a change in accounting principle associated with adoption of SFAS No. 143, Accounting for Asset Retirement Obligations. Income from continuing operations totaled $496.4 million, $5.31 per share, in 2004 compared to $278.4 million, $3.00 per share, in 2003. The $218 million improvement in income from continuing operations in 2004 was due to a combination of higher earnings from the Company’s exploration and production and refining and marketing operating businesses. Higher net costs of corporate activities partially offset the better results from these operating businesses. Exploration and production (E&P) operating results improved $208.9 million mostly due to higher oil and natural gas sales prices, higher oil sales volumes, and a $31.9 million deferred income tax benefit in Malaysia due to the expectation that temporary differences associated with exploration and other costs incurred to-date in Block K will be utilized to reduce future taxable income. The E&P results were unfavorably affected in 2004 by higher exploration expenses and lower natural gas sales volumes compared to 2003. Refining and marketing (R&M) operating results improved by $93.1 million in 2004 compared to 2003 primarily due to much stronger realized margins on petroleum products sold by the U.S. and U.K. businesses. The net costs of corporate activities were $84 million higher in 2004 because of a 5% withholding tax on a $550 million dividend to Murphy Oil Corporation from the Company’s Canadian subsidiary, unfavorable foreign exchange variances, a $20.1 million tax benefit in 2003 related to settlement of U.S. tax matters, lower capitalized interest costs due to the completion of significant E&P development projects, and higher administrative expenses related mostly to Sarbanes-Oxley compliance and retirement plans. The Canadian withholding tax in 2004 amounted to $27.5 million of costs. Foreign exchange losses were $18.6 million after tax in 2004 compared to a benefit of $5.4 million in 2003. These 2004 losses were primarily associated with U.S. dollar balances of cash and other net assets held by the Company’s Canadian and U.K. subsidiaries, which generally use local currency as their functional currency for bookkeeping purposes.

Sales and other operating revenues in 2004 increased $3.2 billion compared to 2003 mostly due to higher prices for oil, natural gas and petroleum products sold, higher sales volumes of crude oil and petroleum products, and higher merchandise sales revenue at retail gasoline stations. Gain on sale of assets increased by $8.1 million in 2004 due to a higher profit on sales of E&P properties in the year compared to 2003. Interest and other income was unfavorable by $17.5 million in 2004 versus 2003 mostly because of pretax foreign exchange losses of $26.6 million in 2004 compared to gains of $5.6 million in 2003; the foreign exchange effects were partially offset by higher interest income earned on invested cash balances during 2004. Crude oil and product purchases expense increased by $2.5 billion in 2004 due to the higher prices for crude oil purchased as refinery feedstocks and petroleum products purchased for sale at retail gasoline stations, and higher purchased volumes of crude oil, petroleum products and merchandise for resale compared to 2003. Operating expenses increased $157.3 million in 2004 with the change due to higher lifting costs caused by crude oil production growth and higher unit rates, higher refining and gasoline station expenses, and higher insurance and repair costs caused mostly by storms in the Gulf of Mexico. Exploration expenses rose by $51.6 million in 2004 mostly due to higher dry hole costs offshore Eastern Canada and in Malaysia. Selling and general expenses were $12.8 million higher in the current year and increased due to consulting fees associated with Sarbanes-Oxley compliance, plus increases for salaries, retirement and other benefits, and incentive compensation. Depreciation, depletion and amortization rose by $62.6 million mostly due to higher production of crude oil and higher depreciation of refining and marketing assets. Property impairments of $8.3 million in 2003 related to write-down of a refined products terminal closed by the company, write-off of certain property costs that were rendered obsolete at the Meraux refinery and the write-down of a natural gas field in the Gulf of Mexico due to downward revisions in reserves caused by poor well performance. Accretion of asset retirement obligations increased by $.3 million, mostly due to drilling wells and facilities added during 2004. Interest expense was $1.5 million less than in 2003 mostly due to lower average debt outstanding during 2004. Capitalized interest credited to income and included in capital expenditures decreased by $15.1 million due to completion of the Medusa development project in the Gulf of Mexico and the expansion project at the Meraux refinery. Income tax expense was $212.7 million higher in 2004 than 2003 mostly due to higher pretax income, but also because of a $20.1 million benefit in 2003 from settlement of prior year U.S. tax audits.

2003 vs. 2002 – Net income in 2003 was $294.2 million, $3.17 per diluted share, compared to $111.5 million, $1.21 per diluted share, in 2002. The 2003 period included an after-tax expense of $7 million, $.08 per share, related to a cumulative effect of a change in accounting principle associated with adoption of SFAS No. 143, Accounting for Asset Retirement Obligations. The 2003 period included profit on discontinued operations of $22.8 million, $.25 per share, while the 2002 period included $24.2 million, $.26 per share. Excluding the accounting change in 2003 and the results of discontinued operations in both years, income from continuing operations was $278.4 million, $3.00 per share, in 2003, and $87.3 million, $.95 per share, in 2002. The $191.1 million higher income from continuing operations in 2003 compared to 2002 was attributable to $152.6 million higher earnings from exploration and production operations, a $28.7 million lower loss from refining and marketing operations, and $9.8 million of lower net costs from corporate activities. Earnings from exploration and production operations were up in 2003 primarily due to higher oil and natural gas sales prices, a $34 million after-tax gain on sale of the Ninian and Columba fields in the U.K. North Sea, higher oil and natural gas production, higher tax benefits from settlement and rate adjustments, and lower property impairment and exploration expenses. Refining and marketing results in both North America and the United Kingdom showed significant improvements in 2003. Most of the improvement in North America was generated by stronger margins in the retail marketing portion of the business. Higher margins in the U.K. led to better income from this area. The net costs of corporate activities were lower in 2003 primarily due to higher corporate income tax benefits related to settlement of prior year tax matters and lower net interest costs, partially offset by higher selling and general expenses.

Sales and other operating revenues in 2003 increased by $1.3 billion compared to 2002 due to higher sales volumes for crude oil, natural gas and refined petroleum products, higher sales prices for oil, natural gas and refined products, and higher merchandise sales at retail gasoline stations. Gain on sale of assets was $52.4 million higher in 2003 primarily due to a $50 million pretax profit on sale of the Ninian and Columba fields in the U.K. North Sea. Crude oil and product purchases expense increased by $975.5 million in 2003 due to higher costs of crude oil used for refinery feedstock, and higher costs and volumes of gasoline and merchandise purchased for sale at the Company's retail gasoline stations. Operating expenses increased by $82.4 million in 2003 due to higher operating and repair costs at refineries and higher operating costs at the Company's growing retail gasoline station chain. Selling and general expenses rose by $27.1 million in 2003 primarily due to higher retirement and incentive compensation expenses and higher costs for Malaysian operations. Exploration expenses were $11.3 million lower in 2003 mostly due to less exploratory costs incurred in Malaysia. Depreciation, depletion and amortization expense increased by $61.3 million in 2003 due to new production from the West Patricia field, offshore Sarawak Malaysia, and higher depreciation associated with the Company's growing retail gasoline station chain. Impairment of long-lived assets was $23.3 million lower in 2003 as the prior year included costs related to write-off of Destin Dome Blocks 56 and 57, offshore Florida. The 2003 statement of income included $9.7 million for accretion on discounted abandonment liabilities following the adoption of SFAS No. 143 on January 1, 2003. Because the abandonment liabilities are carried on the balance sheet at a discounted fair value, accretion must be recorded annually so that the liability will be recorded at full value at the time the abandonment occurs. Interest expense rose by $6.2 million in 2003 due to higher average borrowings under long-term debt during the year. The portion of interest capitalized increased by $12.7 million due to higher capital expenditures for development of deepwater Gulf of Mexico fields and expansion projects at Syncrude and the Meraux refinery. Income tax expense was $61.5 million more in 2003 mostly caused by higher pretax earnings, the effects of which were partially offset by a $20.1 million benefit from settlement of prior year tax audits in the U.S., a $10.1 million benefit related to enacted tax rate reductions in Canada, and an $11.4 million credit from recognition of deferred tax benefits in Malaysia.

In the following table, the Company's results of operations for the three years ended December 31, 2004 are presented by segment. More detailed reviews of operating results for the Company's exploration and production and refining and marketing activities follow the table.

(Millions of dollars)	2004	2003	2002
Exploration and production			
United States	**$159.5**	23.3	(11.8)
Canada	**232.2**	166.2	146.8
United Kingdom	**87.1**	95.3	49.6
Ecuador	**6.6**	16.7	12.0
Malaysia	**38.3**	10.7	(43.0)
Other	**(11.4)**	(8.8)	(2.8)
	512.3	303.4	150.8
Refining and marketing			
North America	**53.4**	(21.2)	(39.2)
United Kingdom	**28.5**	10.0	(.7)
	81.9	(11.2)	(39.9)
Corporate and other	**(97.8)**	(13.8)	(23.6)
Income from continuing operations	**496.4**	278.4	87.3
Income from discontinued operations	**204.9**	22.8	24.2
Income before cumulative effect of change in accounting principle	**701.3**	301.2	111.5
Cumulative effect of change in accounting principle	**—**	(7.0)	—
Net income	**$701.3**	294.2	111.5

Exploration and Production – Earnings from exploration and production operations were $512.3 million in 2004, $303.4 million in 2003 and $150.8 million in 2002. The increase in 2004 earnings compared to 2003 was due to a 37% higher average realized oil sales price, a 24% higher realized sales price for North American natural gas, a 17% higher sales volume of crude oil, condensate and natural gas liquids, a $31.9 million deferred income tax benefit on inception-to-date Block K exploration and other expenses, and lower impairment charges. These favorable variances more than offset lower volumes of natural gas production, higher extraction costs associated with increased oil production, higher exploration expenses caused by more dry hole costs offshore Eastern Canada and in Malaysia, higher insurance costs related to a retrospective premium adjustment on property insurance coverage and higher costs to repair damages to facilities caused by Hurricane Ivan. Higher oil production was attributable to a full year of production at Medusa and Habanero in the deepwater Gulf of Mexico and at West Patricia in Block SK 309 in Malaysia. The decline in natural gas production was due to field decline at Amethyst in the U.K. North Sea and downtime in the Gulf of Mexico for repairs for Hurricane Ivan.

The improvement in earnings in 2003 compared to 2002 was primarily caused by a 8% higher realized worldwide oil sales price, a 57% higher realized natural gas sales price in North America, record crude oil production that was 13% higher than in 2002, a 4% increase in natural gas sales volumes, a $34 million after-tax gain on sale of the Ninian and Columba fields in the U.K. North Sea, higher tax benefits from settlements

and rate adjustments, and lower expenses related to property impairments and exploration. Higher oil production was mostly attributable to start up in May 2003 of the West Patricia field, offshore Sarawak Malaysia. The reduction in property impairment expense in 2003 was primarily related to the write-off of the remaining costs for Destin Dome Blocks 56 and 57, offshore Florida, in 2002. The decline in exploration expenses was mostly attributable to lower exploratory costs in Malaysia.

The results of operations for oil and gas producing activities for each of the last three years are shown by major operating areas on pages F-34 and F-35 of this Form 10-K report. Daily production and sales rates and weighted average sales prices are shown on page 8 of the 2004 Annual Report.

A summary of oil and gas revenues from continuing operations, including intersegment sales that are eliminated in the consolidated financial statements, is presented in the following table.

(Millions of dollars)	2004	2003	2002
United States			
Oil and gas liquids	**$ 248.4**	39.2	30.0
Natural gas	**207.6**	158.3	111.3
Canada			
Conventional oil and gas liquids	**403.3**	314.8	255.0
Natural gas	**28.7**	34.9	33.1
Synthetic oil	**174.2**	95.7	106.3
United Kingdom			
Oil and gas liquids	**146.8**	158.6	163.0
Natural gas	**11.4**	12.2	7.0
Malaysia – crude oil	**167.2**	77.7	—
Ecuador – crude oil	**30.8**	41.9	30.7
Total oil and gas revenues	**$1,418.4**	933.3	736.4

The Company's crude oil, condensate and natural gas liquids production from continuing operations averaged 93,634 barrels per day in 2004, 76,620 barrels per day in 2003 and 67,549 barrels in 2002. Oil production in 2004 was a new annual record for Murphy Oil. The 22% increase in worldwide oil production was primarily attributable to production growth in the U.S. and Malaysia. Oil production in Canada and the U.K. declined in 2004 compared to 2003. U.S. oil production increased more than 300% to 19,314 barrels per day due to a full year of production in 2004 from the Medusa and Habanero fields. Both these fields came on stream in November 2003. Heavy oil production in Canada increased 24% to 5,838 barrels per day due to a heavy oil drilling program in the Seal area during 2004, plus additional producing acreage acquired in this area during the fourth quarter of 2004. Production at the Hibernia field off the East Coast of Canada was essentially flat with 2003 at 12,736 barrels per day, but the Terra Nova field saw production decrease 19% to 12,671 barrels per day, with the decline mostly due to mechanical problems and an oil spill that occurred during the year. Net synthetic oil production from the Syncrude project was 11,794 barrels per day, a 13% increase from 2003. The increase at Syncrude was in line with higher gross production, which was caused by better operational efficiency and less downtime in 2004 compared to 2003. Oil production in the U.K. was lower by 25% and averaged 11,011 barrels per day. The Company sold its interest in the "T" Block field in 2004 and the Ninian and Columba fields in 2003. Also, production from the Schiehallion and Mungo/Monan fields was down in 2004 due to normal decline. Production in Ecuador rose almost 50% in 2004 due to a full year of operation of the new heavy oil pipeline. In prior years, production restrictions were in effect due to limitations caused by inadequate pipeline capacity between the primary oil producing region in the country's interior to the coast where sales occur. In spite of the higher Ecuadorian production in 2004, total sales volumes in this country in 2004 were lower than 2003 because no sales occurred from Block 16 during the second half of the year due to a dispute with the operator of the field over Murphy's new transportation and marketing arrangements. Murphy expects to make up this sales volume shortfall of over 1.5 million barrels in 2005. Malaysian oil production rose 63% in 2004 and averaged 11,885 barrels per day, caused by a full year of production in the current year from the West Patricia field in Block SK 309 versus a partial year in 2003.

Comparing 2003 to 2002, oil production in the United States increased 10% to 4,526 barrels per day. Production from two new deepwater Gulf of Mexico fields – Medusa and Habanero – that came on stream in November 2003 more than offset production declines from mature fields. Oil production in Canada increased 11% in 2003 to 44,935 barrels per day. The 2003 production increase was primarily related to higher volumes produced offshore Newfoundland at the Terra Nova and Hibernia fields. Production at Terra Nova increased 26% and averaged 15,712 barrels per day in 2003. Hibernia production increased by 11% to 12,822 barrels per day in 2003. Net production from the synthetic oil operation known as Syncrude fell 879 barrels per day, or 8%, in 2003 due to less efficient operations caused by more downtime for repairs. Production of light oil decreased 674 barrels per day, or 54%, due to continued field decline and various property sales during the year. Heavy oil production in Canada increased 1,096 barrels per day, or 30%, during 2003 due to the results of development drilling, which was partially offset by lower production from various properties sold during the year. U.K. production was down by 3,616 barrels per day, or 20%, primarily due to sale of the Ninian and Columba fields in mid-2003 and production decline at the Mungo/Monan field. The Company produced 5,172 barrels of oil per day in

Ecuador, 14% higher than in 2002, primarily due to a new heavy oil pipeline that began operations in the last half of 2003. Production began at the Company's West Patricia field in Block SK 309, offshore Sarawak Malaysia, in May 2003. Net production from West Patricia averaged 7,301 barrels per day for all 2003, but averaged over 11,000 barrels per day since start-up.

Worldwide sales of natural gas from continuing operations were 109.5 million cubic feet per day in 2004, 111.8 million in 2003 and 107.7 million in 2002. Sales of natural gas in the United States were 88.6 million cubic feet per day in 2004, 82.3 million in 2003 and 88.1 million in 2002. Sales in the U.S. increased in 2004 as higher volumes produced during the full production year at the Medusa and Habanero fields in the deepwater Gulf of Mexico more than offset declines at other more mature fields. Sales volumes were unfavorably affected by Hurricane Ivan which temporarily shut in most production in the Central Gulf of Mexico and severely damaged certain facilities, such as at the Tahoe field in Viosca Knoll Block 783, which was off production for the entire fourth quarter following the storm. The reduction in 2003 U.S. sales volumes was due to lower deliverability from mature fields in the Gulf of Mexico. Natural gas sales from continuing operations in Canada fell from 19.9 million cubic feet per day in 2003 to 14 million in 2004, a reduction of 30%. The decrease was mostly caused by normal production decline at the Rimbey gas field. Canadian natural gas sales had increased in 2003 due to higher production volumes at Rimbey. Natural gas sales in the United Kingdom were down from 9.6 million cubic feet per day in 2003, to 6.9 million cubic feet in 2004. The 28% decrease in 2004 was due to normal declines at the Amethyst field in the U.K. North Sea. Natural gas sales volumes were up 37% in 2003 compared to 2002 due primarily to higher sales nominations at the Amethyst.

Worldwide crude oil sales prices have risen in each of the last two years. Oil prices rose in 2004 due to a strong world economy, real and perceived instability in worldwide crude oil production levels, and effective production output controls by OPEC producers. Murphy realized on average crude oil and condensate sales price of $35.92 per barrel in 2004, a 37% increase over the 2003 realized average price of $26.15. The worldwide average price was reduced $2.00 per barrel by the effects of the Company's 2003 hedging program. The Company had hedged the sales price in 2003 for most of its heavy oil production in Canada and light oil production in the U.S., as well as a portion of its offshore and synthetic crude production in Canada. The average sales price in the U.S. was $35.35 per barrel in 2004, up 46%. Canadian heavy oil prices increased 64% in 2004, and averaged $20.26 per barrel. The Company's selling price for Canadian offshore production from the Hibernia and Terra Nova fields averaged $36.60 per barrel in 2004, up 35% versus 2003. Synthetic oil production at Syncrude averaged $40.35 per barrel in 2004, 62% higher than in 2003. Murphy's UK North Sea oil production averaged selling for $36.82 per barrel in the current year, 24% higher than 2003. Oil production sold for $24.78 per barrel in Ecuador and $41.35 per barrel in Malaysia, increases of 8% and 41%, respectively. No sales occurred from Block 16 in Ecuador during the second half of 2004 due to a dispute with the field's operator over Murphy's new transportation and marketing arrangements. Because of the lack of sales, the Company's Ecuador operations did not benefit from higher average oil prices during the last six months of the just completed year. Murphy expects to make up this sales volume shortfall of over 1.5 million barrels in 2005.

The Company's average realized sales price for crude oil and condensate in 2003 was $26.15 per barrel compared to $24.20 in 2002. The U.S. average crude oil sales price was essentially flat with 2002 and averaged $24.22 per barrel. Light oil production in Canada was sold at an average of $27.68 per barrel in 2003, up 21% from 2002. Heavy Canadian oil sold at $12.36 per barrel in 2003, 27% lower than in 2002. The average 2003 sales prices for offshore and synthetic oil production in Canada were $27.08 per barrel and $24.97 per barrel, respectively. Offshore prices were 7% higher than 2002, but synthetic crude was lower by 3%. The average sales price in the U.K. increased by 21% to $29.59 per barrel. Ecuador production was sold at an average of $22.99 per barrel, which was 17% above the average for 2002. New production from the West Patricia field in Malaysia brought an average of $29.42 per barrel in 2003.

In association with the higher oil prices, the sales prices for natural gas also strengthened in the Company's gas producing markets during each of the past two years. The Company's average realized sales price for North American natural gas was $6.34 per thousand cubic feet (MCF) in 2004, 24% higher than the previous year. The 2003 price was reduced by $.21 per MCF because of the Company's hedging program in the U.S. and Canada.

In 2003, the average natural gas sales price realized by the Company in North America was $5.13 per MCF, 57% higher than in 2002. In the U.S., natural gas sales prices averaged $5.29 per MCF in 2003, up 57% compared to 2002. Canadian gas prices increased 73% to an average of $4.47 per MCF. Natural gas was sold in the U.K. at an average of $3.50 per MCF, 27% higher than the 2002 average.

Based on 2004 volumes and deducting taxes at marginal rates, each $1 per barrel and $.10 per MCF fluctuation in prices would have affected earnings from exploration and production operations by $21 million and $2.5 million, respectively. The effect of these price fluctuations on consolidated net income cannot be measured because operating results of the Company's refining and marketing segments could be affected differently.

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Production expenses were $249 million in 2004, $189.6 million in 2003 and $189.3 million in 2002. These amounts are shown by major operating area on pages F-34 and F-35 of this Form 10-K report. Costs per equivalent barrel excluding discontinued operations during the last three years are shown in the following table.

(Dollars per equivalent barrel)	2004	2003	2002
United States	**$ 6.12**	5.54	6.36
Canada			
Excluding synthetic oil	**3.06**	2.64	4.23
Synthetic oil	**18.05**	16.43	11.75
United Kingdom	**4.25**	4.69	5.03
Malaysia	**5.63**	3.44	—
Ecuador	**11.18**	9.05	8.17
Worldwide – excluding synthetic oil	**4.89**	4.11	5.21

The higher costs in the United States in 2004 were due primarily to lower production and higher costs for properties on the continental shelf of the Gulf of Mexico. The lower U.S. cost in 2003 was due to both higher production and less well servicing costs. Higher average Canadian costs excluding synthetic oil in 2004 were caused by lower natural gas production and a higher average foreign exchange rate. The decline in Canadian unit rate in 2003 was caused by a decrease in offshore costs plus the effects of higher offshore production. The increase in unit costs for Canadian synthetic oil operations in 2004 was attributable to a combination of higher maintenance and energy costs and a higher foreign exchange rate; the 2003 increase per unit was due to the same factors as 2004, plus the effects of lower barrels produced. Lower average costs in the U.K. in each of the last two years were mainly due to sale of high-cost properties, including "T" Block in 2004 and Ninian and Columba in 2003. The increase in the unit rate in Malaysia in 2004 compared to 2003 was primarily due to higher manpower, fuel and export duty costs. Production expense increases per unit in Ecuador were mostly attributable to higher transportation costs associated with the heavy oil pipeline that commenced operations in the second half of 2003.

Exploration expenses for each of the last three years are shown in total in the following table, and amounts are reported by major operating area on pages F-34 and F-35 on this Form 10-K report. Certain of the expenses are included in the capital expenditures total for exploration and production activities.

(Millions of dollars)	2004	2003	2002
Exploration and production			
Dry holes	**$ 110.9**	60.6	89.8
Geological and geophysical	**28.4**	31.2	11.3
Other	**8.6**	6.1	9.3
	147.9	97.9	110.4
Undeveloped lease amortization	**16.4**	14.7	13.5
Total exploration expenses	**$ 164.3**	112.6	123.9

Dry hole costs were $50.3 million higher in 2004 than 2003 because of more costs for unsuccessful drilling on the Scotian Shelf, offshore Eastern Canada, and in Block K Malaysia. Dry holes were $29.2 million lower in 2003 than 2002 primarily due to more drilling success in deepwater Malaysia blocks in the later year. Geological and geophysical expenses were $2.8 million lower in 2004, mostly due to lower seismic acquisition and interpretation work offshore Eastern Canada, partially offset by higher seismic costs in Malaysia. Geological and geophysical costs were up $19.9 million in 2003 mostly due to 3D seismic acquisition and processing in Blocks SK 309 and PM 311 in Malaysia. Other exploration expenses were $2.5 million higher in 2004 than 2003 mainly due to more costs for Gulf of Mexico annual lease rentals and higher charges for work commitments on leases on the Scotian Shelf offshore Eastern Canada. Other exploration expenses were $3.2 million lower in 2003 because more administrative costs in Malaysia were charged to the production department after start-up of West Patricia field production in May. Undeveloped leasehold amortization increased by $1.7 million in 2004 and $1.2 million in 2003 because of lease acquisitions in each year in the Gulf of Mexico, plus the acquisition in 2004 of two exploration concessions in the deep waters offshore the Republic of Congo.

Costs of $2.6 million and $5 million were incurred in 2004 and 2002, respectively, to repair equipment and well damages caused by hurricanes in the Gulf of Mexico. These costs essentially represent amounts not recovered through insurance policies. The Company's exploration and production operations also recorded a $12.6 million pretax cost in 2004 for a retrospective insurance premium related to past claims experience of the insurer.

Depreciation, depletion and amortization expense related to exploration and production operations totaled $241.5 million in 2004, $198.6 million in 2003 and $144.7 million in 2002. The $42.9 million increase in 2004 compared to 2003 was caused primarily by higher production at the Medusa and Habanero fields in the deepwater Gulf of Mexico and the West Patricia field in Block SK 309 Malaysia. The $53.9 million increase in 2003 was mostly due to higher production in Canada and start-up of the West Patricia field in 2003.

The exploration and production business recorded expense of $9.9 million in 2004 and $9.7 million in 2003 for accretion on discounted abandonment liabilities following the adoption of SFAS No. 143 on January 1, 2003. Because the abandonment liabilities are carried on the balance sheet at a discounted fair value, accretion must be recorded annually so that the liability will be recorded at full value at the projected time of abandonment.

Property impairments occurred in the United States in 2003 and 2002. Impairment charges of $3 million in 2003 related to the writedown of the cost of a natural gas field in the Gulf of Mexico for a reserve reduction caused by poor well performance. The impairment in 2002 of $31.6 million was mostly related to writeoff of the remaining investment of $22.5 million in Destin Dome Blocks 56 and 57, offshore Florida. Based on an agreement with the U.S. government, the Company may not seek approval for development of this significant natural gas discovery until at least 2012. The remainder of the 2002 charge also related to impairments for poor natural gas well performance in the U.S.

The effective income tax rate for exploration and production operations was 32.7% in 2004, 31.2% in 2003, and 34.8% in 2002. The effective tax rates in 2004 and 2003 were lower than statutory rates partially due to recognition of deferred income tax benefits in Malaysia in each year. The 2004 deferred tax benefit of $31.9 million arose due to the expectation that temporary differences associated with exploration and other expenses incurred to-date in Block K Malaysia will be utilized to reduce future taxable income. An $11.4 million deferred tax benefit was recognized in 2003 for similar circumstances in Malaysia Blocks SK 309 and 311. These benefits had not been recognized in the income statement in previous years because the Company had established a deferred tax valuation allowance until such time that it became probable that these expenses would be utilized as deductions to reduce future taxable income. In 2004, Alberta reduced their tax rates for oil and gas companies. In 2003, both the Federal and Alberta governments of Canada reduced their tax rates for oil and gas companies. The rate reductions led to recognition of a $4.9 million benefit in 2004 and a $10.1 million tax benefit in 2003, mostly related to a reduction in deferred income tax liabilities. In addition, the effective tax rate in 2003 was favorable to 2002 due to sale of the Company's interests in the Ninian and Columba fields in 2003. Profits on these fields were assessed Petroleum Revenue taxes in addition to normal corporation taxes; thus the sale of these fields reduced the overall effective tax rate in the U.K.

Approximately 53% of the Company's U.S. proved oil reserves and 38% of the U.S. proved natural gas reserves are undeveloped. At December 31, 2004, about 98% of the total U.S. undeveloped reserves (on a barrel of oil equivalent basis) are associated with deepwater Gulf of Mexico fields. Almost 70% of these undeveloped reserves relate to the Front Runner field, which came on stream in December 2004. Seven of the eight wells at Front Runner were not completed and/or producing at year-end; these wells are expected to be brought into production sequentially during 2005 and early 2006. In addition, oil reserves in Block K in Malaysia of 40 million barrels at year-end 2004 are all undeveloped, pending completion of facilities and development drilling in future years. This field is projected to be on production in the second half of 2007. On a worldwide basis, the Company spent approximately $272 million in 2004, $280 million in 2003, and $239 million in 2002 to develop proved reserves. The Company expects to spend about $307 million in 2005, $558 million in 2006 and $422 million in 2007 to move currently undeveloped proved reserves to the developed category.

Refining and Marketing – The Company's refining and marketing operations generated a profit of $81.9 million in 2004, after posting losses of $11.2 million in 2003 and $39.9 million in 2002. The R&M operating results improved markedly in 2004 because the Company was able to extract a higher gross margin from product sales in both the U.S. and U.K. markets. Although the price of crude oil, the primary refinery feedstock, was much more costly during 2004 than in 2003, the supplies of gasoline and certain other products remained tight during much of the year. Thus refining margins in both the U.S. and U.K. were much stronger during 2004. The Meraux refinery also ran more efficiently in 2004 than in 2003, and therefore, the costs of operations were spread over a larger number of crude oil barrels, benefiting margins on a per-unit basis. Murphy also enjoyed better profits from its Murphy USA retail station chain in 2004, essentially due to a combination of higher volumes sold, a better markup of gasoline prices compared to laid-in costs, and lower operating costs per gallon sold. The Company added 129 stations to its chain during 2004, an increase of 21% over the number of sites at year-end 2003. Sales volume per station increased more than 6% in 2004 compared to 2003.

The 2003 loss from R&M operations was lower than the 2002 loss by $28.7 million primarily due to better margins from the gasoline retail business in North America and the refining and marketing business in the United Kingdom. The Company's U.S. refining margins were squeezed in 2003, primarily due to the high price of crude oil that the Company was not able to completely pass through to wholesale and other refinery customers. In addition to higher average fuel margins in 2003 at North American retail gasoline stations, the Company's profits from merchandise sales at these gasoline stations were also better than in 2002.

Geographically, the North American R&M operations had income of $53.4 million in 2004 after incurring losses of $21.2 million in 2003 and $39.2 million in 2002. North American operations include refining activities in the United States and marketing activities in the United States and Canada. Operations in the U.K. generated a record profit of $28.5 million in 2004, compared to a profit of $10 million in 2003 and a $.7 million loss in 2002.

Unit margins (sales realizations less costs of crude oil and other feedstocks, refinery operating and depreciation expenses and transportation to point of sale) averaged $2.25 per barrel in North America in 2004, $1.60 in 2003 and $.80 in 2002. North American product sales volumes increased 31% to a record 301,801 barrels per day in 2004, following a 30% increase in 2003. Sales volumes through the Company's retail gasoline network at Wal-Mart stores grew steadily throughout 2004 and 2003.

Unit margins in the United Kingdom averaged $4.85 per barrel in 2004, $2.86 per barrel in 2003 and $1.70 per barrel in 2002. Sales of petroleum products were up 6% in 2004 following a 2% increase in 2003. The 2004 increase was primarily caused by higher volumes sold in both the retail and cargo market, while the increase in 2003 was mostly attributable to cargo market sales growth.

U.S. refining and marketing operations were experiencing losses in early 2005 as this business was unable at that time to pass along the higher costs of crude oil feedstocks to its customers buying refined products such as gasoline and diesel.

Based on sales volumes for 2004 and deducting taxes at marginal rates, each $.42 per barrel ($.01 per gallon) fluctuation in the unit margins would have affected annual refining and marketing profits by $32.7 million. The effect of these unit margin fluctuations on consolidated net income cannot be measured because operating results of the Company's exploration and production segments could be affected differently.

Corporate – The costs of corporate activities, which include interest income, interest expense, foreign exchange gains and losses, and corporate overhead not allocated to operating functions, were $97.8 million in 2004, $13.8 million in 2003 and $23.6 million in 2002. Net after-tax corporate costs in 2004 were $84 million higher than in 2003. The increase was related to unfavorable foreign exchange losses, higher administrative costs, higher net interest expense and unfavorable income taxes. Due to a much weaker U.S. dollar compared to the Canadian dollar, pound sterling and the Euro, the Company incurred after-tax losses of $18.6 million for foreign exchange in 2004 compared to a $5.4 million profit in 2003. The exchange losses were mostly attributable to foreign subsidiaries with non-U.S. dollar functional currencies holding a significant level of U.S. dollars that experienced devaluation against these other currencies during the last half of 2004. Administrative expenses were $8.5 million higher in 2004, mostly due to higher costs of corporate compliance under the Sarbanes-Oxley Act and higher salaries, retirement and other benefits and other compensation expenses. Net interest expense was $13.5 million higher in 2004, mostly due to lower interest being capitalized on U.S. oil and gas developments and U.S. refinery expansion projects that are now completed and the assets in service. Income tax expense in 2004 was unfavorable by $43 million in the corporate area primarily due to a $27.5 million withholding tax incurred on a $550 million dividend paid to the Company by its Canadian subsidiary, and a $20.1 million tax benefit in 2003 from settlement of previous years' income tax audit issues. The Company earned $13.3 million more interest income in 2004 mostly related to holding larger balances of invested cash for a portion of the year after selling most of its conventional oil and gas properties in Western Canada.

Net after-tax corporate costs were $9.8 million lower in 2003 than in 2002 mainly due to a $20.1 million benefit from settlement of previous years' U.S. income tax audit issues and lower net interest expense. These cost savings were partially offset by higher general and administrative expenses, including costs related to the Company's retirement and incentive compensation plans.

Capital Expenditures

As shown in the selected financial data on page 8 of this Form 10-K report, capital expenditures for continuing operations, including discretionary exploration expenditures, were $975.4 million in 2004 compared to $906.1 million in 2003 and $774.8 million in 2002. These amounts included $147.9 million, $97.9 million and $110.4 million of exploration costs that were expensed. Capital expenditures for exploration and production activities totaled $839.2 million in 2004, 86% of the Company's total capital expenditures for the year. Exploration and production capital expenditures in 2004 included $16.6 million for acquisition of undeveloped leases, $54 million and $67.3 million for acquisition of unproved and proved properties, respectively, in the Seal area in Western Canada, $268.1 million for exploration activities, and $433.2 million for development projects. Development expenditures included $86.3 million for development of deepwater discoveries in the Gulf of Mexico; $104.6 million for the West Patricia and Kikeh fields in Malaysia; $33.7 million for the Terra Nova and Hibernia oil fields, offshore Newfoundland; $99.6 million for expansion of synthetic oil operations at the Syncrude project in Canada; and $68.1 million for Western Canada heavy oil and natural gas projects. Exploration and production capital expenditures are shown by major operating area on page F-33 of this Form 10-K report.

Refining and marketing capital expenditures totaled $134.7 million in 2004, compared to $215.4 million in 2003 and $234.7 million in 2002. These amounts represented 14%, 24% and 30% of capital expenditures for continuing operations of the Company in 2004, 2003 and 2002, respectively. Refining capital spending was $46.1 million in 2004 compared to $130.8 million in 2003 and $150.1 million in 2002. In 2004, the Company completed the construction of a green gasoline unit at its Superior, Wisconsin refinery. In 2003, it finished the expansion of the Meraux, Louisiana refinery, which included building a hydrocracker unit to meet future clean fuel specifications and expanding the crude oil processing capacity of the plant to 125,000 barrels per day. Capital expenditures on the Superior refinery unit green gasoline were $18 million in 2004 and $5.5 million in 2003. Capital expenditures related to the Meraux expansion project amounted to $5.5 million in 2004, $69 million in 2003 and $116.2 million in 2002. Marketing expenditures amounted to $88.6 million in 2004 and $84.6 million in 2003 and 2002. The majority of marketing expenditures in each year was related to construction of retail gasoline stations at Wal-Mart sites in 21 states in the U.S. The Company added 129 total stations to this retail network in 2004, 119 in 2003 and 125 in 2002.

Cash Flows

Cash provided by continuing operations was $1,035.1 million in 2004, $501.1 million in 2003 and $372.2 million in 2002. The increase in cash provided in 2004 was primarily due to higher crude oil and refined product sales volumes, and higher sales prices for crude oil, natural gas and refined products. Cash provided by continuing operations was reduced by expenditures for refinery turnarounds and abandonment of oil and gas properties totaling $18.6 million in 2004, $66.1 million in 2003 and $14.8 million in 2002. Scheduled plant-wide turnarounds occurred at both U.S. refineries in 2003.

Cash proceeds from property sales other than from discontinued operations were $60.4 million in 2004, $188.6 million in 2003 and $68.1 million in 2002. The 2004 property sales included the disposal of the "T" Block field in the U.K. North Sea and certain U.S. onshore gas properties and U.S. marketing terminals while 2003 included disposal of the Ninian and Columba fields in the U.K. and various oil and gas assets in Canada and the Gulf of Mexico. Disposals of properties classified as discontinued operations brought in net cash proceeds of $583 million in 2004. This disposal included most of the Company's conventional oil and gas properties in Western Canada. During 2003 and 2002, the Company borrowed under notes payable and other long-term debt arrangements primarily to fund a portion of the Company's development capital expenditures; these borrowings provided $309.7 million of cash in 2003 and $407.6 million in 2002. Cash proceeds from stock option exercises and employee stock purchase plans amounted to $3.2 million in 2004, $3.6 million in 2003 and $25.1 million in 2002.

Property additions and dry hole costs used cash of $938.4 million in 2004, $868.9 million in 2003 and $765.9 million in 2002. A heavy oil property acquisition in Canada, plus higher heavy oil development spending and higher exploration drilling in Malaysia were the primary reasons for the increase in 2004. More field development expenditures in the deepwater Gulf of Mexico and at the West Patricia and Kikeh fields in Malaysia mostly accounted for the 2003 increase. The Company used a portion of the proceeds of asset dispositions classified as discontinued operations to repay a significant portion of long-term debt in 2004. Total paydown of debt was $495 million during 2004. Cash outlays for debt repayment during 2003 and 2002 were $76.8 million and $57.8 million, respectively. Cash of $17.9 million was invested in 2004 in U.S. government securities with maturities greater than 90 days. Cash used for dividends to stockholders was $78.2 million in 2004, $73.5 million in 2003 and $70.9 million in 2002. The Company raised its annualized dividend rate from $.80 per share to $.90 per share beginning in the third quarter of 2004. The Company had previously increased the annualized dividend rate from $.75 per share to $.80 per share at mid-year 2002.

Financial Condition

Year-end working capital totaled $424.4 million in 2004, $228.5 million in 2003 and $136.3 million in 2002. The current level of working capital does not fully reflect the Company's liquidity position as the carrying values for inventories under last-in first-out accounting were $219.1 million below fair value at December 31, 2004. Cash and cash equivalents at the end of 2004 totaled $535.5 million compared to $252.4 million a year ago and $165 million at the end of 2002.

Long-term debt was reduced by $477 million during 2004 and totaled $613.3 million at the end of the year, 18.8% of total capital employed. Long-term debt included $15.6 million of nonrecourse debt incurred in connection with the Hibernia oil field. The long-term debt reduction in 2004 was achieved primarily using the proceeds of asset dispositions in Western Canada. Long-term debt totaled $1.09 billion at the end of 2003 compared to $862.8 million at December 31, 2002. Stockholders' equity was $2.65 billion at the end of 2004 compared to $1.95 billion a year ago and $1.59 billion at the end of 2002. A summary of transactions in stockholders' equity accounts is presented on page F-6 of this Form 10-K report.

Other significant changes in Murphy's year-end 2004 balance sheet compared to 2003 included a $252.7 million increase in accounts receivable, which was primarily caused by sales of higher volumes of crude oil and refined products at higher average prices near the end of 2004 compared to the 2003 year-end. Crude oil and blend stocks inventory was $24.4 million more than 2003 mostly because of 1.5 million barrels of unsold crude oil inventory in Ecuador. The Company did not receive its allocated share of Ecuadorian production to sell for approximately the last seven months of 2004 due to a dispute with the area operator over our new transportation and marketing arrangements. Short-term deferred income tax assets increased $10.5 million at year-end 2004 due mostly to a deferred tax benefit recorded in 2004 in Ecuador; this benefit offset a current tax charge related to a temporary difference associated with the timing of income reported for book and tax purposes. Net property, plant and equipment increased by $154.8 million as capital expenditures during the year were larger than the cost of properties disposed and the additional depreciation and amortization expensed. Goodwill related to the acquisition of Beau Canada in 2000 decreased by $21.3 million as a portion of goodwill was allocated to the cost pool for the sale of Western Canada properties in 2004. Deferred charges and other assets increased $21.6 million in 2004 due to the net change in long-term deferred tax assets for Malaysian operations. Current maturities of long-term debt declined by $16.5 million primarily because of paydown of Hibernia nonrecourse loans. Accounts payable rose by $237.7 million mostly due to the higher costs of purchased crude oil and gasoline at year-end 2004 compared to 2003. Income taxes payable increased $158.4 million at year-end 2004 due to combination of higher operating profits in 2004 and a liability associated with settlement of all Beau Canada Exploration acquisition financing matters with the Canadian tax authorities during early 2005. Other taxes payable increased $27.2 million mostly due to higher sales, use and excise taxes owed at year-end 2004 compared to 2003. Deferred income tax liabilities increased $155.3 million in 2004 due mostly to higher accelerated depreciation taken in tax returns based on 2004 property acquisitions and other capital expenditures. The liability associated with asset retirements dropped by $50.5 million mostly due to sales of Western Canada conventional oil and gas properties and "T" Block in the North Sea during 2004. Accrued major repair costs increased by $23.7 million primarily based on accruing additional costs for future turnarounds of the company's three refineries.

Murphy had commitments of $727 million for capital projects in progress at December 31, 2004, including $28 million for costs to develop deepwater Gulf of Mexico fields, $63 million for continued expansion of synthetic oil operations in Canada, $394 million for field development and future work commitments in Malaysia, and $37 million for exploration drilling in Congo.

The primary sources of the Company's liquidity are internally generated funds, access to outside financing and working capital. The Company typically relies on internally generated funds to finance the major portion of its capital and other expenditures, but maintains lines of credit with banks and borrows as necessary to meet spending requirements. At December 31, 2004, the Company had access to short-term and long-term revolving credit facilities in the amount of $700 million. None of the revolving facilities had been drawn at year-end 2004. The most restrictive covenants under these facilities limit the Company's long-term debt to capital ratio (as defined in the agreements) to 60%. At December 31, 2004, the long-term debt to capital ratio was approximately 19%. The Company also has unused uncommitted credit lines of approximately $392 million at December 31, 2004. In addition, the Company has a shelf registration on file with the U.S. Securities and Exchange Commission that permits the offer and sale of up to $650 million in debt and equity securities. Current financing arrangements are set forth more fully in Note E to the consolidated financial statements. At present, the Company does not anticipate utilizing a significant amount of its long-term borrowing capacity in 2005 as normal cash flow from operations is expected to cover the Company's capital expenditure program. At March 1, 2005 the Company's long-term debt rating by Standard and Poor's was "A-" and by Moody's was "Baal". The Company's ratio of earnings to fixed charges was 13.4 to 1 in 2004, 6.1 to 1 in 2003 and 2.7 to 1 in 2002.

Environmental

Murphy and other companies in the oil and gas industry are subject to numerous federal, state, local and foreign laws and regulations. The most significant of those laws and the corresponding regulations affecting the Company's operations are:

- The Clean Air Act, as amended
- The Federal Water Pollution Control Act
- Safe Drinking Water Act
- Regulations of the United States Department of the Interior governing offshore oil and gas operations

These acts and their associated regulations set limits on emissions and, in the case of discharges to water, establish water quality limits. They also, in most cases, require permits in association with new or modified operations. Many states also have similar statutes and regulations governing air and water, which in some cases impose additional and more stringent requirements. Murphy is also subject to certain acts and regulations primarily governing remediation of wastes or oil spills. The applicable acts are:

- The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), commonly referred to as Superfund, and comparable state statutes. CERCLA primarily addresses historic contamination and imposes joint and several liability for cleanup of contaminated sites on owners and operators of the sites. As discussed below, Murphy is involved in a limited number of Superfund sites. CERCLA also requires reporting of releases to the environment of substances defined as hazardous.
- The Resource Conservation and Recovery Act of 1976, as amended, and comparable state statutes, govern the management and disposal of wastes, with the most stringent regulations applicable to treatment, storage or disposal of hazardous wastes at the owner's property.
- The Oil Pollution Act of 1990, as amended, under which owners and operators of tankers, owners and operators of onshore facilities and pipelines, and lessees or permittees of an area in which an offshore facility is located are liable for removal and cleanup costs of oil discharges into navigable waters of the United States. Pursuant to the authority of the Clean Air Act (CAA), the Environmental Protection Agency (EPA) has issued several standards applicable to the formulation of motor fuels, which are designed to reduce emissions of certain air pollutants when the fuel enters commerce or is used. Pursuant to state laws corresponding to the CAA, several states have passed similar or more stringent regulations governing the formulation of motor fuels.

The Company is also involved in personal injury and property damage claims, allegedly caused by exposure to or by the release or disposal of materials manufactured or used in the Company's operations.

The Company operates or has previously operated certain sites and facilities, including three refineries, five terminals, and approximately 80 service stations, for which known or potential obligations for environmental remediation exist. In addition the Company operates or has operated numerous oil and gas fields that may require some form of remediation.

Under the Company's accounting policies, an environmental liability is recorded when such an obligation is probable and the cost can be reasonably estimated. If there is a range of reasonably estimated costs, the most likely amount will be recorded, or if no amount is most likely, the minimum of the range is used. Recorded liabilities are reviewed quarterly. Actual cash expenditures often occur one or more years after a liability is recognized.

The Company's liability for remedial obligations includes certain amounts that are based on anticipated regulatory approval for proposed remediation of former refinery waste sites. Although regulatory authorities may require more costly alternatives than the proposed processes, the cost of such potential alternative processes is not expected to exceed the accrued liability by a material amount.

The U.S. Environmental Protection Agency (EPA) currently considers the Company to be a Potentially Responsible Party (PRP) at two Superfund sites. The potential total cost to all parties to perform necessary remedial work at these sites may be substantial. Based on currently available

information, the Company believes that it is a de minimus party as to ultimate responsibility at both Superfund sites. The Company has not recorded a liability for remedial costs on Superfund sites. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at the two sites or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up the two Superfund sites will be immaterial and will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

There is the possibility that environmental expenditures could be required at currently unidentified sites, and new or revised regulations could require additional expenditures at known sites. However, based on information currently available to the Company, the amount of future remediation costs incurred at known or currently unidentified sites is not expected to have a material adverse effect on net income, financial condition or liquidity in a future period.

Certain environmental expenditures are likely to be recovered by the Company from other sources, primarily environmental funds maintained by certain states. Since no assurance can be given that future recoveries from other sources will occur, the Company has not recorded a benefit for likely recoveries at December 31, 2004.

The Company's refineries also incur costs to handle and dispose of hazardous waste and other chemical substances. The types of waste and substances disposed of generally fall into the following categories: spent catalysts (usually hydrotreating catalysts); spent/used filter media; tank bottoms and API separator sludge; contaminated soils; laboratory and maintenance spent solvents; and various industrial debris. The costs of disposing of these substances are expensed as incurred and amounted to $6.6 million in 2004. In addition to these expenses, Murphy allocates a portion of its capital expenditure program to comply with environmental laws and regulations. Such capital expenditures were approximately $60.3 million in 2004 and are projected to be $35.9 million in 2005.

Other Matters

Impact of inflation – General inflation was moderate during the last three years in most countries where the Company operates; however, the Company's revenues and capital and operating costs are influenced to a larger extent by specific price changes in the oil and gas and allied industries than by changes in general inflation. Crude oil and petroleum product prices generally reflect the balance between supply and demand, with crude oil prices being particularly sensitive to OPEC production levels and/or attitudes of traders concerning supply and demand in the near future. Natural gas prices are affected by supply and demand, which to a significant extent are affected by the weather and by the fact that delivery of gas is generally restricted to specific geographic areas. Because crude oil and natural gas sales prices have generally strengthened during the last two years, prices for oil field goods and services could be adversely affected in the future. Due to the volatility of oil and natural gas prices, it is not possible to determine what effect these prices will have on the future cost of oil field goods and services.

Accounting changes and recent accounting pronouncements – As described in Note G on page F-14 of this Form 10-K report, Murphy adopted the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) 143, Accounting for Asset Retirement Obligations, effective January 1, 2003. Upon adoption of SFAS No. 143, the Company recorded an after-tax charge of $7 million, which was reported as the cumulative effect of a change in accounting principle.

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share Based Payment, which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123 (revised 2004) requires that the cost resulting from all share-based payment transactions be recognized as an expense in the financial statements using a fair-value-based measurement method over the periods that the awards vest. The statement will be effective for the Company beginning in its third quarter which starts on July 1, 2005. The Company is currently evaluating which fair value measurement method to use and whether to use the modified retrospective application or modified prospective application upon adoption. Although the Company currently uses the intrinsic-value approach of Accounting Principles Board No. 25 to account for stock options, it provides pro forma disclosures in Note A as if SFAS No. 123 was currently being applied.

The FASB has issued for comment a proposed FASB Staff Position (FSP) 19-a to provide guidance on the accounting for exploratory well costs and to propose an amendment to SFAS No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies. The guidance in FSP 19-a will apply to companies that use the successful efforts method of accounting as described in SFAS No. 19. This proposed FSP would clarify that exploratory well costs should continue to be capitalized when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating validity of the project. The guidance in this FSP is to be applied in the first reporting period beginning after the date the FSP is finalized. The guidance will be applied prospectively to existing and newly-capitalized exploratory well costs. However, any capitalized well costs that do not meet the requirements of the FSP must be written off upon its adoption. The proposed FSP as written requires additional disclosures related to capitalized costs.

The Emerging Issues Task Force (EITF) has issued EITF 03-13, Applying the Conditions in Paragraph 42 of SFAS No. 144 in Determining Whether to Report Discontinued Operations. The EITF generally believes that current practice with respect to applying the criteria in paragraph 42 of

SFAS No. 144 has not been applied consistently and has not resulted in broadening the reporting of asset dispositions as discontinued operations. EITF 03-13 contains further guidance for evaluating the cash flows of the component sold and what constitutes significant continuing involvement. This standard must be applied to all asset disposal transactions occurring after January 1, 2005. EITF 03-13 may lead in certain industries to more asset disposals being reported as discontinued operations in future periods. However, in the oil and gas industry, it may cause more asset disposals to continue to be classified as continuing operations due to clarification of what constitutes continuing involvement.

In October 2004, the President of the United States signed into law the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (the "Act"). The FASB issued FSP 109-1 in December 2004 to provide guidance on the application of SFAS No. 109, Accounting for Income Taxes, to the provision within the Act that provides, beginning in 2005, a tax deduction of up to 9% on qualified production activities. FSP 109-1 concludes that the deduction should be accounted for as a special deduction in accordance with SFAS 109, which means that the tax benefit is recognized as realized, rather than as a one-time benefit due to a reduction of deferred tax liabilities. This FSP was effective upon issuance. The Company cannot predict what impact the Act will have on net income in future periods.

SFAS No. 151, Inventory Costs was issued by the FASB in November 2004. This statement amends Accounting Research Bulletin No. 43, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges, and it also requires that allocation of fixed production overheads be based on the normal capacity of the related production facilities. The provisions of this statement will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

The FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29, in December 2004. This statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. The provisions of SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

In 2004 the FASB reviewed whether mineral interests in properties (mineral leases) held by oil and gas companies should be recorded and disclosed as intangible assets under the guidance of SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. After consideration of the matter, the FASB issued a staff position stating that drilling and mineral rights of oil and gas producing entities that are within the scope of SFAS 19 are not subject to the intangible asset classification and disclosure rules of SFAS No. 142. The staff position is consistent with the Company's present accounting practices and had no effect on its financial statements or disclosures.

Significant accounting policies – In preparing the Company's financial statements in accordance with accounting principles generally accepted in the United States, management must make a number of estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Application of certain of the Company's accounting policies requires significant estimates. The most significant of these accounting policies are described below.

- Proved oil and natural gas reserves – Proved reserves are defined by the U.S. Securities and Exchange Commission (SEC) as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. Proved developed reserves are volumes expected to be recovered through existing wells with existing equipment and operating methods. Although the Company's engineers are knowledgeable of and follow the guidelines for reserves as established by the SEC, the estimation of reserves requires the engineers to make a significant number of assumptions based on professional judgment. SEC rules require that year-end oil and natural gas prices must be used for determining proved reserve quantities. Year-end prices often do not approximate the average price that the Company expects to receive for its oil and natural gas production. The Company often uses significantly different oil and natural gas assumptions when making its own internal economic property evaluations. Estimated reserves are often subject to future revision, certain of which could be substantial, based on the availability of additional information, including: reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price changes and other economic factors. Changes in oil and natural gas prices can lead to a decision to start-up or shut-in production, which can lead to revisions to reserve quantities. Reserve revisions inherently lead to adjustments of the Company's depreciation rates and the timing of settlement of asset retirement obligations. The Company's proved reserves of oil and natural gas are presented on pages F-31 and F-32 of the annual report. The reserve revision for U.S. oil in 2004 relates primarily to loss of royalty relief for the Medusa and Front Runner deepwater fields based on year-end 2004 oil prices. Oil reserve revisions in Canada in 2004 relate to a combination of low heavy oil prices at year-end that restrict economic recoverability of certain heavy oil reserves and higher projected royalties at the Terra Nova and Hibernia fields. Oil reserve revisions in Ecuador in 2004 were caused by a higher than previously estimated water cut in the liquid stream produced at Block 16. Natural gas reserve revisions were positive in the U.S. due to better well performance. The Company cannot predict the type of reserve revisions that will be required in future periods.

- Successful efforts accounting – The Company utilizes the successful efforts method to account for exploration and development expenditures. Unsuccessful exploration wells are expensed and can have a significant effect on net income. Successful exploration drilling costs, all development capital expenditures and asset retirement costs are capitalized and systematically charged to expense using the units of production method based on proved oil and natural gas reserves as estimated by the Company's engineers.

  In some cases, a determination of whether a drilled well has found proved reserves can not be made immediately. This is generally due to the need for a major capital expenditure to produce and/or evacuate the hydrocarbon(s) found. The determination of whether to make such a capital expenditure is, in turn, usually dependent on whether additional exploratory wells find a sufficient quantity of additional reserves. When further drilling is firmly planned or in progress, the Company holds these well costs in Property, Plant and Equipment until the drilling is completed. In cases where oil and gas reserves have been found but can not be classified as proved within one year after an exploratory well is drilled, the Company will hold such well costs in Property when classification of proved reserves are dependent upon, and we are actively seeking, approval of a development plan by a foreign government.

  Costs of all exploration wells in progress at year-end 2004 amounted to $29 million. Through early March 2005, these wells were either still drilling or successfully found hydrocarbon deposits, certain of which are still being evaluated by the Company.

  Based on the time required to complete further exploration and appraisal drilling in areas where hydrocarbons have been found but proved reserves have not been booked, dry hole expense may be recorded one or more years after the original drilling costs are incurred. Dry hole expenses related to wells drilled in prior years were $13.2 million in 2004 and $10.7 million in 2002.

- Impairment of long-lived assets – The Company continually monitors its long-lived assets recorded in Property, Plant and Equipment and Goodwill in the Consolidated Balance Sheets to make sure that they are fairly presented. The Company must evaluate its properties for potential impairment when circumstances indicate that the carrying value of an asset could exceed its fair value. Goodwill must be evaluated for impairment at least annually. A significant amount of judgment is involved in performing these evaluations since the results are based on estimated future events. Such events include a projection of future oil and natural gas sales prices, an estimate of the amount of oil and natural gas that will be produced from a field, the timing of this future production, future costs to produce the oil and natural gas, future capital and abandonment costs, and future inflation levels. The need to test a property for impairment can be based on several factors, including but not limited to a significant reduction in sales prices for oil and/or natural gas, unfavorable reserve revisions, or other changes to contracts, environmental regulations or tax laws. All of these same factors must be considered when testing a property's carrying value for impairment. A description of impairment charges recorded during the last three years is included in Note D in the consolidated financial statements.

  In making its impairment assessments involving exploration and production property and equipment, the Company must make a number of projections involving future oil and natural gas sales prices, future production volumes, and future capital and operating costs. Due to the volatility of world oil and gas markets, the actual sales prices for oil and natural gas have often been quite different from the Company's projections. Estimates of future oil and gas production and sales volumes are based on a combination of proved and risked probable and possible reserves. Although the estimation of reserves and future production is uncertain, the Company believes that its estimates are reasonable; however, there have been cases where actual production volumes were higher or lower than projected and the timing was different than the original projection. The Company adjusts reserve and production estimates as new information becomes available. The Company generally projects future costs by using historical costs adjusted for both assumed long-term inflation rates and known or expected changes in future operations. Although the projected future costs are considered to be reasonable, at times, costs have been higher or lower than originally estimated. In making impairment assessments for refining and marketing property and equipment, future margins for the refining and marketing business are generally projected based on historical results adjusted for known or expected changes in future operations. Although the Company is not aware of any property carrying values that are impaired at December 31, 2004, one or a combination of factors such as significantly lower future sales prices, significantly lower future production, significantly higher future costs, or significantly lower future margins for refining and marketing, could lead to impairment expenses in future periods. Based on these unknown future factors as described herein, the Company can not predict the amount or timing of impairment expenses that may be recorded in the future.

- Income taxes – The Company is subject to income and other similar taxes in all areas in which it operates. When recording income tax expense, certain estimates are required because: (a) income tax returns are generally filed months after the close of its annual accounting period; (b) tax returns are subject to audit by taxing authorities and audits can often take years to complete and settle; and (c) future events often impact the timing of when income tax expenses and benefits are recognized by the Company. The Company has deferred tax assets mostly relating to property basis differences and liabilities for repairs, dismantlements and retirement benefits. The Company routinely evaluates all deferred tax assets to determine the likelihood of their realization. A valuation allowance has been recognized for deferred tax assets related to basis differences for Blocks H and PM 311/312 in Malaysia and certain basis differences in the U.K. due to management's belief that these assets cannot be deemed to be realizable with any degree of confidence at this time. The Company occasionally is challenged by taxing authorities over the amount and/or timing of recognition of revenues and deductions in its various income tax returns. Although the Company believes that it has adequate accruals for matters not resolved with various taxing authorities, gains or losses could occur in future years from changes in estimates or resolution of outstanding matters.

- Legal, environmental and other contingent matters – A provision for legal, environmental and other contingent matters is charged to expense when the loss is probable and the cost can be reasonably estimated. Judgment is often required to determine when expenses should be recorded for legal, environmental and other contingent matters. In addition, the Company often must estimate the amount of such losses. In many cases, management's judgment is based on interpretation of laws and regulations, which can be interpreted differently by regulators and/or courts of law. The Company's management closely monitors known and potential legal, environmental and other contingent matters, and makes its best estimate of the amount of losses and when they should be recorded based on information available to the Company.

Contractual obligations and guarantees – The Company is obligated to make future cash payments under borrowing arrangements, operating leases, purchase obligations and other long-term liabilities. In addition, the Company expects to extend certain operating losses beyond the minimum contractual period. Total payments due after 2004 under such contractual obligations and arrangements are shown below.

	Amount of Obligation				
(Millions of dollars)	Total	2005	2006-2008	2009-2010	After 2010
Total debt including current maturities	$ 664,082	50,727	13,037	2,622	597,696
Operating leases	202,734	19,967	50,531	25,810	106,426
Purchase obligations	946,609	751,730	66,716	31,453	96,710
Other long-term liabilities	309,489	31,482	20,873	13,228	243,906
Total	$ 2,122,914	853,906	151,157	73,113	1,044,738

In addition to the obligations as of December 31, 2004 as reflected in the above table, in early 2005 the Company entered into a floating, production, storage and offloading (FPSO) vessel lease and a dry tree unit construction contract associated with development of the Kikeh field in Block K Malaysia. Total Kikeh field development costs are expected to be $1.9 billion.

In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. The amount of commitments as of December 31, 2004 that expire in future periods is shown below.

	Amount of Commitment				
(Millions of dollars)	Total	2005	2006-2008	2009-2010	After 2010
Financial guarantees	$ 8,519	—	2,593	—	5,926
Letters of credit	55,979	35,414	20,565	—	—
Total	$ 64,498	35,414	23,158	—	5,926

Material off-balance sheet arrangements – The Company occasionally utilizes off-balance sheet arrangements for operational or funding purposes. The most significant of these arrangements at year-end 2004 involve an oil and natural gas processing contract and a hydrogen purchase contract. The processing contract provides crude oil and natural gas processing capacity for oil and natural gas production from the Medusa field in the Gulf of Mexico. Under the contract, the Company pays a specified amount per barrel of oil equivalent for processing its oil and natural gas through the facility. If actual oil and natural gas production processed through the facility through 2009 is less than a specified quantity, the Company must make additional quarterly payments up to an agreed minimum level that varies over time. The Company has a contract to purchase hydrogen for the Meraux refinery through 2019. The contract requires a monthly minimum base facility charge whether or not any hydrogen is purchased. Payments under both these agreements are recorded as operating expenses when paid. Future required minimum annual payments under both of these arrangements are included in the contractual obligation table shown above.

Outlook

Prices for the Company's primary products are often quite volatile. A strong global economy, political uncertainty in Iraq and the Middle East, and effective price management practices utilized by OPEC led to high oil prices during 2004 and early 2005. Natural gas prices also were strong in 2004 and early 2005, mainly due to the high price of crude oil and also because demand for the product often outstrips supply in the short term. Due to the volatility of worldwide crude oil prices and North American natural gas prices routine monitoring of spending plans is required.

The Company's capital expenditure budget for 2005 was prepared during the fall of 2004 and provides for capital expenditures of $1.066 billion. Of this amount, $887 million or 83%, is allocated for exploration and production. Geographically, 19% of the exploration and production budget is allocated to the United States, including $57 million for development of deepwater projects in the Gulf of Mexico; another 24% is allocated to Canada, including $68 million for development of heavy oil fields and $78 million for further expansion of synthetic oil operations; 49% is allocated to exploration and development in Malaysia, including $141 million for field development at Kikeh in Block K; and the remaining 8% is planned for other areas, including Ecuador, the United Kingdom and the Republic of Congo. Budgeted refining and marketing capital expenditures for 2005 are $171 million, including $146 million in North America and $25 million in the United Kingdom. Planned spending in North America includes funds to build 150 additional gasoline stations at Wal-Mart sites. Capital and other expenditures are routinely reviewed and planned capital expenditures may be adjusted to reflect differences between budgeted and actual cash flow during 2005.

The Company currently does not anticipate a significant increase in long-term borrowings during 2005. Although Murphy's 2005 Budget includes a robust amount of capital spending, the Company expects normal operating cash flows to be sufficient to cover planned spending. It is possible that long-term debt could increase significantly in 2005, especially if cash flows are adversely affected in the near term by significantly weaker oil and natural gas sales prices and continued weak refining and marketing margins such as those experienced in early 2005. Rising crude prices in early 2005 squeezed refining and marketing margins; this business was experiencing losses in early 2005.

The Company has made a significant oil discovery in Block K offshore Sabah, Malaysia at a field named Kikeh. A field development plan, as approved by the Company's Board of Directors and the Malaysian authorities, calls for gross development costs of $1.9 billion, which includes $.5 billion of lease costs for an FPSO. The Company has an 80% working interest in the field. It is likely that a significant portion of the Company's share of funding for field development in 2006 will come from borrowed capital. First production from the Kikeh field offshore Sabah is estimated to occur in the second half of 2007.

Murphy's oil and natural gas production is expected to grow in 2005. Production from the Front Runner deepwater Gulf of Mexico field will ramp up in 2005 and development drilling in Western Canada at Seal should lead to higher heavy oil production. The combination of higher Front Runner and Seal production is expected to more than offset normal production declines elsewhere. Total production for 2005 is projected to average approximately 130,000 barrels of oil equivalent per day.

Murphy Oil and certain of its subsidiaries maintain defined benefit retirement plans covering most of its full-time employees. Due to a reduction in bond yields during 2004, the Company has reduced the primary plans' discount rate from 6.25% in 2004 to 6.00% in 2005. Although the Company presently assumes a return on plan assets of 7.5% for the primary plan, it periodically reconsiders the appropriateness of this and other key assumptions. The smoothing effect of current accounting regulations tend to buffer the current year's pension expense from wide swings in liabilities and asset returns. The effect of a lower discount rate and a growing employee population will lead to higher pension expense in 2005. The Company's annual retirement plan expense is estimated to increase by about $1.4 million for 2005 compared to 2004. In 2005, the Company is expecting to fund payments of approximately $12.1 million into various retirement plans and $2.9 million for postretirement plans. The Company could be required to make additional and more significant funding payments to retirement plans in future years.

Forward-Looking Statements

This Form 10-K report, including documents incorporated by reference here, contains statements of the Company's expectations, intentions, plans and beliefs that are forward-looking and are dependent on certain events, risks and uncertainties that may be outside of the Company's control. These forward-looking statements are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results and developments could differ materially from those expressed or implied by such statements due to a number of factors including those described in the context of such forward-looking statements as well as those contained in the Company's January 15, 1997 Form 8-K report on file with the U.S. Securities and Exchange Commission.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks associated with interest rates, prices of crude oil, natural gas and petroleum products, and foreign currency exchange rates. As described in Note A to the consolidated financial statements, Murphy makes limited use of derivative financial and commodity instruments to manage risks associated with existing or anticipated transactions.

Murphy was a party to natural gas price swap agreements at December 31, 2004 for a remaining notional volume of 2.2 million MMBTU that are intended to hedge the financial exposure of its Meraux, Louisiana refinery to fluctuations in the future price of a portion of natural gas to be purchased for fuel in 2005 and 2006. In each month of settlement, the swaps require Murphy to pay an average natural gas price of $3.35 per MMBTU and to receive the average NYMEX price for the final three trading days of the month. At December 31, 2004, the estimated fair value of these agreements was recorded as an asset of $6.1 million. A 10% increase in the average NYMEX price of natural gas would have increased this asset by $1.3 million, while a 10% decrease would have reduced the asset by a similar amount.

At December 31, 2004, the Company was a party to forward sale contracts covering 2,000 barrels per day in heavy oil sales during 2005 and 4,000 barrels per day in 2006. The contracts are intended to hedge the financial exposure of the Company's heavy oil sales in Canada during the respective contract period and are priced at $29.00 per barrel in 2005 and $25.23 per barrel in 2006. At December 31, 2004, the estimated fair value of these agreements was recorded as an asset valued at $.6 million. A 10% increase in the price of Canadian heavy oil at the Hardisty terminal in Canada would have decreased this asset by $5.6 million, while a 10% decrease would have increased this asset by a similar amount.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item appears on pages F-1 through F-38, which follow page 29 of this Form 10-K report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9A. CONTROLS AND PROCEDURES

Under the direction of its principal executive officer and principal financial officer, controls and procedures have been established by Murphy to ensure that material information relating to the Company and its consolidated subsidiaries is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on the Company's evaluation as of the end of the period covered by the filing of this Annual Report on Form 10-K, the principal executive officer and principal financial officer of Murphy Oil Corporation have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by Murphy Oil Corporation in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Murphy's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004. Our report is included on F-2 of the annual report. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included on page F-2 of this annual report.

There were no significant changes in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information regarding executive officers of the Company is included on page 7 of this Form 10-K report. Other information required by this item is incorporated by reference to the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders on May 11, 2005 under the caption "Election of Directors."

Murphy Oil has adopted a Code of Ethical Conduct for Executive Management, which can be found under the Corporate Governance and Responsibility tab at www.murphyoilcorp.com. Stockholders may also obtain free of charge a copy of the Code of Ethical Conduct for Executive Management by writing to the Company's Secretary at P.O. Box 7000, El Dorado, AR 71731-7000. Any future amendments to or waivers of the Company's Code of Ethical Conduct for Executive Management will be posted on the Company's internet website.

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Item 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to Murphy's definitive Proxy Statement for the Annual Meeting of Stockholders on May 11, 2005 under the captions "Compensation of Directors," "Executive Compensation," "Option Exercises and Fiscal Year-End Values," "Option Grants," "Compensation Committee Report for 2004," "Shareholder Return Performance Presentation" and "Retirement Plans."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to Murphy's definitive Proxy Statement for the Annual Meeting of Stockholders on May 11, 2005 under the captions "Security Ownership of Certain Beneficial Owners," "Security Ownership of Management," and "Equity Compensation Plan Information."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to Murphy's definitive Proxy Statement for the Annual Meeting of Stockholders on May 11, 2005 under the caption "Audit Committee Report."

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) **1. Financial Statements** – The consolidated financial statements of Murphy Oil Corporation and consolidated subsidiaries are located or begin on the pages of this Form 10-K report as indicated below.

	Page No.
Report of Management – Consolidated Financial Statements	F-1
Report of Independent Registered Public Accounting Firm	F-1
Report of Management – Internal Control Over Financial Reporting	F-2
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Income	F-3
Consolidated Balance Sheets	F-4
Consolidated Statements of Cash Flows	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Comprehensive Income	F-7
Notes to Consolidated Financial Statements	F-8
Supplemental Oil and Gas Information (unaudited)	F-30
Supplemental Quarterly Information (unaudited)	F-38

2. Financial Statement Schedules

Schedule II – Valuation Accounts and Reserves	F-39

All other financial statement schedules are omitted because either they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits – The following is an index of exhibits that are hereby filed as indicated by asterisk (*), that are to be filed by an amendment as indicated by pound sign (#), or that are incorporated by reference. Exhibits other than those listed have been omitted since they either are not required or are not applicable.

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Exhibit No.		Incorporated by Reference to
3.1	Certificate of Incorporation of Murphy Oil Corporation as amended, effective May 17, 2001	Exhibit 3.1 of Murphy's Form 10-Q report for the quarterly period ended June 30, 2001
3.2	By-Laws of Murphy Oil Corporation as amended effective February 2, 2005	Exhibit 3.2 of Murphy's Form 8-K report filed February 4, 2005 under the Securities Exchange Act of 1934
4	Instruments Defining the Rights of Security Holders. Murphy is party to several long-term debt instruments in addition to those in Exhibit 4.1 and 4.2, none of which authorizes securities exceeding 10% of the total consolidated assets of Murphy and its subsidiaries. Pursuant to Regulation S-K, item 601(b), paragraph 4(iii)(A), Murphy agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.	
4.1	Form of Second Supplemental Indenture between Murphy Oil Corporation and SunTrust Bank, as Trustee	Exhibit 4.1 of Murphy's Form 8-K report filed May 3, 2002 under the Securities Exchange Act of 1934
*4.2	Form of Indenture and Form of Supplemental Indenture between Murphy Oil Corporation and SunTrust Bank, as Trustee	
*4.3	Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	
*4.4	Amendment No. 1 dated as of April 6, 1998 to Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	
*4.5	Amendment No. 2 dated as of April 15, 1999 to Rights Agreement dated as of December 6, 1989 between Murphy Oil Corporation and Harris Trust Company of New York, as Rights Agent	
10.1	1992 Stock Incentive Plan as amended May 14, 1997, December 1, 1999 and May 14, 2003	Exhibit 10.1 of Murphy's Form 10-Q report for the quarterly period ended June 30, 2003
10.2	Employee Stock Purchase Plan as amended May 10, 2000	Exhibit 99.01 of Murphy's Form S-8 Registration Statement filed August 4, 2000 under the Securities Act of 1933
10.3	Murphy Vehicle Fueling Station Master Ground Lease Agreement	Exhibit 10.3 of Murphy's Form 10-K report for the year ended December 31, 2002
10.4	Stock Plan for Non-Employee Directors, as approved by shareholders on May 14, 2003	Exhibit 10.4 of Murphy's Form 10-K report for the year ended December 31, 2003
*10.5a	Floating, Production, Storage and Offloading vessel charter contract for Kikeh field	
*10.5b	Floating, Production, Storage and Offloading vessel operating and maintenance agreement for Kikeh field	
*10.6	Dry Tree Unit contract for Kikeh field	
*12.1	Computation of Ratio of Earnings to Fixed Charges	

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Exhibit No.		Incorporated by Reference to
*13	2004 Annual Report to Security Holders	
*21	Subsidiaries of the Registrant	
*23	Consent of Independent Registered Public Accounting Firm	
*31.1	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
*31.2	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	See footnote 1 below.
*99.1	Form of employee stock option	
*99.2	Form of employee restricted stock award	
*99.3	Form of non-employee director stock option	
*99.4	Form of non-employee director restricted stock award	

[1] These certifications will not be deemed to be filed with the Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MURPHY OIL CORPORATION

By /s/ CLAIBORNE P. DEMING

Claiborne P. Deming, President

Date: March 15, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 15, 2005 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ WILLIAM C. NOLAN JR.	/s/ IVAR B. RAMBERG
William C. Nolan Jr., Chairman and Director	Ivar B. Ramberg, Director
/s/ CLAIBORNE P. DEMING	/s/ NEAL E. SCHMALE
Claiborne P. Deming, President and Chief Executive Officer and Director (Principal Executive Officer)	Neal E. Schmale, Director
/s/ FRANK W. BLUE	/s/ DAVID J. H. SMITH
Frank W. Blue, Director	David J. H. Smith, Director
/s/ GEORGE S. DEMBROSKI	/s/ CAROLINE G. THEUS
George S. Dembroski, Director	Caroline G. Theus, Director
/s/ ROBERT A. HERMES	/s/ STEVEN A. COSSÉ
Robert A. Hermes, Director	Steven A. Cossé, Executive Vice President and General Counsel (Principal Financial Officer)
/s/ R. MADISON MURPHY	/s/ JOHN W. ECKART
R. Madison Murphy, Director	John W. Eckart, Controller (Principal Accounting Officer)

REPORT OF MANAGEMENT – CONSOLIDATED FINANCIAL STATEMENTS

The management of Murphy Oil Corporation is responsible for the preparation and integrity of the accompanying consolidated financial statements and other financial data. The statements were prepared in conformity with generally accepted U.S. accounting principles appropriate in the circumstances and include some amounts based on informed estimates and judgments, with consideration given to materiality.

An independent registered public accounting firm, KPMG LLP, has audited the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent opinion about the fair presentation of the consolidated financial statements. The Board of Directors appoints the independent auditors; ratification of the appointment is solicited annually from the shareholders.

The Board of Directors appoints an Audit Committee annually to implement and to support the Board's oversight function of the Company's financial reporting, accounting policies, internal controls and independent registered public accounting firm. This Committee is composed solely of directors who are not employees of the Company. The Committee meets routinely with representatives of management, the Company's audit staff and the independent registered public accounting firm to review and discuss the adequacy and effectiveness of the Company's internal controls, the quality and clarity of its financial reporting, the scope and results of independent and internal audits, and to fulfill other responsibilities included in the Committee's Charter. The independent registered public accounting firm and the Company's audit staff have unrestricted access to the Committee, without management presence, to discuss audit findings and other financial matters.

Our report of management covering internal control over financial reporting and the associated report of independent registered public accounting firm can be found at F-2.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Murphy Oil Corporation:

We have audited the accompanying consolidated balance sheets of Murphy Oil Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. In connection with our audits of the consolidated financial statements we also have audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murphy Oil Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note G to the consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for asset retirement obligations.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Murphy Oil Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP
Houston, Texas
March 14, 2005

REPORT OF MANAGEMENT – INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Murphy Oil Corporation:

We have audited management's assessment, included in the accompanying Report of Management – Internal Control Over Financial Reporting, that Murphy Oil Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Murphy Oil Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Murphy Oil Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Murphy Oil Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Murphy Oil Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 14, 2005, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP
Houston, Texas
March 14, 2005

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 (Thousands of dollars except per share amounts)	2004	2003*	2002*
Revenues			
Sales and other operating revenues	**$ 8,299,147**	5,094,518	3,779,381
Gain on sale of assets	**69,594**	61,524	9,148
Interest and other income (loss)	**(8,902)**	8,615	8,388
Total revenues	**8,359,839**	5,164,657	3,796,917
Costs and Expenses			
Crude oil and product purchases	**6,153,413**	3,678,729	2,703,185
Operating expenses	**739,407**	582,131	499,698
Exploration expenses, including undeveloped lease amortization	**164,227**	112,638	123,920
Selling and general expenses	**132,329**	119,538	92,403
Depreciation, depletion and amortization	**321,446**	258,857	197,537
Impairment of long-lived assets	**—**	8,314	31,640
Accretion of asset retirement obligations	**10,017**	9,734	—
Interest expense	**56,224**	57,751	51,504
Interest capitalized	**(22,160)**	(37,240)	(24,536)
Total costs and expenses	**7,554,903**	4,790,452	3,675,351
Income from continuing operations before income taxes	**804,936**	374,205	121,566
Income tax expense	**308,541**	95,795	34,287
Income from continuing operations	**496,395**	278,410	87,279
Income from discontinued operations, net of tax	**204,920**	22,780	24,229
Income before cumulative effect of change in accounting principle	**701,315**	301,190	111,508
Cumulative effect of change in accounting principle, net of tax	**—**	(6,993)	—
Net Income	**$ 701,315**	294,197	111,508
Income per Common Share – Basic			
Income from continuing operations	**$ 5.39**	3.03	.96
Income from discontinued operations	**2.23**	.25	.26
Cumulative effect of change in accounting principle	**—**	(.08)	—
Net Income – Basic	**$ 7.62**	3.20	1.22
Income per Common Share – Diluted			
Income from continuing operations	**$ 5.31**	3.00	.95
Income from discontinued operations	**2.20**	.25	.26
Cumulative effect of change in accounting principle	**—**	(.08)	—
Net Income – Diluted	**$ 7.51**	3.17	1.21
Average Common shares outstanding – basic	**91,986,321**	91,814,821	91,450,836
Average Common shares outstanding – diluted	**93,443,511**	92,742,766	92,134,967

* Reclassified to conform to 2004 presentation.

See notes to consolidated financial statements, page F-8.

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31 (Thousands of dollars)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$ 535,525**	252,425
Short-term investments in marketable securities	**17,892**	—
Accounts receivable, less allowance for doubtful accounts of $13,962 in 2004 and $14,328 in 2003	**702,933**	450,201
Inventories, at lower of cost or market		
Crude oil and blend stocks	**71,010**	46,626
Finished products	**155,295**	157,078
Materials and supplies	**69,540**	66,806
Prepaid expenses	**45,771**	44,779
Deferred income taxes	**31,397**	20,940
Total current assets	**1,629,363**	1,038,855
Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization of $2,933,214 in 2004 and $3,472,133 in 2003	**3,685,594**	3,530,800
Goodwill, net	**43,582**	64,873
Deferred charges and other assets	**99,704**	78,119
Total assets	**$5,458,243**	4,712,647
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	**$ 50,727**	67,224
Accounts payable	**709,378**	471,692
Income taxes	**241,935**	83,493
Other taxes payable	**147,459**	120,258
Other accrued liabilities	**55,492**	67,659
Total current liabilities	**1,204,991**	810,326
Notes payable	**597,735**	1,061,410
Nonrecourse debt of a subsidiary	**15,620**	28,897
Deferred income taxes	**577,043**	421,700
Asset retirement obligations	**201,932**	252,397
Accrued major repair costs	**44,246**	20,513
Deferred credits and other liabilities	**167,520**	166,521
Stockholders' equity		
Cumulative Preferred Stock, par $100, authorized 400,000 shares, none issued	**—**	—
Common Stock, par $1.00, authorized 200,000,000 shares at December 31, 2004 and 2003, issued 94,613,379 shares	**94,613**	94,613
Capital in excess of par value	**511,045**	504,809
Retained earnings	**1,981,020**	1,357,910
Accumulated other comprehensive income	**134,509**	65,246
Unamortized restricted stock awards	**(4,738)**	—
Treasury stock	**(67,293)**	(71,695)
Total stockholders' equity	**2,649,156**	1,950,883
Total liabilities and stockholders' equity	**$5,458,243**	4,712,647

See notes to consolidated financial statements, page F-8.

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (Thousands of dollars)	2004	2003*	2002*
Operating Activities			
Income from continuing operations	**$ 496,395**	278,410	87,279
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation, depletion and amortization	**321,446**	258,857	197,537
Impairment of long-lived assets	**—**	8,314	31,640
Provisions for major repairs	**30,208**	28,514	24,996
Expenditures for major repairs and asset retirements	**(18,587)**	(66,096)	(14,839)
Dry hole costs	**110,866**	60,674	89,770
Amortization of undeveloped leases	**16,415**	14,720	13,546
Accretion of asset retirement obligations	**10,017**	9,734	—
Deferred and noncurrent income tax charges	**106,159**	4,237	2,675
Pretax gains from disposition of assets	**(69,594)**	(61,524)	(9,148)
Net increase in noncash operating working capital	**(20,053)**	(37,285)	(40,895)
Other operating activities – net	**51,785**	2,572	(10,356)
Net cash provided by continuing operations	**1,035,057**	501,127	372,205
Net cash provided by discontinued operations	**61,961**	151,151	160,639
Net cash provided by operating activities	**1,097,018**	652,278	532,844
Investing Activities			
Property additions and dry hole costs	**(938,449)**	(868,870)	(765,856)
Proceeds from sale of property, plant and equipment	**60,404**	188,620	68,056
Purchase of investment securities	**(17,892)**	—	—
Other investing activities – net	**(840)**	1,309	(2,177)
Investing activities of discontinued operations			
Sales proceeds	**582,973**	—	7,182
Other	**(9,730)**	(68,906)	(68,651)
Net cash required by investing activities	**(323,534)**	(747,847)	(761,446)
Financing Activities			
Additions to notes payable	**—**	309,500	407,053
Reductions of notes payable	**(454,178)**	(34,912)	(32,457)
Additions to nonrecourse debt of a subsidiary	**30**	188	573
Reductions of nonrecourse debt of a subsidiary	**(40,829)**	(41,844)	(25,354)
Proceeds from exercise of stock options and employee stock purchase plans	**3,156**	3,598	25,131
Cash dividends paid	**(78,205)**	(73,464)	(70,898)
Other financing activities – net	**—**	(1,533)	(2,778)
Net cash provided (required) by financing activities	**(570,026)**	161,533	301,270
Effect of exchange rate changes on cash and cash equivalents	**79,642**	21,504	9,637
Net increase in cash and cash equivalents	**283,100**	87,468	82,305
Cash and cash equivalents at January 1	**252,425**	164,957	82,652
Cash and cash equivalents at December 31	**$ 535,525**	252,425	164,957

* Reclassified to conform to 2004 presentation.

See notes to consolidated financial statements, page F-8.

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31 (Thousands of dollars)	2004	2003	2002
Cumulative Preferred Stock - par $100, authorized 400,000 shares, none issued	—	—	—
Common Stock - par $1.00, authorized 200,000,000 shares, issued 94,613,379 shares at December 31, 2004, 2003 and 2002 and 48,775,314 shares at beginning of 2002			
Balance at beginning of year	**$ 94,613**	94,613	48,775
Two-for-one stock split on December 30, 2002	**—**	—	45,838
Balance at end of year	**94,613**	94,613	94,613
Capital in Excess of Par Value			
Balance at beginning of year	**504,809**	504,983	527,126
Exercise of stock options, including income tax benefits	**738**	729	20,039
Restricted stock transactions and other	**4,610**	(1,472)	2,563
Sale of stock under employee stock purchase plans	**888**	569	1,093
Two-for-one stock split on December 30, 2002	**—**	—	(45,838)
Balance at end of year	**511,045**	504,809	504,983
Retained Earnings			
Balance at beginning of year	**1,357,910**	1,137,177	1,096,567
Net income for the year	**701,315**	294,197	111,508
Cash dividends - $.85 per share in 2004, $.80 per share in 2003 and $.775 per share in 2002	**(78,205)**	(73,464)	(70,898)
Balance at end of year	**1,981,020**	1,357,910	1,137,177
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of year	**65,246**	(66,790)	(83,309)
Foreign currency translation gains, net of income taxes	**79,073**	145,573	30,878
Cash flow hedging gains (losses), net of income taxes	**(4,876)**	17,912	(13,007)
Minimum pension liability adjustment, net of income taxes	**(4,934)**	(31,449)	(1,352)
Balance at end of year	**134,509**	65,246	(66,790)
Unamortized Restricted Stock Awards			
Balance at beginning of year	**—**	—	(968)
Stock awards	**(4,756)**	—	—
Amortization, forfeitures and changes in price of Common Stock	**18**	—	968
Balance at end of year	**(4,738)**	—	—
Treasury Stock			
Balance at beginning of year	**(71,695)**	(76,430)	(90,028)
Exercise of stock options	**1,568**	2,261	12,852
Sale of stock under employee stock purchase plans	**617**	799	749
Awarded restricted stock, net of forfeitures	**2,217**	1,675	(3)
Balance at end of year - 2,578,002 shares of Common Stock in 2004, 2,742,781 shares in 2003 and 2,923,925 shares in 2002	**(67,293)**	(71,695)	(76,430)
Total Stockholders' Equity	**$2,649,156**	1,950,883	1,593,553

See notes to consolidated financial statements, page F-8.

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31 (Thousands of dollars)	2004	2003	2002
Net income	**$701,315**	294,197	111,508
Other comprehensive income (loss), net of tax			
Cash flow hedges			
Net derivative gains (losses)	**8,022**	(27,702)	(8,065)
Reclassification to income	**(12,898)**	45,614	(4,942)
Total cash flow hedges	**(4,876)**	17,912	(13,007)
Net gain from foreign currency translation, net of tax	**79,073**	145,573	30,878
Minimum pension liability adjustment, net of tax	**(4,934)**	(31,449)	(1,352)
Other comprehensive income	**69,263**	132,036	16,519
Comprehensive Income	**$770,578**	426,233	128,027

See notes to consolidated financial statements, page F-8.

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A – Significant Accounting Policies

NATURE OF BUSINESS – Murphy Oil Corporation is an international oil and gas company that conducts its business through various operating subsidiaries. The Company produces oil and natural gas in the United States, Canada, the United Kingdom, Malaysia and Ecuador and conducts oil and natural gas exploration activities worldwide. The Company has an interest in a Canadian synthetic oil operation, owns two petroleum refineries in the United States and has an interest in a refinery in the United Kingdom. Murphy markets petroleum products under various brand names and to unbranded wholesale customers in North America and the United Kingdom.

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of Murphy Oil Corporation and all majority-owned subsidiaries. Investments in affiliates in which the Company owns from 20% to 50% are accounted for by the equity method. Other investments are generally carried at cost. All significant intercompany accounts and transactions have been eliminated.

REVENUE RECOGNITION – Revenues from sales of crude oil, natural gas and refined petroleum products are recorded when deliveries have occurred and legal ownership of the commodity transfers to the customer. Title transfers for crude oil, natural gas and bulk refined products generally occur at pipeline custody points or when a tanker lifting has occurred. Refined products sold at retail are recorded when the customer takes delivery at the pump. Revenues from the production of oil and natural gas properties in which Murphy shares an undivided interest with other producers are recognized based on the actual volumes sold by the Company during the period. Gas imbalances occur when the Company's actual sales differ from its entitlement under existing working interests. The Company records a liability for gas imbalances when it has sold more than its working interest of gas production and the estimated remaining reserves make it doubtful that partners can recoup their share of production from the field. At December 31, 2004 and 2003, the liabilities for natural gas balancing were immaterial. Excise taxes collected on sales of refined products and remitted to governmental agencies are not included in revenues or in costs and expenses.

The Company enters into buy/sell and similar arrangements when crude oil and other petroleum products are held at one location but are needed at a different location. The Company often pays or receives funds related to the buy/sell arrangement based on location or quality differences. The Company accounts for such transactions on a net basis in its consolidated statement of income. The Financial Accounting Standards Board's Emerging Issues Task Force (EITF) is reviewing the accounting treatment for buy/sell and similar arrangements. Although the EITF has not yet completed its review, we do not expect to have any significant accounting changes based on this review.

CASH EQUIVALENTS – Short-term investments, which include government securities and other instruments with government securities as collateral, that have a maturity of three months or less from the date of purchase are classified as cash equivalents.

MARKETABLE SECURITIES – The Company classifies its investments in marketable securities as available-for-sale or held-to-maturity in accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The Company does not have any investments classified as trading. Available-for-sale securities are carried at fair value with the unrealized gain or loss, net of tax, reported in other comprehensive income. Held-to-maturity securities are recorded at amortized cost. Premiums and discounts are amortized or accreted into earnings over the life of the related available-for-sale or held-to-maturity security. Dividend and interest income is recognized when earned. Unrealized losses considered to be "other than temporary" are recognized currently in earnings. The cost of securities sold is based on the specific identification method. The fair value of investment securities is determined by available market prices. The Company's short-term investments in marketable securities at December 31, 2004 are classified as held-to-maturity and the contractual maturity is due within one year.

PROPERTY, PLANT AND EQUIPMENT – The Company uses the successful efforts method to account for exploration and development expenditures. Leasehold acquisition costs are capitalized. If proved reserves are found on an undeveloped property, leasehold cost is transferred to proved properties. Costs of undeveloped leases are generally expensed over the life of the leases. In certain cases, a determination of whether a drilled exploration well has found proved reserves can not be made immediately. This is generally due to the need for a major capital expenditure to produce and/or evacuate the hydrocarbon(s) found. The determination of whether to make such a capital expenditure is, in turn, usually dependent on whether additional exploratory wells find a sufficient quantity of additional reserves. When further drilling is firmly planned or in progress, the Company holds these well costs in Property, Plant and Equipment until the drilling is completed. In addition, cases where oil and gas reserves have been found but can not be classified as proved within one year after an exploratory well is drilled, the Company will hold such well costs in Property, Plant and Equipment when classification of proved reserves are dependent upon, and we are actively seeking, approval of a development plan by a foreign government. The Company reevaluates its capitalized drilling costs at least annually to ascertain whether drilling costs continue to qualify for ongoing capitalization. Other exploratory costs are charged to expense as incurred. Development costs, including unsuccessful development wells, are capitalized.

Oil and gas properties are evaluated by field for potential impairment. Other properties are evaluated for impairment on a specific asset basis or in groups of similar assets as applicable. An impairment is recognized when the estimated undiscounted future net cash flows of an evaluated asset are less than its carrying value.

Depreciation and depletion of producing oil and gas properties is recorded based on units of production. Unit rates are computed for unamortized exploration drilling and development costs using proved developed reserves and for unamortized leasehold costs using all proved reserves. As more fully described on page F-30 of this Form 10-K report, proved reserves are estimated by the Company's engineers and are subject to future revisions based on availability of additional information. As described in Note G, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 143 on January 1, 2003. Under SFAS No. 143, estimated asset retirement costs are generally recognized when the asset is placed in service, and are amortized over proved reserves using the units of production method. Prior to adoption of SFAS No. 143, estimated dismantlement, abandonment and site restoration costs, net of salvage value, were generally recognized using the units of production method and were included in depreciation expense. Asset retirement costs are estimated by the Company's engineers using existing regulatory requirements and anticipated future inflation rates. Refineries and certain marketing facilities are depreciated primarily using the composite straight-line method with depreciable lives ranging from 16 to 25 years. Gasoline stations and other properties are depreciated over 3 to 20 years by individual unit on the straight-line method.

Gains and losses on asset disposals or retirements are included in income. Actual costs of asset retirements such as dismantling oil and gas production facilities and site restoration are charged against the related liability. See also Note G for further discussion.

Full plant turnarounds for major processing units are scheduled at 4-1/2 year intervals at the Meraux, Louisiana refinery and five year intervals at the Superior, Wisconsin refinery. Turnarounds at the Milford Haven, Wales refinery are scheduled on a four year cycle. Turnarounds for coking units at Syncrude Canada Ltd. are scheduled at intervals of two to three years. Turnaround work associated with various other less significant units at the Company's refineries and Syncrude will occur during the interim period and will vary depending on operating requirements and events. Murphy accrues in advance for estimated costs of these turnarounds by recording monthly expense provisions. Future major repair costs are estimated by the Company's engineers. Actual costs incurred are charged against the accrued liability. Once the turnaround is completed and actual costs are reasonably known, variances between accrued and actual costs are recorded in Operating Expenses in the income statement in the current period. All other maintenance and repairs are expensed. Renewals and betterments are capitalized.

INVENTORIES – Unsold crude oil production is carried in inventory at the lower of cost, generally applied on a first-in first-out (FIFO) basis, or market. Refinery inventories of crude oil and other feedstocks and finished product inventories are valued at the lower of cost, generally applied on a last-in first-out (LIFO) basis, or market. Materials and supplies are valued at the lower of average cost or estimated value.

GOODWILL – The excess of the purchase price over the fair value of net assets acquired associated with the purchase of Beau Canada Exploration Ltd. (Beau Canada) in 2000 was recorded as goodwill. All goodwill recorded at December 31, 2004 and 2003 arose from the purchase of Beau Canada by the Company's wholly owned Canadian subsidiary. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized. SFAS No. 142 requires an annual assessment of recoverability of the carrying value of goodwill. The Company assesses goodwill recoverability at each year-end by comparing the fair value of net assets for conventional oil and natural gas properties in Canada with the carrying value of these net assets including goodwill. The fair value of the conventional oil and natural gas reporting unit is determined using the expected present value of future cash flows. The carrying amount of goodwill at December 31, 2004 and 2003 was $43,582,000 and $64,873,000, respectively. The decrease in the carrying amount of goodwill during 2004 was primarily due to the allocation of $23,091,000 of goodwill to the cost basis of Canadian conventional oil and gas assets that the Company sold during the second quarter 2004, and the remainder of the difference was caused by a change in the foreign currency translation rate between year-end 2004 and 2003. Based on its assessment of the fair value of its Canadian conventional oil and natural gas operations, the Company believes the recorded value of goodwill is not impaired at December 31, 2004. Should a future assessment indicate that goodwill is not fully recoverable, an impairment charge to write down the carrying value of goodwill would be required.

ENVIRONMENTAL LIABILITIES – A provision for environmental obligations is charged to expense when a liability for an environmental assessment and/or cleanup is probable and the cost can be reasonably estimated. Related expenditures are charged against the liability. Environmental remediation liabilities have not been discounted for the time value of future expected payments. Environmental expenditures that have future economic benefit are capitalized.

INCOME TAXES – The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred income taxes are measured using the enacted tax rates that are assumed will be in effect when the differences reverse. Petroleum revenue taxes are provided using the estimated effective tax rate over the life of applicable U.K. properties. The Company uses the deferral method to account for Canadian investment tax credits associated with the Hibernia and Terra Nova oil fields.

FOREIGN CURRENCY – Local currency is the functional currency used for recording operations in Canada and Spain and for refining and marketing activities in the United Kingdom. The U.S. dollar is the functional currency used to record all other operations. Gains or losses from translating foreign functional currency into U.S. dollars are included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheets. Exchange gains or losses from transactions in a currency other than the functional currency are included in income.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES – The Company accounts for derivative instruments and hedging activity under SFAS No. 133, as amended by SFAS No. 138 and No. 149. The fair value of a derivative instrument is recognized as an asset or liability in the

Company's Consolidated Balance Sheet. Upon entering into a derivative contract, the Company may designate the derivative as either a fair value hedge or a cash flow hedge, or decide that the contract is not a hedge, and thenceforth, mark the contract to fair value through earnings. The Company documents the relationship between the derivative instrument designated as a hedge and the hedged items as well as its objective for risk management and strategy for use of the hedging instrument to manage the risk. Derivative instruments designated as fair value or cash flow hedges are linked to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company assesses at inception and on an ongoing basis whether a derivative instrument used as a hedge is highly effective in offsetting changes in the fair value or cash flows of the hedged item. A derivative that is not a highly effective hedge does not qualify for hedge accounting. Changes in the fair value of a qualifying fair value hedge are recorded in earnings along with the gain or loss on the hedged item. Changes in the fair value of a qualifying cash flow hedge are recorded in other comprehensive income until earnings are affected by the cash flows of the hedged item. When the cash flow of the hedged item is recognized in the Statement of Income, the fair value of the associated cash flow hedge is reclassified from other comprehensive income into earnings. Ineffective portions of a cash flow hedging derivative's change in fair value are recognized currently in earnings. If a derivative instrument no longer qualifies as a cash flow hedge, hedge accounting is discontinued and the gain or loss recorded in other comprehensive income is recognized immediately in earnings.

STOCK OPTIONS – Through 2004, the Company used the intrinsic-value based method of accounting as prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations to account for its stock options. Under this method, the Company accrues costs of restricted stock and any stock option deemed to be variable in nature over the vesting/performance period and adjusts such costs for changes in the fair market value of Common Stock. No compensation expense is recorded for fixed stock options since all option prices have been equal to or greater than the fair market value of the Company's stock on the date of grant. As more fully described in Note B, SFAS No. 123 (revised 2004), Share-Based Payments, will require the Company to expense the fair value of stock-based compensation, including stock options, beginning on July 1, 2005. Had the Company recorded compensation expense for stock options as prescribed by the previously issued SFAS No. 123, Accounting for Stock-Based Compensation, net income and earnings per share would be the pro forma amounts shown in the following table.

(Thousands of dollars except per share data)	2004	2003	2002
Net income – As reported	**$701,315**	294,197	111,508
Restricted stock compensation expense included in income, net of tax	**1,353**	197	2,295
Total stock-based compensation expense using fair value method for all awards, net of tax	**(6,199)**	(5,442)	(9,611)
Net income – Pro forma	**$696,469**	288,952	104,192
Net income per share – As reported, basic	**$ 7.62**	3.20	1.22
Pro forma, basic	**7.57**	3.15	1.14
As reported, diluted	**7.51**	3.17	1.21
Pro forma, diluted	**7.45**	3.11	1.13

NET INCOME PER COMMON SHARE – Basic income per Common share is computed by dividing net income for each reporting period by the weighted average number of Common shares outstanding during the period. Diluted income per Common share is computed by dividing net income for each reporting period by the weighted average number of Common shares outstanding during the period plus the effects of potentially dilutive Common shares.

USE OF ESTIMATES – In preparing the financial statements of the Company in conformity with accounting principles generally accepted in the United States of America, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from the estimates.

Note B – New Accounting Principles and Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share Based Payment, which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123 (revised 2004) requires that the cost resulting from all share-based payment transactions be recognized as an expense in the financial statements using a fair-value-based measurement method over the periods that the awards vest. The statement will be effective for the Company beginning in its third quarter which starts on July 1, 2005. The Company is currently evaluating which fair value measurement method to use and whether to use the modified retrospective application or modified prospective application upon adoption. The Company provides pro forma disclosures in Note A as if SFAS No. 123 was currently being applied.

The EITF has issued EITF 03-13, Applying the Conditions in Paragraph 42 of SFAS No. 144 in Determining Whether to Report Discontinued Operations. The EITF generally believes that current practice with respect to applying the criteria in paragraph 42 of SFAS No. 144 has not been applied consistently and has not resulted in broadening the reporting of asset dispositions as discontinued operations. EITF 03-13 contains further guidance for evaluating the cash flows of the component sold and what constitutes significant continuing involvement. This standard must be applied to all asset disposal transactions occurring after January 1, 2005. In certain industries, EITF 03-13 may lead to more asset disposals being reported as discontinued operations in future periods. However, in the oil and gas industry, it may cause more asset disposals to continue to be classified as continuing operations due to clarification of what constitutes continuing involvement.

In October 2004, the President of the United States signed into law the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (the "Act"). The FASB issued FSP 109-1 in December 2004 to provide guidance on the application of SFAS No. 109, Accounting for Income Taxes, to the provision within the Act that provides, beginning in 2005, a tax deduction of up to 9% on qualified production activities. The tax deduction phases in at 3% in 2005 and reaches 9% in 2010. FSP 109-1 concluded that the deduction should be accounted for as a special deduction in accordance with SFAS 109, which means that the tax benefit is recognized as realized, rather than as a one-time benefit due to a reduction of deferred tax liabilities. This FSP was effective upon issuance. The Company cannot predict what impact the Act will have on net income in future periods.

SFAS No. 151, Inventory Costs, was issued by the FASB in November 2004. This statement amends Accounting Research Bulletin No. 43, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges, and it also requires that allocation of fixed production overheads be based on the normal capacity of the related production facilities. The provisions of this statement will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

The FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29, in December 2004. This statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. The provisions of SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The provisions of this statement will be applied prospectively. The Company does not expect the adoption of this statement to have a significant impact on its results of operations.

In 2004 the FASB reviewed whether mineral interests in properties (mineral leases) held by oil and gas companies should be recorded and disclosed as intangible assets under the guidance of SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. After consideration of the matter, the FASB issued a staff position stating that drilling and mineral rights of oil and gas producing entities that are within the scope of SFAS 19 are not subject to the intangible asset classification and disclosure rules of SFAS No. 142. The staff position is consistent with the Company's present accounting practices and had no effect on its financial statements or disclosures.

Note C – Discontinued Operations

The Company sold most of its Western Canadian conventional oil and gas assets (sale properties) in the second quarter of 2004 for net proceeds of $582,973,000. The Company recorded a gain of $171,095,000, net of $23,486,000 in income taxes, from sale of the properties. The Company primarily utilized the proceeds of the sale to repay debt under revolving credit agreements. At the time of sale, the sale properties produced about 20,000 barrels of oil equivalent per day and had total proved reserves of approximately 43 million barrels equivalent from heavy oil, light oil, and natural gas properties. The operating results from the sale properties have been reported as discontinued operations beginning in the first quarter of 2004. Operating results for the years ended December 31, 2003 and 2002 have been reclassified to conform to this presentation. These sale properties were formerly included in the Canadian exploration and production segment. The major assets (liabilities) associated with the sale properties were as follows at the time of the sale:

(Thousands of dollars)	
Inventory	$ 1,741
Prepaid expense	907
Property, plant and equipment, net of accumulated depreciation, depletion and amortization	407,982
Goodwill, net	23,091
Other noncurrent assets	4,214
Assets sold	$437,935
Deferred income taxes	$ (25,092)
Asset retirement obligations	(49,543)
Liabilities associated with assets sold	$ (74,635)

Additionally, in December 2002, the Company sold its interest in Ship Shoal Block 113 in the Gulf of Mexico for an after-tax gain of $10,650,000.

The following table reflects the results of operations from the properties disposed of including gains on sale.

(Thousands of dollars)	Year Ended December 31, 2004	2003	2002
Revenues, including a pretax gain on sale of assets of $194,581 in 2004 and $16,384 in 2002	**$ 274,568**	207,387	246,482
Income before income tax expense	**244,676**	44,962	51,644
Income tax expense	**39,756**	22,182	27,415

Note D – Property, Plant and Equipment

	December 31, 2004		December 31, 2003	
(Thousands of dollars)	Cost	Net	Cost	Net
Exploration and production	**$ 4,773,328**	**2,634,962***	5,294,386	2,538,131*
Refining	**1,165,494**	**565,138**	1,104,589	555,822
Marketing	**632,255**	**462,298**	558,046	412,550
Corporate and other	**47,731**	**23,196**	45,912	24,297
	$ 6,618,808	**3,685,594**	7,002,933	3,530,800

* Includes $21,527 in 2004 and $22,006 in 2003 related to administrative assets and support equipment.

In the Consolidated Statements of Income, the Company recorded noncash charges of $8,314,000 in 2003 and $31,640,000 in 2002 for impairment of certain properties. After related income tax benefits, these write-downs reduced net income by $5,404,000 in 2003 and $20,567,000 in 2002. The 2003 charge included $5,314,000 to write-down the cost of a refined product terminal to be closed and certain components of the Meraux refinery that were rendered obsolete upon completion of the refinery upgrade, and $3,000,000 to write-down the cost of a natural gas field in the Gulf of Mexico due to downward revisions in reserves caused by poor well performance. The 2002 charge included $22,487,000 to write-down the remaining cost in Destin Dome Blocks 56 and 57, offshore Florida. In 2002, Murphy reached an agreement with the U.S. government that restricts the Company's ability to seek approval for development of this natural gas discovery until at least 2012. The additional charges in 2002 were caused by downward reserve revisions for poor well performance of natural gas fields in the Gulf of Mexico. The carrying value of impaired properties were reduced to the asset's fair value based on projected future discounted net cash flows using the Company's estimate of future commodity prices.

During the three years ended December 31, 2004, the Company sold certain oil and gas properties and other assets and recorded before tax gains of $69,594,000 in 2004, $61,524,000 in 2003 and $9,148,000 in 2002. The primary assets sold were the "T" Block field in 2004 and the Ninian and Columba fields in 2003; all of these fields are in the U.K. section of the North Sea.

The FASB has issued proposed FASB Staff Position No. FAS 19-a (FSP 19-a), which had a comment deadline of March 7, 2005. FSP 19-a would alter the present rules of SFAS 19 paragraphs 31 and 34 regarding when exploration drilling costs can be held on the books of an oil and gas company that uses the successful efforts accounting method. While the FASB is completing their review of this issue, the Securities and Exchange Commission has requested that oil and gas companies disclose certain information about their exploratory drilling costs. The following information is in response to the SEC's request.

At December 31, 2004 and 2003, the Company had total capitalized drilling costs pending the determination of proved reserves of $106,105,000 and $158,034,000, respectively. Most capitalized drilling costs that were carried in the balance sheet as of December 31, 2004 and 2003 pending the determination of proved reserves had additional drilling wells under way or firmly planned; for one well drilled in 2004 at a cost of $6,917,000, the Company was reviewing its development options. At December 31, 2003, the Company held one well in property with a cost of $2,236,000 that was drilled more than one year earlier pending approval of a development plan by a foreign government. This well was on production by year-end 2004.

The following table reflects the net changes in capitalized exploratory well costs during the three-year period ended December 31, 2004.

(Thousands of dollars)	2004	2003	2002
Beginning balance at January 1	**$ 158,034**	72,556	1,457
Additions to capitalized exploratory well costs pending the determination of proved reserves	**94,048**	85,478	71,421
Reclassifications to wells, facilities, and equipment based on the determination of proved reserves	**(125,211)**	—	(322)
Capitalized exploratory well costs charged to expense or sold	**(20,766)**	—	—
Ending balance at December 31	**$ 106,105**	158,034	72,556

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The following table provides an aging of capitalized exploratory well costs based on the date the drilling was completed and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling.

(Thousands of dollars)	2004	2003	2002
Capitalized exploratory well costs capitalized for one year or less	**$ 93,956**	82,262	71,368
Capitalized exploratory well costs capitalized for more than one year but less than two years	**12,149**	74,330	1,188
Capitalized exploratory well costs capitalized for more than two years but less than three years	**—**	1,442	—
Balance at December 31	**$ 106,105**	158,034	72,556
Number of projects that have exploratory well costs that have been capitalized for one year or more	**1**	7	2

Based on the Company's present understanding of the proposed FSP 19-a, we would not expect the adoption of this statement, as it is currently written, to cause us to expense any exploration drilling costs held on the books at year-end 2004. In addition, the application of this proposed standard during the three-year period ended December 31, 2004 would not have significantly changed the net income reported during any of the applicable years.

Note E – Financing Arrangements

At December 31, 2004, the Company had two committed credit facilities with a major banking consortium totaling US $700,000,000. The Company and a subsidiary may borrow under a US $150,000,000 revolving credit agreement and the Company has available a US $550,000,000 revolving credit agreement. Both of these facilities mature in December 2006. Depending on the credit facility, borrowings bear interest at prime or varying cost of fund options. Facility fees are due at varying rates on the commitments. The Company also had uncommitted lines of credit with banks at December 31, 2004 totaling an equivalent US $392,000,000 for a combination of U.S. dollar and Canadian dollar borrowings. The Company has a shelf registration statement on file with the U.S. Securities and Exchange Commission that permits the offer and sale of up to US $650,000,000 in debt and equity securities.

Note F – Long-term Debt

	December 31	
(Thousands of dollars)	2004	2003
Notes payable		
6.375% notes, due 2012, net of unamortized discount of $843 at December 31, 2004	**$349,157**	349,038
7.05% notes, due 2029, net of unamortized discount of $2,263 at December 31, 2004	**247,737**	247,649
6.23% structured loan, due 2005	**46,277**	82,854
Notes payable to bank	**—**	417,500
Other, 6% to 8%, due 2005-2021	**956**	1,046
Total notes payable	**644,127**	1,098,087
Nonrecourse debt of a subsidiary		
Guaranteed credit facilities with banks Commercial paper supported by credit facility	—	37,000
Loans payable to Canadian government, interest free, payable in Canadian dollars, due 2005-2009	**19,955**	22,444
Total nonrecourse debt of a subsidiary	**19,955**	59,444
Total debt including current maturities	**664,082**	1,157,531
Current maturities	**(50,727)**	(67,224)
Total long-term debt	**$613,355**	1,090,307

Maturities for the four years after 2005 are: $4,351,000 in 2006, $4,342,000 in 2007, $4,344,000 in 2008 and $2,622,000 in 2009.

With the support of a major bank consortium, the structured loan was borrowed by a Canadian subsidiary in December 2000 to replace temporary financing of the Beau Canada acquisition. The 6.23% fixed-rate loan is reduced in quarterly installments. Payment of interest under the loan has been guaranteed by the Company.

In accordance with the terms of the agreement, all amounts previously outstanding under a guaranteed credit facility were prepaid in 2004.

The interest-free loans from the Canadian government were used to finance expenditures for the Hibernia field. The outstanding balance is primarily to be repaid in equal annual installments through 2009.

Note G – Asset Retirement Obligations

On January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations, which requires the Company to record a liability equal to the fair value of the estimated cost to retire an asset. The asset retirement obligation (ARO) liability is recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. When the liability is initially recorded, the Company will increase the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related long-lived asset. Any difference between costs incurred upon settlement of an asset retirement obligation and the recorded liability is recognized as a gain or loss in the Company's earnings. The estimation of the future asset retirement obligation is based on a number of assumptions requiring professional judgment. The Company cannot predict the type of revisions to these assumptions that may be required in future periods due to the availability of additional information such as: prices for oil field services, technological changes, governmental requirements and other factors. Upon adoption of SFAS No. 143, the Company recorded a charge of $6,993,000, net of $1,400,000 in income taxes, as the cumulative effect of a change in accounting principle. The noncash transition adjustment increased property, plant and equipment, accumulated depreciation, and asset retirement obligations by $142,894,000, $58,786,000, and $92,500,000, respectively.

The majority of the ARO recognized by the Company at December 31, 2004 and 2003 relates to the estimated costs to dismantle and abandon its producing oil and gas properties and related equipment. A portion of the ARO relates to retail gasoline stations. The Company did not record an ARO for its refining and certain of its marketing assets because sufficient information is presently not available to estimate a range of potential settlement dates for the obligation. These assets are consistently being upgraded and are expected to be operational into the foreseeable future. In these cases, the obligation will be initially recognized in the period in which sufficient information exists to estimate the obligation.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation is shown in the following table.

(Thousands of dollars)	2004	2003
Balance at beginning of year	**$252,397**	160,543
Transition adjustment	**—**	92,500
Accretion expense	**11,226**	12,366
Liabilities incurred	**20,340**	28,210
Revision of previous estimates	**2,602**	—
Liabilities settled	**(87,453)**	(67,234)
Changes due to translation of foreign currencies	**2,820**	26,012
Balance at end of year	**$201,932**	252,397

Accretion expense of $1,209,000 and $2,632,000 shown in the above table were included in discontinued operations for the year ended December 31, 2004 and 2003, respectively. Liabilities settled in 2004 and 2003 included approximately $76,932,000 and $62,578,000, respectively, in noncash reductions of ARO associated with the sale of certain oil and gas producing properties.

The pro forma ARO as of January 1, 2002 was $224,466,000. Pro forma net income for the year ended December 31, 2002, assuming SFAS No. 143 had been applied retroactively, is shown in the following table.

(Thousands of dollars except per share data)		2002
Net income	– As reported	$ 111,508
	Pro forma	113,803
Net income per share	– As reported, basic	$ 1.22
	Pro forma, basic	1.24
	As reported, diluted	1.21
	Pro forma, diluted	1.23

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Note H – Income Taxes

The components of income from continuing operations before income taxes for each of the three years ended December 31, 2004 and income tax expense (benefit) attributable thereto were as follows.

(Thousands of dollars)	2004	2003	2002
Income (loss) from continuing operations before income taxes			
United States	**$244,758**	(50,296)	(128,523)
Foreign	**560,178**	424,501	250,089
	$804,936	374,205	121,566
Income tax expense (benefit) from continuing operations			
Federal – Current[1]	**$ 22,446**	(5,321)	(41,531)
Deferred	**78,446**	(11,911)	(1,349)
Noncurrent	**(1,339)**	(18,217)	(6,824)
	99,553	(35,449)	(49,704)
State	**2,154**	84	(529)
Foreign – Current	**194,405**	96,795	73,622
Deferred[2]	**13,759**	24,715	13,786
Noncurrent	**(1,330)**	9,650	(2,888)
	206,834	131,160	84,520
Total	**$308,541**	95,795	34,287

1 Net of benefit of $10,939 in 2002 for alternative minimum tax credits.

2 Includes a benefit of $4,923 in 2004 and $10,101 in 2003 for enacted reductions in federal and provincial tax rates in Canada and a charge of $1,997 in 2002 for an enacted increase in the U.K. tax rate for North Sea oil production.

Income tax benefits attributable to employee stock option transactions of $553,000 in 2004, $467,000 in 2003 and $3,833,000 in 2002 were included in Capital in Excess of Par Value in the Consolidated Balance Sheets. Income tax (benefits) charges of $2,712,000 in 2004, $(11,549,000) in 2003 and $(8,885,000) in 2002 relating to derivatives were included in Accumulated Other Comprehensive Income (AOCI).

Total income tax expense in 2004, 2003 and 2002, including taxes associated with discontinued operations and the cumulative effect of a change in accounting principle, was $348,297,000, $116,577,000, and $61,702,000, respectively.

Noncurrent taxes, classified in the Consolidated Balance Sheets as a component of Deferred Credits and Other Liabilities, relate primarily to matters not resolved with various taxing authorities.

The following table reconciles income taxes based on the U.S. statutory tax rate to the Company’s income tax expense from continuing operations and before cumulative effect of accounting change.

(Thousands of dollars)	2004	2003	2002
Income tax expense based on the U.S. statutory tax rate	**$281,727**	130,971	42,548
Foreign income subject to foreign taxes at a rate different than the U.S. statutory rate	**23,002**	9,865	1,900
Canadian withholding tax and federal tax on dividend	**45,863**	—	—
State income taxes, net of federal benefit	**1,400**	54	(344)
Settlement of U.S. and foreign taxes	**(5,545)**	(20,146)	(8,134)
Changes in foreign tax rates	**(4,923)**	(10,101)	1,997
Recognition of deferred income tax benefit related to exploration and other expenses in Malaysia	**(31,858)**	(11,410)	—
Other, net	**(1,125)**	(3,438)	(3,680)
Total	**$308,541**	95,795	34,287

An analysis of the Company's deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003 showing the tax effects of significant temporary differences follows.

(Thousands of dollars)	2004	2003
Deferred tax assets		
Property and leasehold costs	**$ 118,179**	107,690
Liabilities for dismantlements and major repairs	**88,580**	96,179
Postretirement and other employee benefits	**58,770**	49,785
Federal alternative minimum tax credit carryforward	**3,651**	15,477
Federal operating loss carryforward	**—**	48,795
Foreign tax operating losses	**6,267**	5,236
Other deferred tax assets	**62,139**	29,388
Total gross deferred tax assets	**337,586**	352,550
Less valuation allowance	**(61,337)**	(68,050)
Net deferred tax assets	**276,249**	284,500
Deferred tax liabilities		
Property, plant and equipment	**(82,048)**	(75,940)
Accumulated depreciation, depletion and amortization	**(521,311)**	(467,105)
Other deferred tax liabilities	**(187,759)**	(135,211)
Total gross deferred tax liabilities	**(791,118)**	(678,256)
Net deferred tax liabilities*	**$(514,869)**	(393,756)

* Includes deferred tax asset in Malaysia of $30,777,000 and $7,004,000 reported in Deferred Charges and Other Assets in the Consolidated Balance Sheet as of December 31, 2004 and 2003, respectively.

During 2003, the Company generated a net operating loss carryforward for Federal income tax purposes of $139,414,000 that was fully utilized during 2004 to offset Federal taxable income. At December 31, 2004 the Company has alternative minimum tax credit carryforwards of $3,651,000, which are available to reduce future Federal regular income taxes over an indefinite period.

In management's judgment, the net deferred tax assets in the preceding table will more likely than not be realized as reductions of future taxable income or by utilizing available tax planning strategies. The valuation allowance for deferred tax assets relates primarily to tax assets arising in foreign tax jurisdictions, and in the judgment of management, these tax assets are not likely to be realized. The Company recorded deferred tax benefits of $31,858,000 in 2004 and $11,410,000 in 2003 to recognize anticipated future tax benefits on exploration and other expenses related to Blocks K, SK 309 and 311 in Malaysia. Excluding the changes described for Malaysia above, the valuation allowance increased $25,145,000 in 2004 and decreased $10,114,000 in 2003, with these changes primarily offsetting the change in certain deferred tax assets. Any subsequent reductions of the valuation allowance will be reported as reductions of tax expense assuming no offsetting change in the deferred tax asset.

Subsidiaries included in the Company's U.S. consolidated tax return record income tax expense as though they filed separate tax returns. The parent records adjustments to income tax expense for the effects of consolidation. Income taxes are accrued for retained earnings of certain international subsidiaries and corporate joint ventures intended to be remitted. Income taxes are not accrued for unremitted earnings of international operations that are indefinitely reinvested.

During 2004, the Company recorded income tax expense of $45,863,000 related to repatriation of U.K. and Canadian earnings to the U.S. The most significant portion of this expense related to a 5% withholding tax on funds repatriated from Canada. This tax was not recorded in prior years because, until the sale of most Western Canadian assets occurred in 2004, these funds were considered permanently invested, and therefore, met the criteria for not recording income tax expense. The Company does not record deferred income taxes related to undistributed earnings of international subsidiaries because such earnings are considered permanently invested. Foreign tax credits are available for most of these undistributed earnings. A 5% withholding tax would be payable on any currently unplanned future repatriation of earnings from Canada, and as of December 31, 2004, this withholding tax would amount to $37,490,000. The American Jobs Creation Act of 2004 (the Act) provides for a special one-time dividends received tax deduction on repatriation of certain foreign earnings into the U.S. The Company is evaluating the Act to determine how it may affect future decisions on foreign earnings repatriation.

Tax returns are subject to audit by various taxing authorities. In 2004, 2003 and 2002, the Company recorded benefits to income of $5,545,000, $20,146,000 and $14,737,000, respectively, from settlements of U.S. and foreign tax issues primarily related to prior years. Although the Company believes that adequate accruals have been made for unsettled issues, additional gains or losses could occur in future years from resolution of outstanding matters.

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Note I – Incentive Plans

The Company's 1992 Stock Incentive Plan (1992 Plan) authorized the Executive Compensation Committee (the Committee) to make annual grants of the Company's Common Stock to executives and other key employees as follows: (1) stock options (nonqualified or incentive), (2) stock appreciation rights (SAR), and/or (3) restricted stock. Annual grants may not exceed 1% of shares outstanding at the end of the preceding year; allowed shares not granted may be granted in future years. In addition, shareholders approved the Stock Plan for Non-Employee Directors (2003 Plan) in 2003. This plan permits the issuance of restricted stock, stock options or a combination thereof to the Company's Directors. The Company uses APB Opinion No. 25 to account for stock-based compensation, accruing costs of restricted stock and any stock options deemed to be variable in nature over the vesting/performance periods and adjusting costs for changes in fair market value of Common Stock. Compensation cost charged against income for stock-based plans was $3,122,000 in 2004, $303,000 in 2003, and $5,288,000 in 2002. Outstanding awards were not modified in the last three years.

STOCK OPTIONS – The Committee fixes the option price of each option granted at no less than fair market value (FMV) on the date of the grant and fixes the option term at no more than 10 years from such date. Each option granted to date under the Plan has had a term of 7 to 10 years, has been nonqualified, and has had an option price equal to or higher than FMV at date of grant. Under the 1992 Plan, one-half of each grant may be exercised after two years and the remainder after three years. Under the 2003 Plan, one-third of each grant may be exercised after each of the first three years.

Changes in options outstanding, including shares issued under a prior plan, were as follows.

	Number of Shares	Average Exercise Price
Outstanding at December 31, 2001	3,418,740	$ 26.74
Granted at FMV	945,000	38.85
Exercised	(983,400)	23.44
Forfeited	(83,500)	31.20
Outstanding at December 31, 2002	3,296,840	31.08
Granted at FMV	845,500	43.09
Exercised	(86,500)	26.02
Forfeited	(21,280)	35.30
Outstanding at December 31, 2003	4,034,560	33.59
Granted at FMV	544,230	60.61
Exercised	(60,000)	27.63
Outstanding at December 31, 2004	**4,518,790**	**36.93**
Exercisable at December 31, 2002	988,340	$ 25.01
Exercisable at December 31, 2003	1,777,060	27.32
Exercisable at December 31, 2004	**2,686,060**	**30.06**

Additional information about stock options outstanding at December 31, 2004 is shown below.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices per Option	No. of Options	Avg. Life in Years	Avg. Price	No. of Options	Avg. Price
$17.84 to $ 21.12	244,060	3.8	$18.05	244,060	$18.05
$24.88 to $ 28.48	894,500	4.3	27.47	894,500	27.47
$30.23 to $ 32.74	1,068,500	5.7	30.89	1,068,500	30.89
$38.85 to $ 47.16	1,767,500	7.0	40.67	479,000	39.16
$60.59 to $ 76.36	544,230	9.1	60.61	—	—
	4,518,790	6.2	$36.93	2,686,060	$30.06

The pro forma net income calculations in Note A reflect the following fair values of stock options granted in 2004, 2003 and 2002; fair values of options have been estimated using the Black-Scholes pricing model and the weighted-average assumptions as shown.

	2004	2003	2002
Fair value per option at grant date	**$ 14.92**	$ 10.32	$ 9.59
Assumptions			
Dividend yield	**1.86%**	2.12%	2.56%
Expected volatility	**27.81%**	28.77%	26.80%
Risk-free interest rate	**3.24%**	3.01%	4.89%
Expected life	**5 yrs.**	5 yrs.	5 yrs.

SAR – SAR may be granted in conjunction with or independent of stock options; the Committee determines when SAR may be exercised and the price. No SAR have been granted.

RESTRICTED STOCK – Shares of restricted stock were granted under the Plan in certain years. Each grant will vest if the Company achieves specific financial objectives at the end of the performance period. Such performance periods have ranged from three to five years in length. Additional shares may be awarded if objectives are exceeded, but some or all shares may be forfeited if objectives are not met. During the performance period, a grantee receives dividends and may vote these shares, but shares are subject to transfer restrictions and are all or partially forfeited if a grantee terminates. The Company may reimburse a grantee up to 50% of the award value for personal income tax liability on stock awarded. In 2002, eligible shares granted in 1998 were awarded to the grantees, and additional shares were awarded in 2003 based on financial objectives achieved. Changes in restricted stock outstanding were as follows.

(Number of shares)	2004	2003	2002
Balance at beginning of year	**—**	—	115,166
Granted	**85,450**	64,084	—
Awarded	**—**	(64,084)	(115,166)
Forfeited	**(638)**	—	—
Balance at end of year	**84,812**	—	—

CASH AWARDS – The Committee also administers the Company's incentive compensation plans, which provide for annual or periodic cash awards to officers, directors and key employees if the Company achieves specific financial objectives. Compensation expense of $13,663,000, $14,931,000 and $3,911,000 was recorded in 2004, 2003 and 2002, respectively, for these plans.

EMPLOYEE STOCK PURCHASE PLAN (ESPP) – The Company has an ESPP under which 300,000 shares of the Company's Common Stock could be purchased by eligible U.S. and Canadian employees. Each quarter, an eligible employee may elect to withhold up to 10% of his or her salary to purchase shares of the Company's stock at a price equal to 90% of the fair value of the stock as of the first day of the quarter. The ESPP will terminate on the earlier of the date that employees have purchased all 300,000 shares or June 30, 2007. Employee stock purchases under the ESPP were 20,330 shares at an average price of $63.85 per share in 2004, 30,128 shares at $44.81 in 2003 and 24,828 shares at $38.94 in 2002. At December 31, 2004, 91,455 shares remained available for sale under the ESPP. Compensation costs related to the ESPP were immaterial.

Note J – Employee and Retiree Benefit Plans

PENSION AND POSTRETIREMENT PLANS – The Company has defined benefit pension plans that are principally noncontributory and cover most full-time employees. All pension plans are funded except for the U.S. and Canadian nonqualified supplemental plans and the U.S. directors' plan. All U.S. tax qualified plans meet the funding requirements of federal laws and regulations. Contributions to foreign plans are based on local laws and tax regulations. The Company also sponsors health care and life insurance benefit plans, which are not funded, that cover most retired U.S. employees. The health care benefits are contributory; the life insurance benefits are noncontributory.

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The tables that follow provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2004 and 2003 and a statement of the funded status as of December 31, 2004 and 2003.

(Thousands of dollars)	Pension Benefits		Postretirement Benefits	
	2004	2003	2004	2003
Change in benefit obligation				
Obligation at January 1	**$330,577**	296,638	**65,774**	53,668
Service cost	**8,332**	7,347	**1,707**	1,236
Interest cost	**19,478**	18,753	**3,507**	3,687
Plan amendments	**—**	548	**—**	(4,184)
Participant contributions	**55**	63	**554**	689
Actuarial loss (gain)	**10,704**	13,846	**(8,227)**	14,476
Curtailments	**—**	(568)	**—**	—
Exchange rate changes	**6,227**	8,081	**—**	—
Benefits paid	**(16,665)**	(14,131)	**(3,975)**	(3,798)
Special termination benefits	**(2,820)**	—	**—**	—
Other	**—**	—	**(824)**	—
Obligation at December 31	**355,888**	330,577	**58,516**	65,774
Change in plan assets				
Fair value of plan assets at January 1	**261,182**	234,432	**—**	—
Actual return on plan assets	**16,170**	30,833	**—**	—
Employer contributions	**5,051**	2,584	**3,421**	3,109
Participant contributions	**55**	63	**554**	689
Settlements	**(2,693)**	(436)	**—**	—
Exchange rate changes	**5,532**	7,837	**—**	—
Benefits paid	**(16,665)**	(14,131)	**(3,975)**	(3,798)
Fair value of plan assets at December 31	**268,632**	261,182	**—**	—
Reconciliation of funded status				
Funded status at December 31	**(87,256)**	(69,395)	**(58,516)**	(65,774)
Unrecognized actuarial loss	**95,025**	82,250	**22,798**	33,321
Unrecognized transition asset	**(4,635)**	(5,596)	**—**	—
Unrecognized prior service cost	**5,402**	6,151	**(3,813)**	(4,090)
Net plan asset (liability) recognized	**$ 8,536**	13,410	**(39,531)**	(36,543)
Amounts recognized in the Consolidated Balance Sheets at December 31				
Prepaid benefit asset	**$ 3,964**	4,460	**—**	—
Accrued benefit liability	**(57,045)**	(44,819)	**(39,531)**	(36,543)
Intangible asset	**4,421**	4,122	**—**	—
Accumulated other comprehensive loss*	**57,196**	49,647	**—**	—
Net plan asset (liability) recognized	**$ 8,536**	13,410	**(39,531)**	(36,543)

* Before reduction for associated deferred taxes of $19,461 at December 31, 2004 and $16,846 at December 31, 2003.

At December 31, 2003, a minimum pension liability adjustment was required for certain of the Company's plans. For these plans, accumulated benefit obligations exceeded the fair value of plan assets by $57,681,000. After reductions for amounts charged to intangible assets, net of associated deferred income taxes, charges that reduce accumulated other comprehensive income of $4,934,000 and $31,449,000 were recorded in 2004 and 2003, respectively.

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The table that follows includes projected benefit obligations (PBO), accumulated benefit obligations and fair value of plan assets for plans where the PBO exceeded the fair value of plan assets.

	Projected Benefit Obligations		Accumulated Benefit Obligations		Fair Value of Plan Assets	
(Thousands of dollars)	2004	2003	2004	2003	2004	2003
Funded qualified plans where PBO exceeds fair value of plan assets	$ 316,271	291,473	278,632	255,873	239,067	232,535
Unfunded nonqualified and directors' plans where PBO exceeds fair value of plan assets	25,578	24,391	20,562	18,493	—	—
Unfunded postretirement plans	58,516	65,774	39,531	36,543	—	—

The table that follows provides the components of net periodic benefit expense (credit) for each of the three years ended December 31, 2004.

	Pension Benefits			Postretirement Benefits		
(Thousands of dollars)	2004	2003	2002	2004	2003	2002
Service cost	$ 8,332	7,347	6,721	1,707	1,236	1,287
Interest cost	19,478	18,753	18,097	3,507	3,687	3,280
Expected return on plan assets	(18,620)	(17,275)	(19,791)	—	—	—
Amortization of prior service cost	785	764	778	(277)	(95)	—
Amortization of transitional asset	(636)	(2,052)	(2,559)	—	—	—
Recognized actuarial loss	4,554	3,664	1,242	1,347	1,334	633
	13,893	11,201	4,488	6,284	6,162	5,200
Curtailment expense	—	338	—	—	—	—
Settlement gain	(1,069)	—	—	—	—	—
Net periodic benefit expense	$ 12,824	11,539	4,488	6,284	6,162	5,200

Settlement gains in 2004 related to employee reductions associated with the sale of Western Canadian conventional oil and gas properties. Curtailment expense in 2003 recorded unrecognized prior service costs related to the freezing of benefits under the Directors' retirement plan.

The preceding tables in this note include the following amounts related to foreign benefit plans.

	Pension Benefits		Postretirement Benefits	
(Thousands of dollars)	2004	2003	2004	2003
Benefit obligation at December 31	$85,752	72,067	—	—
Fair value of plan assets at December 31	74,596	67,396	—	—
Net plan liability recognized	(408)	(4,181)	—	—
Net periodic benefit expense	613	1,431	—	—

The following table provides the weighted-average assumptions used in the measurement of the Company's benefit obligations at December 31, 2004 and 2003 and net periodic benefit expense for the years 2004 and 2003.

	Benefit Obligations				Net Periodic Benefit Expense			
	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	December 31,		December 31,		Year		Year	
	2004	2003	2004	2003	2004	2003	2004	2003
Discount rate	5.89%	6.11%	6.00%	6.25%	6.08%	6.53%	6.25%	6.75%
Expected return on plan assets	7.42%	7.46%	—	—	7.42%	7.46%	—	—
Rate of compensation increase	4.07%	4.04%	—	—	4.07%	4.04%	—	—

Discount rates are adjusted as necessary, generally based on changes in AA-rated corporate bond rates. Expected plan asset returns are based on long-term expectations for asset portfolios with similar investment mix characteristics. Expected compensation increases are based on historical averages for the Company.

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The weighted average asset allocation for the Company's benefit plans at the annual measurement dates of September 30, 2004 and 2003 are presented in the following table.

	September 30,	
	2004	2003
Equity securities	**53.5%**	53.9%
Debt securities	**42.4**	41.7
Cash	**4.1**	4.4
	100.0%	100.0%

The Company has directed the asset investment advisors of its benefit plans to maintain a portfolio nearly balanced between equity and debt securities. The investment advisors may vary the asset mix within the range of 40%-60% for both equity and debt securities. The Company believes that a balanced portfolio of equity and debt securities represents the best long-term mix for future return on domestic plans' assets. Investment advisors are not permitted to invest benefit plan assets in Murphy Oil's common stock.

The Company's expected return on plan assets was 7.42% in 2004 and the return was determined based on an assessment of actual long-term historical returns and expected future returns for a balanced portfolio similar to that maintained by the plans. The 7.42% expected return was based on an expected average future equity asset return of 9.1% and a return on high-quality corporate bonds of 5.6%, and is net of average expected investment expenses of .38%. Over the last 10 years, the return on funded retirement plan assets has averaged 9.3%.

The Company currently expects to make contributions of $4,833,000 to its domestic defined benefit pension plans, $7,261,000 to its foreign defined pension plans, and $2,932,000 to its domestic postretirement benefits plan during 2005.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the assets of the plans or by the Company:

(Thousands of dollars)	Pension Benefits	Postretirement Benefits
2005	$ 17,170	2,932
2006	17,591	3,032
2007	18,168	3,119
2008	18,661	3,152
2009	19,284	3,291
2010-2014	110,405	19,311

For purposes of measuring postretirement benefit obligations at December 31, 2004, the future annual rates of increase in the cost of health care were assumed to be 7.0% for 2005 decreasing 0.5% per year to an ultimate rate of 5.0% in 2009 and thereafter.

Assumed health care cost trend rates have a significant effect on the expense and obligation reported for the postretirement benefit plan. A 1% change in assumed health care cost trend rates would have the following effects.

(Thousands of dollars)	1% Increase	1% Decrease
Effect on total service and interest cost components of net periodic postretirement benefit expense for the year ended December 31, 2004	$ 925	(731)
Effect on the health care component of the accumulated postretirement benefit obligation at December 31, 2004	8,726	(7,067)

On December 8, 2003, the President signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). Among other provisions, the Act changed prescription drug coverage under Medicare beginning in 2006. Generally, companies that provide qualifying prescription drug coverage that is deemed actuarially equivalent to medicare coverage for retirees aged 65 and above will be eligible to receive a federal subsidy equal to 28% of drug costs between $250 and $5,000 per annum for each covered individual that does not elect to receive coverage under the new Medicare Part D. The Company currently provides prescription drug coverage to qualifying retirees under its retiree medical plan. As a result of provisions in the Act, the Company's accumulated postretirement benefit obligation was reduced by approximately $6,715,000 and its postretirement benefit expense was approximately $1,000,000 lower during 2004.

THRIFT PLANS – Most full-time employees of the Company may participate in thrift or savings plans by allotting up to a specified percentage of their base pay. The Company matches contributions at a stated percentage of each employee's allotment based on years of participation in the plans. A U.K. savings plan allows eligible employees to allot a portion of their base pay to purchase Company Common Stock at market value. Such employee allotments are matched by the Company. Common Stock issued from the Company's treasury under this U.K. savings plan was 3,302 shares in 2004, 432 shares in 2003 and 12,417 shares in 2002. Amounts charged to expense for these U.S. and U.K. plans were $4,895,000 in 2004, $5,377,000 in 2003 and $4,159,000 in 2002.

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Note K – Financial Instruments and Risk Management

DERIVATIVE INSTRUMENTS – Murphy utilizes derivative instruments to manage certain risks related to interest rates, commodity prices and foreign currency exchange rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company's senior management. The Company does not hold any derivatives for speculative purposes, and it does not use derivatives with leveraged or complex features. Derivative instruments are traded primarily with creditworthy major financial institutions or over national exchanges such as the New York Mercantile Exchange. To qualify for hedge accounting, the changes in the market value of a derivative instrument must historically have been, and would be expected to continue to be, highly effective at offsetting changes in the prices of the hedged item. To the extent that the change in fair value of a derivative instrument has less than perfect correlation with the change in the fair value of the hedged item, a portion of the change in fair value of the derivative instrument is considered ineffective and would normally be recorded in earnings during the affected period.

- Interest Rate Risks – Murphy enters into variable-rate debt obligations that expose the Company to the effects of changes in interest rates. To partially reduce its exposure to interest rate risk, Murphy had interest rate swap agreements with notional amounts totaling $50 million at December 31, 2003 to hedge fluctuations in cash flows of a similar amount of variable rate debt. The swaps matured in 2004. Under the interest rate swaps, the Company paid fixed rates averaging 5.98% over their composite lives and received variable rates. The variable rate received by the Company under each contract was repriced quarterly. The Company has a risk management control system to monitor interest rate cash flow risk attributable to the Company's outstanding and forecasted debt obligations as well as the offsetting interest rate swaps. The control system involves using analytical techniques, including cash flow sensitivity analysis, to estimate the impact of interest rate changes on future cash flows. The fair value of the effective portions of the interest rate swaps and changes thereto was deferred in Accumulated Other Comprehensive Income (AOCI) and was subsequently reclassified into Interest Expense in the periods in which the hedged interest payments on the variable-rate debt affected earnings. For the three-year period ended December 31, 2004, the income effect from cash flow hedging ineffectiveness of interest rates was insignificant. The fair value of the interest rate swaps was estimated using projected Federal funds rates, Canadian overnight funding rates and LIBOR forward curve rates obtained from published indices and counterparties.
- Natural Gas Fuel Price Risks – The Company purchases natural gas as fuel at its Meraux, Louisiana and Superior, Wisconsin refineries, and as such, is subject to commodity price risk related to the purchase price of this gas. Murphy has hedged the cash flow risk associated with the cost of a portion of the natural gas it will purchase in 2005 and 2006 by entering into financial contracts known as natural gas swaps with a remaining notional volume as of December 31, 2004 of 2.2 million MMBTU (1 MMBTU = 1 million British Thermal Units). Other similar contracts covered a portion of 2004 purchases. Under the natural gas swaps, the Company pays a fixed rate averaging $3.35 per MMBTU and receives a floating rate in each month of settlement based on the average NYMEX price for the final three trading days of the month. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas requirements and to Murphy's natural gas swaps. The control system involves using analytical techniques, including various correlations of natural gas purchase prices to future prices, to estimate the impact of changes in natural gas fuel prices on Murphy's cash flows. The fair value of the effective portions of the natural gas swaps and changes thereto is deferred in AOCI and is subsequently reclassified into Operating Expenses in the income statements in the periods in which the hedged natural gas fuel purchases affect earnings. During 2003, the Company determined that natural gas swap contract notional volumes with 2004 maturity dates exceeded forecasted 2004 natural gas purchases at its Meraux, Louisiana refinery while the ROSE unit was out of service. Accordingly, natural gas swap contracts with a notional volume of 3.4 million MMBTU at December 31, 2003 no longer qualified as a cash flow hedge. Therefore, 1.3 million MMBTU of these contracts were redesignated as a cash flow hedge of natural gas the Company expected to purchase at its Superior refinery during 2004, and the remaining 2.1 million MMBTU not qualifying as a hedge were marked to fair value through earnings during 2004. Gains of $6,700,000 were recognized in earnings in 2003 as a result of the contracts no longer qualifying as a cash flow hedge. During the first quarter 2004 the Company entered into natural gas price swap agreements with notional volumes of 2.5 million MMBTU that effectively fixed the settlement price of the previously acquired contracts that matured in July through October 2004. The critical terms of all the 2004 contracts were nearly identical. Murphy was required to pay the average NYMEX price for the final three trading days of the month and receive an average natural gas price of $5.235 per MMBTU. The natural gas swap contracts designated as hedges of natural gas the Company will purchase in 2005 through 2006 at the Meraux refinery still qualify as cash flow hedges. For the period ended December 31, 2004, the income effect from cash flow hedging ineffectiveness for these contracts was $472,000, net of $254,000 in income taxes. For the year ended December 31, 2003, the income effect from ineffectiveness was $4,377,000, net of income taxes of $2,357,000. During the year ended December 31, 2004, the Company received approximately $21,798,000 in cash proceeds from maturing swap agreements.
- Natural Gas Sales Price Risks – The sales price of natural gas produced by the Company is subject to commodity price risk. During the first quarter of 2004 Murphy entered into natural gas put options covering a combined United States natural gas sales volume averaging 25,000 MMBTU per day. The strike price provided the Company with a floor price of $4.00 per MMBTU and settled monthly through October 2004. During 2003 Murphy hedged the cash flow risk associated with the sales price for a portion of the natural gas it produced in the United States and Canada by entering into natural gas swap and collar contracts. The swaps covered a combined notional volume averaging 24,200 MMBTU equivalents per day and required Murphy to pay the average relevant index (NYMEX or AECO "C") price for each month and receive an average price of $3.76 per MMBTU equivalent. The natural gas collars were for a combined notional volume

averaging 26,700 MMBTU equivalents per day and provided Murphy with an average floor price of $3.24 per MMBTU and an average ceiling price of $4.64 per MMBTU. Murphy has a risk management control system to monitor natural gas price risk attributable both to forecasted natural gas sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of natural gas sales prices to futures prices, to estimate the impact of changes in natural gas prices on Murphy's cash flows from the sale of natural gas.

The fair values of the effective portions of the natural gas swaps collars and puts and changes thereto were deferred in AOCI and were subsequently reclassified into Sales and Other Operating Revenue in the income statement in the periods in which the hedged natural gas sales affected earnings. For the three-year period ended December 31, 2004, Murphy's earnings were not significantly affected by cash flow hedging ineffectiveness on natural gas sales price hedges. There were no settlement payments received in the 2004 period relating to the natural gas put options. During 2003, the Company paid $13,107,000 for settlement of natural gas swap and collar agreements. During 2002, the Company received approximately $6,900,000 for settlement of natural gas swap and collar agreements in Canada that were entered into and matured during the year.

- Crude Oil Sales Price Risks – The sales price of crude oil produced by the Company is subject to commodity price risk. During 2004 Murphy hedged the cash flow risk associated with the sales price for a portion of its Canadian heavy oil production during 2005 and 2006 by entering into forward sale contracts covering a notional volume of approximately 2,000 barrels per day in 2005 and 4,000 barrels per day in 2006. The Company will pay the average of the posted price at the Hardisty terminal in Canada for each month and receive a fixed price of $29.00 per barrel in 2005 and $25.23 per barrel in 2006. Murphy hedged the cash flow risk associated with the sales price for the crude oil it produced in the United States and a portion of the oil produced in Canada during 2003 by entering into crude oil swap contracts. The swaps covered a notional volume of 22,000 barrels per day of light oil and required Murphy to pay the average of the closing settlement price on the NYMEX for the Nearby Light Crude Futures Contract for each month and receive an average price of $25.30 per barrel. Additionally, there were heavy oil swaps with a notional volume of 10,000 barrels per day that required Murphy to pay the arithmetic average of the posted price at terminals at Kerrobert and Hardisty, Canada for each month and receive an average price of $16.74 per barrel. Murphy has a risk management control system to monitor crude oil price risk attributable both to forecasted crude oil sales prices and to Murphy's hedging instruments. The control system involves using analytical techniques, including various correlations of crude oil sales prices to futures prices, to estimate the impact of changes in crude oil prices on Murphy's cash flows from the sale of light and heavy crude oil.

  The fair values of the effective portions of the crude oil sales price hedges and changes thereto were deferred in AOCI and subsequently reclassified into Sales and Other Operating Revenues in the income statement in the periods in which the hedged crude oil sales affected earnings. During 2004, 2003 and 2002, earnings were increased (decreased) by $225,000, $1,507,000 and ($1,371,000), respectively, relating to cash flow hedging ineffectiveness for crude oil sales price hedges. During 2003 the Company paid approximately $66,950,000 for settlement of maturing crude oil sales swaps.

- Crude Oil Purchase Price Risks – Each month, the Company purchases crude oil as the primary feedstock for its U.S. refineries. Prior to April 2000, the Company was a party to crude oil swap agreements that limited the exposure of its U.S. refineries to the risks of fluctuations in cash flows resulting from changes in the prices of crude oil purchases in 2002. In April 2000, the Company settled certain of the swaps and entered into offsetting contracts for the remaining swap agreements, locking in a total pretax gain of $7,735,000. The fair values of these settlement gains were recorded in AOCI as part of the transition adjustment at January 1, 2001 and were recognized as a reduction of costs of crude oil purchases in the period the forecasted transactions occurred. Pretax gains of $5,778,000 in 2002 were reclassified from AOCI into earnings.

During 2005, the Company expects to reclassify approximately $3,602,000 in net after-tax gains from AOCI into earnings as the forecasted transactions covered by hedging instruments actually occur. All forecasted transactions currently being hedged are expected to occur by December 2006.

FAIR VALUE – The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at December 31, 2004 and 2003. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes cash and cash equivalents, trade accounts receivable, investments and noncurrent receivables, trade accounts payable and accrued expenses, all of which had fair values approximating carrying amounts. The fair value of investment in marketable securities is estimated based on quotes offered by major financial institutions. The fair value of current and long-term debt is estimated based on current rates offered the Company for debt of the same maturities. The Company has off-balance sheet exposures relating to certain financial guarantees and letters of credit. The fair value of these, which represents fees associated with obtaining the instruments, was nominal.

(Thousands of dollars)	2004 Carrying Amount	2004 Fair Value	2003 Carrying Amount	2003 Fair Value
Financial assets (liabilities):				
Investment in marketable securities	**$ 17,892**	**17,892**	—	—
Interest rate swaps	**—**	**—**	(1,772)	(1,772)
Natural gas fuel swaps	**6,099**	**6,099**	22,750	22,750
Crude oil sales swaps	**594**	**594**	—	—
Current and long-term debt	**(664,082)**	**(791,200)**	(1,157,531)	(1,279,040)

The carrying amounts of interest rate swaps, crude oil swaps and natural gas swaps and collars in the preceding table are included in the Consolidated Balance Sheets in Deferred Charges and Other Assets or Other Accrued Liabilities. Current and long-term debts are included under Current Maturities of Long-Term Debt, Notes Payable and Nonrecourse Debt of a Subsidiary.

CREDIT RISKS – The Company’s primary credit risks are associated with trade accounts receivable, cash equivalents and derivative instruments. Trade receivables arise mainly from sales of crude oil, natural gas and petroleum products to a large number of customers in the United States, Canada and the United Kingdom. The credit history and financial condition of potential customers are reviewed before credit is extended, security is obtained when deemed appropriate based on a potential customer’s financial condition, and routine follow-up evaluations are made. The combination of these evaluations and the large number of customers tends to limit the risk of credit concentration to an acceptable level. Cash equivalents are placed with several major financial institutions, which limits the Company’s exposure to credit risk. The Company controls credit risk on derivatives through credit approvals and monitoring procedures and believes that such risks are minimal because counterparties to the majority of transactions are major financial institutions.

Note L – Stockholder Rights Plan

The Company’s Stockholder Rights Plan provides for each Common stockholder to receive a dividend of one Right for each share of the Company’s Common Stock held. The Rights will expire on April 6, 2008 unless earlier redeemed or exchanged. The Rights will detach from the Common Stock and become exercisable following a specified period of time after the first public announcement that a person or group of affiliated or associated persons (other than certain persons) has become the beneficial owner of 15% or more of the Company’s Common Stock. The Rights have certain antitakeover effects and will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired. The Rights are not intended to prevent a takeover, but rather are designed to enhance the ability of the Board of Directors to negotiate with an acquiror on behalf of all shareholders. Other terms of the Rights are set forth in, and the foregoing description is qualified in its entirety by, the Rights Agreement, as amended, between the Company and Harris Trust Company of New York as Rights Agent.

Note M – Earnings per Share

The following table reconciles the weighted-average shares outstanding for computation of basic and diluted income per Common share for each of the three years ended December 31, 2004. No difference existed between net income used in computing basic and diluted income per Common share for these years. There were no antidilutive options for the periods presented.

(Weighted-average shares outstanding)	2004	2003	2002
Basic method	**91,986,321**	91,814,821	91,450,836
Dilutive stock options	**1,457,190**	927,945	684,131
Diluted method	**93,443,511**	92,742,766	92,134,967

Note N – Other Financial Information

INVENTORIES – Inventories accounted for under the LIFO method totaled $139,489,000 and $144,347,000 at December 31, 2004 and 2003, respectively, and these amounts were $219,075,000 and $155,936,000 less than such inventories would have been valued using the FIFO method.

ACCUMULATED OTHER COMPREHENSIVE INCOME – At December 31, 2004 and 2003, the components of Accumulated Other Comprehensive Income were as follows.

(Thousands of dollars)	2004	2003
Foreign currency translation gain, net of tax	**$167,662**	88,589
Cash flow hedge gains, net of tax	**4,582**	9,458
Minimum pension liability, net of tax	**(37,735)**	(32,801)
Balance at end of year	**$134,509**	65,246

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At December 31, 2004, components of the net foreign currency translation gain of $167,662,000 were gains of $59,883,000 for pounds sterling, $105,185,000 for Canadian dollars and $2,594,000 for other currencies. Comparability of net income was not significantly affected by exchange rate fluctuations in 2004, 2003 and 2002. Net (losses) gains from foreign currency transactions included in the Consolidated Statements of Income were $(26,613,000) in 2004, $4,087,000 in 2003 and $792,000 in 2002.

Foreign currency translation gains shown in the table on the preceding page are net of income taxes of $91,019,000 and $41,054,000 at year-end 2004 and 2003, respectively.

The effect of SFAS Nos. 133/138, Accounting for Derivative Instruments and Hedging Activities, decreased AOCI for the year ended December 31, 2004 by $4,876,000, net of $2,712,000 in income taxes, and increased income by $340,000 for the same period. AOCI increased by $17,912,000, net of $11,549,000 in income taxes, and income increased by $5,988,000 for the year ended December 31, 2003. AOCI decreased by $13,007,000, net of $8,885,000 in income taxes, and income decreased by $1,435,000 for the year ended December 31, 2002.

INSURANCE RECOVERIES – The Company maintains insurance coverage related to losses of production and profits for occurrences such as storms, fires, etc. During 2004, the Company received insurance proceeds of $8,300,000 for lost profits at the Meraux refinery due to the ROSE unit fire in 2003, and $2,000,000 related to loss of production in the Gulf of Mexico associated with Hurricane Lilli in 2002. These amounts were recorded in Sales and Other Operating Revenues in the 2004 Consolidated Statement of Income. The Company expects to collect further insurance receipts for these matters in future periods.

CASH FLOW DISCLOSURES – Cash income taxes paid were $173,580,000, $86,750,000 and $28,531,000 in 2004, 2003 and 2002, respectively. Interest paid, net of amounts capitalized, was $32,141,000, $17,501,000 and $20,977,000 in 2004, 2003 and 2002, respectively.

Noncash operating working capital increased for each of the three years ended December 31, 2004 as follows.

(Thousands of dollars)	**2004**	**2003**	**2002**
Accounts receivable	**$(252,732)**	(41,419)	(146,760)
Inventories	**(25,335)**	(69,166)	(28,196)
Prepaid expenses	**(992)**	15,183	1,100
Deferred income tax assets	**(10,457)**	(1,825)	662
Accounts payable and accrued liabilities	**252,720**	60,380	135,800
Current income tax liabilities	**16,743**	(438)	(3,501)
Net increase in noncash operating working capital from continuing operations	**$ (20,053)**	(37,285)	(40,895)

Note O – Commitments

The Company leases land, gasoline stations and other facilities under operating leases. During the next five years, expected future rental payments under operating leases are approximately $19,967,000 in 2005; $17,615,000 in 2006; $16,916,000 in 2007; $16,000,000 in 2008; and $13,193,000 in 2009. Rental expense for noncancellable operating leases, including contingent payments when applicable, was $27,943,000 in 2004, $32,859,000 in 2003 and $32,087,000 in 2002. To assure long-term supply of hydrogen at its Meraux, Louisiana refinery, the Company has contracted to purchase up to 35 million standard cubic feet of hydrogen per day at market prices through 2019. The contract requires the payment of a base facility charge for use of the facility. Future required minimum annual payments for base facility charges are $6,312,000 in 2005, $6,565,000 in 2006; $6,828,000 in 2007; $7,102,000 in 2008; $7,385,000 in 2009; and $92,207,000 in later years. Base facility charges and hydrogen costs incurred in 2004 and 2003 totaled $27,141,000 and $1,128,000, respectively. The Company has an Operating and Production Handling Agreement providing for processing and production handling services for hydrocarbon production from certain fields in the Gulf of Mexico. This agreement requires minimum annual payments for processing charges for the periods from 2005 through 2009. Under the agreement, the Company must make specified minimum payments quarterly. Future required minimum payments are $19,300,000 in 2005; $15,340,000 in 2006; $12,596,000 in 2007; $9,508,000 in 2008; and $13,272,000 in 2009. In addition, the Company is required to pay additional amounts depending on the actual hydrocarbon quantities processed under the agreement. Processing and handling costs incurred in 2004 were $23,430,000. Additionally, the Company has a Reserved Capacity Service Agreement providing for the availability of needed crude oil storage capacity for certain oil fields through 2020. Under the agreement, the Company must make specified minimum payments monthly. Future required minimum annual payments are $1,866,000 in 2005 through 2009 and $13,433,000 in later years. In addition, the Company is required to pay additional amounts depending on actual crude oil quantities under the agreement. Total payments under the agreement were $2,390,000 in 2004, $1,965,000 in 2003, and $1,435,000 in 2002.

Commitments for capital expenditures were approximately $727,400,000 at December 31, 2004, including $28,300,000 for costs to develop deepwater Gulf of Mexico fields, $63,200,000 for continued expansion of synthetic oil operations in Canada, $394,000,000 for field development and future work commitments in Malaysia, and $37,000,000 for exploration drilling in Congo.

Note P – Contingencies

The Company's operations and earnings have been and may be affected by various forms of governmental action both in the United States and throughout the world. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; import and export controls; price controls; currency controls; allocation of supplies of crude oil and petroleum products and other goods; expropriation of property; restrictions and preferences affecting the issuance of oil and gas or mineral leases; restrictions on drilling and/or production; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form the actions may take or the effect such actions may have on the Company.

ENVIRONMENTAL MATTERS AND LEGAL MATTERS – In addition to being subject to numerous laws and regulations intended to protect the environment and/or impose remedial obligations, the Company is also involved in personal injury and property damage claims, allegedly caused by exposure to or by the release or disposal of materials manufactured or used in the Company's operations. The Company operates or has previously operated certain sites and facilities, including three refineries, five terminals, and approximately 80 service stations for which known or potential obligations for environmental remediation exist. In addition the Company operates or has operated numerous oil and gas fields that may require some form of remediation, which is generally provided for by the Company's abandonment liability. Environmental laws and regulations are described more fully beginning on page 18 of this Form 10-K report.

The Company's liability for remedial obligations includes certain amounts that are based on anticipated regulatory approval for proposed remediation of former refinery waste sites. Although regulatory authorities may require more costly alternatives than the proposed processes, the cost of such potential alternative processes is not expected to exceed the accrued liability by a material amount.

The U.S. Environmental Protection Agency (EPA) currently considers the Company a Potentially Responsible Party (PRP) at two Superfund sites. The potential total cost to all parties to perform necessary remedial work at these sites may be substantial. Based on currently available information, the Company believes that it is a de minimus party as to ultimate responsibility at both Superfund sites. The Company has not recorded a liability for remedial costs on Superfund sites. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at the two sites or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up the two Superfund sites will be immaterial and will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

There is the possibility that environmental expenditures could be required at currently unidentified sites, and new or revised regulations could require additional expenditures at known sites. However, based on information currently available to the Company, the amount of future remediation costs incurred at known or currently unidentified sites is not expected to have a material adverse effect on the Company's future net income, cash flows or liquidity.

In December 2000, two of the Company's Canadian subsidiaries, Murphy Oil Company Ltd. (MOCL) and Murphy Canada Exploration Company (MCEC) as plaintiffs filed an action in the Court of Queen's Bench of Alberta seeking a constructive trust over oil and gas leasehold rights to Crown lands in British Columbia. The suit alleges that the defendants, The Predator Corporation Ltd. and Predator Energies Partnership (collectively Predator) and Ricks Nova Scotia Co. (Ricks), acquired the lands after first inappropriately obtaining confidential and proprietary data belonging to the Company and its partner. In January 2001, Ricks, representing an undivided 75% interest in the lands in question, settled its portion of the litigation by conveying its interest to the Company and its partner at cost. In 2001, Predator, representing the remaining undivided 25% of the lands in question, filed a counterclaim, as subsequently amended, against MOCL and MCEC and MOCL's President individually seeking compensatory damages of C$3.61 billion. In September 2004 the court summarily dismissed all claims against MOCL's president and all but C$356,000,000 of the counterclaim against the Company; however, this dismissal order is currently on appeal. The Company believes that the counterclaim is without merit, that the amount of damages sought is frivolous and the likelihood of a material loss to the Company is remote. It is anticipated that a trial concerning the 25% disputed interest and any remaining issues will commence in 2005. While the litigation is in the discovery stage and no assurance can be given about the outcome, the Company does not believe that the ultimate resolution of this suit will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Predator were to prevail in its counterclaim in an amount approaching the damages sought, Murphy would incur a material expense in its consolidated statement of income, and would have a material effect on its financial condition and liquidity.

On June 10, 2003, a fire severely damaged the Residual Oil Supercritical Extraction (ROSE) unit at the Company's Meraux, Louisiana refinery. The ROSE unit recovers feedstock from the heavy fuel oil stream for conversion into gasoline and diesel. Subsequent to the fire, numerous class action lawsuits have been filed seeking damages for area residents. All the lawsuits have been administratively consolidated into a single legal action in St. Bernard Parish, Louisiana, except for one such action which was filed in federal court. Additionally, individual residents of Orleans Parish, Louisiana, have filed an action in that venue. On May 5, 2004, plaintiffs in the consolidated action in St. Bernard Parish amended their petition to include a direct action against certain of the Company's liability insurers. In responding to this direct action, one of the Company's insurers, AEGIS, has raised lack of coverage as a defense. The Company believes that this contention lacks merit and has been advised by counsel that the applicable policy does provide coverage for the underlying incident. Because the Company believes that insurance coverage exists for this matter, it does not expect to incur any significant costs associated with the class action lawsuits. Accordingly, the Company continues to believe that the ultimate resolution of the June 2003 ROSE fire litigation will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

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On March 5, 2002, two of the Company's subsidiaries filed suit against Enron Canada Corp. (Enron) to collect approximately $2.1 million owed to Murphy under canceled gas sales contracts. On May 1, 2002, Enron counterclaimed for approximately $19.8 million allegedly owed by Murphy under those same agreements. Although the lawsuit in the Court of Queen's Bench, Alberta, is in its early stages and no assurance can be given, the Company does not believe that the Enron counterclaim is meritorious and does not believe that the ultimate resolution of this matter will have a material adverse effect on its net income, financial condition or liquidity in a future period. In the unlikely event that Enron were to prevail in the lawsuit, the Company could incur expense in a future period approximating the amount of the judgment.

Murphy and its subsidiaries are engaged in a number of other legal proceedings, all of which Murphy considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of environmental and legal matters referred to in this note is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

OTHER MATTERS – In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At December 31, 2004, the Company had contingent liabilities of $8,519,000 under a financial guarantee described in the following paragraph and $55,979,000 on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to these letters of credit because it is believed that the likelihood of having these drawn is remote.

The Company owns a 3.2% interest in the Louisiana Offshore Oil Port (LOOP) that it accounts for at cost. LOOP has issued $361,675,000 in bonds, which mature in varying amounts between 2005 and 2021. The Company is obligated to ship crude oil in quantities sufficient for LOOP to pay certain of its expenses and obligations, including long-term debt secured by a Throughput and Deficiency agreement (T&D), or to make cash payments for which the Company will receive credit for future throughput. No other collateral secures the investee's obligation or the Company's guarantee. As of December 31, 2004, it is not probable that the Company will be required to make payments under the guarantee; therefore, no liability has been recorded for the Company's obligation under the T&D agreement. The Company continues to monitor conditions that are subject to guarantees to identify whether it is probable that a loss has occurred, and it would recognize any such losses under the guarantees should losses become probable.

Note Q – Common Stock Issued and Outstanding

Activity in the number of shares of Common Stock issued and outstanding for the three years ended December 31, 2004 is shown below.

(Number of shares outstanding)	2004	2003	2002
At beginning of year	**91,870,598**	91,689,454	45,331,080
Stock options exercised	**60,000**	86,500	491,700
Employee stock purchase and thrift plans	**23,632**	30,560	28,647
Restricted stock awards, net of forfeitures	**84,812**	64,084	—
Two-for-one stock split	**—**	—	45,838,065
All other	**(3,665)**	—	(38)
At end of year	**92,035,377**	91,870,598	91,689,454

Note R – Business Segments

Murphy's reportable segments are organized into two major types of business activities, each subdivided into geographic areas of operations. The Company's exploration and production activity is subdivided into segments for the United States, Canada, the United Kingdom, Ecuador, Malaysia and all other countries; each of these segments derives revenues primarily from the sale of crude oil and natural gas. The refining and marketing segments in North America and the United Kingdom derive revenues mainly from the sale of petroleum products. The Company sells gasoline in the United States and Canada at retail stations built in Wal-Mart parking lots. This business is considered by the Company to be an integrated operation, and therefore, considers it appropriate to combine the U.S. and Canadian businesses into one North American segment. The Company's management evaluates segment performance based on income from operations, excluding interest income and interest expense. Intersegment transfers of crude oil, natural gas and petroleum products are at market prices and intersegment services are recorded at cost.

Information about business segments and geographic operations is reported in the following tables. Excise taxes on petroleum products of $1,477,873,000, $1,336,600,000 and $1,147,922,000 for the years 2004, 2003 and 2002, respectively, were excluded from revenues and costs and expenses. For geographic purposes, revenues are attributed to the country in which the sale occurs. The Company had no single customer from which it derived more than 10% of its revenues. Corporate and other activities, including interest income, miscellaneous gains and losses, interest expense and unallocated overhead, are shown in the tables to reconcile the business segments to consolidated totals. As used in the table on page F-28, Certain Long-Lived Assets at December 31 exclude investments, noncurrent receivables, deferred tax assets and intangible assets.

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Segment Information

(Millions of dollars)	Exploration and Production						
	U.S.	Canada	U.K.	Ecuador	Malaysia	Other	Total
Year ended December 31, 2004							
Segment income (loss) from continuing operations	**$159.5**	**232.2**	**87.1**	**6.6**	**38.3**	**(11.4)**	**512.3**
Revenues from external customers	**482.8**	**543.9**	**197.4**	**30.8**	**167.2**	**3.4**	**1,425.5**
Intersegment revenues	**—**	**62.8**	**—**	**—**	**—**	**—**	**62.8**
Interest income	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest expense, net of capitalization	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Income tax expense	**78.6**	**100.8**	**55.0**	**4.4**	**8.8**	**1.8**	**249.4**
Significant noncash charges (credits)							
Depreciation, depletion, amortization	**66.9**	**111.6**	**28.0**	**5.3**	**29.6**	**.1**	**241.5**
Accretion of asset retirement obligations	**3.7**	**3.3**	**2.3**	**—**	**.2**	**.4**	**9.9**
Provisions for major repairs	**—**	**6.2**	**—**	**—**	**—**	**—**	**6.2**
Amortization of undeveloped leases	**12.8**	**2.7**	**—**	**—**	**—**	**.9**	**16.4**
Deferred and noncurrent income taxes	**60.6**	**9.7**	**8.5**	**—**	**(18.5)**	**(14.5)**	**45.8**
Additions to property, plant, equipment	**144.3**	**320.7**	**3.0**	**12.5**	**197.5**	**13.3**	**691.3**
Total assets at year-end	**866.3**	**1,365.4**	**190.2**	**131.3**	**486.7**	**29.3**	**3,069.2**
Year ended December 31, 2003							
Segment income (loss) from continuing operations	$ 23.3	166.2	95.3	16.7	10.7	(8.8)	303.4
Revenues from external customers	196.7	406.3	221.6	41.9	77.7	4.2	948.4
Intersegment revenues	—	50.0	—	—	—	—	50.0
Interest income	—	—	—	—	—	—	—
Interest expense, net of capitalization	—	—	—	—	—	—	—
Income tax expense (benefit)	13.2	59.9	59.8	.6	3.7	.7	137.9
Significant noncash charges (credits)							
Depreciation, depletion, amortization	36.7	103.1	32.6	7.5	18.5	.2	198.6
Impairment of long-lived assets	3.0	—	—	—	—	—	3.0
Accretion of asset retirement obligations	3.3	2.9	2.9	—	.3	.3	9.7
Provisions for major repairs	—	6.5	—	—	—	—	6.5
Amortization of undeveloped leases	11.5	3.1	.1	—	—	—	14.7
Deferred and noncurrent income taxes	13.4	(4.9)	24.8	—	(7.0)	2.2	28.5
Additions to property, plant, equipment	229.9	157.5	24.5	27.0	152.8	—	591.7
Total assets at year-end	742.6	1,527.1	211.4	105.5	284.0	17.9	2,888.5
Year ended December 31, 2002							
Segment income (loss) from continuing operations	$ (11.8)	146.8	49.6	12.0	(43.0)	(2.8)	150.8
Revenues from external customers	155.0	339.7	170.6	30.7	—	2.3	698.3
Intersegment revenues	3.3	56.2	—	—	—	—	59.5
Interest income	—	—	—	—	—	—	—
Interest expense, net of capitalization	—	—	—	—	—	—	—
Income tax expense (benefit)	(20.9)	59.9	42.3	—	—	(.9)	80.4
Significant noncash charges (credits)							
Depreciation, depletion, amortization	34.1	68.4	35.7	5.3	.9	.3	144.7
Impairment of long-lived assets	31.6	—	—	—	—	—	31.6
Provisions for major repairs	—	5.5	—	—	—	—	5.5
Amortization of undeveloped leases	10.5	3.0	—	—	—	—	13.5
Deferred and noncurrent income taxes	(18.7)	3.6	6.1	—	—	.6	(8.4)
Additions to property, plant, equipment	169.2	123.5	36.0	14.9	85.0	—	428.6
Total assets at year-end	661.8	1,269.9	243.7	82.0	122.1	7.9	2,387.4

Geographic Information

(Millions of dollars)	Certain Long-Lived Assets at December 31						
	U.S.	Canada	U.K.	Ecuador	Malaysia	Other	Total
2004	**$1,638.2**	**1,260.4**	**277.0**	**90.6**	**406.5**	**21.5**	**3,694.2**
2003	1,514.9	1,386.8	295.6	89.9	243.3	7.8	3,538.3
2002	1,302.2	1,116.8	295.0	70.9	101.8	6.3	2,893.0

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Segment Information (Continued)

(Millions of dollars)	Refining and Marketing			Corp. & Other	Consolidated
	North America	U.K.	Total		
Year ended December 31, 2004					
Segment income (loss) from continuing operations	**$ 53.4**	**28.5**	**81.9**	**(97.8)**	**496.4**
Revenues from external customers	**6,264.9**	**678.3**	**6,943.2**	**(8.9)**	**8,359.8**
Intersegment revenues	**—**	**—**	**—**	**—**	**62.8**
Interest income	**—**	**—**	**—**	**17.7**	**17.7**
Interest expense, net of capitalization	**—**	**—**	**—**	**34.1**	**34.1**
Income tax expense	**37.4**	**14.4**	**51.8**	**7.3**	**308.5**
Significant noncash charges (credits)					
Depreciation, depletion, amortization	**66.7**	**10.6**	**77.3**	**2.6**	**321.4**
Accretion of asset retirement obligations	**.1**	**—**	**.1**	**—**	**10.0**
Provisions for major repairs	**20.0**	**3.9**	**23.9**	**.1**	**30.2**
Amortization of undeveloped leases	**—**	**—**	**—**	**—**	**16.4**
Deferred and noncurrent income taxes	**30.7**	**(1.5)**	**29.2**	**32.6**	**107.6**
Additions to property, plant, equipment	**123.7**	**11.0**	**134.7**	**1.5**	**827.5**
Total assets at year-end	**1,467.2**	**310.8**	**1,778.0**	**611.0**	**5,458.2**
Year ended December 31, 2003					
Segment income (loss) from continuing operations	$ (21.2)	10.0	(11.2)	(13.8)	278.4
Revenues from external customers	3,722.4	483.8	4,206.2	10.0	5,164.6
Intersegment revenues	—	—	—	—	50.0
Interest income	—	—	—	4.4	4.4
Interest expense, net of capitalization	—	—	—	20.5	20.5
Income tax expense (benefit)	(11.9)	5.8	(6.1)	(36.0)	95.8
Significant noncash charges (credits)					
Depreciation, depletion, amortization	49.4	8.2	57.6	2.7	258.9
Impairment of long-lived assets	5.3	—	5.3	—	8.3
Accretion of asset retirement obligations	—	—	—	—	9.7
Provisions for major repairs	18.5	3.4	21.9	.1	28.5
Amortization of undeveloped leases	—	—	—	—	14.7
Deferred and noncurrent income taxes	(13.3)	(.6)	(13.9)	(10.4)	4.2
Additions to property, plant, equipment	205.8	9.6	215.4	1.1	808.2
Total assets at year-end	1,254.1	253.3	1,507.4	316.7	4,712.6
Year ended December 31, 2002					
Segment income (loss) from continuing operations	$ (39.2)	(.7)	(39.9)	(23.6)	87.3
Revenues from external customers	2,688.7	404.5	3,093.2	5.4	3,796.9
Intersegment revenues	—	—	—	—	59.5
Interest income	—	—	—	5.4	5.4
Interest expense, net of capitalization	—	—	—	27.0	27.0
Income tax expense (benefit)	(20.7)	1.5	(19.2)	(26.9)	34.3
Significant noncash charges (credits)					
Depreciation, depletion, amortization	43.4	6.7	50.1	2.7	197.5
Impairment of long-lived assets	—	—	—	—	31.6
Provisions for major repairs	16.7	2.7	19.4	.1	25.0
Amortization of undeveloped leases	—	—	—	—	13.5
Deferred and noncurrent income taxes	13.4	(.5)	12.9	(2.6)	1.9
Additions to property, plant, equipment	230.4	4.3	234.7	1.1	664.4
Total assets at year-end	996.6	211.6	1,208.2	290.2	3,885.8

Geographic Information

(Millions of dollars)	Revenues from External Customers for the Year						
	U.S.	U.K.	Canada	Ecuador	Malaysia	Other	Total
2004	**$6,713.7**	**872.1**	**572.6**	**30.8**	**167.2**	**3.4**	**8,359.8**
2003	3,883.4	706.5	450.9	41.9	77.7	4.2	5,164.6
2002	2,843.4	578.0	529.9	30.7	—	2.3	3,984.3

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
SUPPLEMENTAL OIL AND GAS INFORMATION (UNAUDITED)

The following schedules are presented in accordance with SFAS No. 69, Disclosures about Oil and Gas Producing Activities, to provide users with a common base for preparing estimates of future cash flows and comparing reserves among companies. Additional background information follows concerning four of the schedules.

SCHEDULES 1 AND 2 – ESTIMATED NET PROVED OIL AND NATURAL GAS RESERVES – Reserves of crude oil, condensate, natural gas liquids, natural gas and synthetic oil are estimated by the Company's engineers and are adjusted to reflect contractual arrangements and royalty rates in effect at the end of each year. Many assumptions and judgmental decisions are required to estimate reserves. Reported quantities are subject to future revisions, some of which may be substantial, as additional information becomes available from: reservoir performance, new geological and geophysical data, additional drilling, technological advancements, price changes and other economic factors.

The U.S. Securities and Exchange Commission defines proved reserves as those volumes of crude oil, condensate, natural gas liquids and natural gas that geological and engineering data demonstrate with reasonable certainty are recoverable from known reservoirs under existing economic and operating conditions. Proved developed reserves are volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered as a result of additional investments for drilling new wells to offset productive units, recompleting existing wells, and/or installing facilities to collect and transport production.

Production quantities shown are net volumes withdrawn from reservoirs. These may differ from sales quantities due to inventory changes, and especially in the case of natural gas, volumes consumed for fuel and/or shrinkage from extraction of natural gas liquids. Estimated net proved oil reserves shown in Schedule 1 include natural gas liquids.

Oil reserves in Ecuador are derived from a participation contract covering Block 16 in the Amazon region. Oil reserves associated with the participation contract in Ecuador totaled 17.3 million barrels at December 31, 2004. Oil reserves in Malaysia are associated with production sharing contracts for Blocks SK 309 and K. Malaysia reserves include oil to be received for both cost recovery and profit provisions under the contracts. Oil reserves associated with the production sharing contracts in Malaysia totaled 54 million barrels at December 31, 2004.

The Company has no proved reserves attributable to investees accounted for by the equity method.

Synthetic oil reserves in Canada, shown in a separate table following the natural gas reserve table at Schedule 2, are attributable to Murphy's 5% share, after deducting estimated net profit royalty, of the Syncrude project and include currently producing leases. Additional reserves will be added as development progresses.

SCHEDULE 4 – RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES – Results of operations from exploration and production activities by geographic area are reported as if these activities were not part of an operation that also refines crude oil and sells refined products.

SCHEDULE 5 – STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES – SFAS No. 69 requires calculation of future net cash flows using a 10% annual discount factor and year-end prices, costs and statutory tax rates, except for known future changes such as contracted prices and legislated tax rates. Future net cash flows from the Company's interest in synthetic oil are excluded.

The reported value of proved reserves is not necessarily indicative of either fair market value or present value of future cash flows because prices, costs and governmental policies do not remain static; appropriate discount rates may vary; and extensive judgment is required to estimate the timing of production. Other logical assumptions would likely have resulted in significantly different amounts. SFAS No. 69 requires that oil and natural gas prices as of the last business day of the year be used for calculation of the standardized measure of discounted future net cash flows. The average year-end 2004 crude oil prices were $33.99 per barrel for the United States, $33.22 for Canadian light, $12.44 for Canadian heavy, $38.43 for Canadian offshore, $38.26 for the United Kingdom, $23.25 for Ecuador and $39.27 for Malaysia. Average year-end 2004 natural gas prices were $6.71 per MCF for the United States, $5.69 for Canada and $5.57 for the United Kingdom.

Schedule 5 also presents the principal reasons for change in the standardized measure of discounted future net cash flows for each of the three years ended December 31, 2004.

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Schedule 1 – Estimated Net Proved Oil Reserves

(Millions of barrels)	United States[1]	Canada[2]	United Kingdom	Ecuador	Malaysia	Total
Proved						
December 31, 2001	88.6	60.5	44.1	38.7	15.0	246.9
Revisions of previous estimates	(6.5)	6.6	3.7	(4.1)	.3	—
Extensions and discoveries	3.8	8.4	2.0	—	—	14.2
Production	(1.9)	(13.5)	(6.7)	(1.7)	—	(23.8)
Sales	(3.4)	(2.3)	—	—	—	(5.7)
December 31, 2002	80.6	59.7	43.1	32.9	15.3	231.6
Revisions of previous estimates	(1.7)	8.0	.4	(.6)	.5	6.6
Extensions and discoveries	1.0	10.2	—	—	3.8	15.0
Production	(1.7)	(15.0)	(5.4)	(1.9)	(2.7)	(26.7)
Sales	—	(2.9)	(9.8)	—	—	(12.7)
December 31, 2003	78.2	60.0	28.3	30.4	16.9	213.8
Revisions of previous estimates	**(7.4)**	**(6.5)**	**.4**	**(10.3)**	**(1.1)**	**(24.9)**
Purchases	**—**	**7.1**	**—**	**—**	**—**	**7.1**
Extensions and discoveries	**2.4**	**13.1**	**.6**	**—**	**42.6**	**58.7**
Production	**(7.1)**	**(12.8)**	**(4.0)**	**(2.8)**	**(4.4)**	**(31.1)**
Sale of properties	**(.1)**	**(19.7)**	**(1.0)**	**—**	**—**	**(20.8)**
December 31, 2004	**66.0**	**41.2**	**24.3**	**17.3**	**54.0**	**202.8**
Proved Developed						
December 31, 2001	8.8	37.9	33.3	21.3	—	101.3
December 31, 2002	5.2	47.1	36.2	19.0	—	107.5
December 31, 2003	23.9	47.7	24.4	17.7	11.8	125.5
December 31, 2004	**31.3**	**32.5**	**19.8**	**7.9**	**12.4**	**103.9**

[1] Includes net proved oil reserves related to discontinued operations of 2.0 million barrels at December 31, 2001.

[2] Includes net proved oil reserves related to discontinued operations of 20.8 million barrels at December 31, 2003, 22.5 million barrels at December 31, 2002, and 20.6 million barrels at December 31, 2001.

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Schedule 2 – Estimated Net Proved Natural Gas Reserves

(Billions of cubic feet)	United States[1]	Canada[2]	United Kingdom	Total
Proved				
December 31, 2001	395.7	309.5	34.9	740.1
Revisions of previous estimates	(84.2)	(7.5)	(1.5)	(93.2)
Purchases	—	.4	—	.4
Extensions and discoveries	3.8	12.7	—	16.5
Production	(33.6)	(72.1)	(2.6)	(108.3)
Sales	(13.2)	(17.1)	—	(30.3)
December 31, 2002	268.5	225.9	30.8	525.2
Revisions of previous estimates	(4.5)	(8.6)	.1	(13.0)
Extensions and discoveries	14.7	16.8	—	31.5
Production	(30.0)	(45.1)	(3.5)	(78.6)
Sales	—	(15.8)	—	(15.8)
December 31, 2003	248.7	173.2	27.4	449.3
Revisions of previous estimates	**8.1**	**3.5**	**—**	**11.6**
Extensions and discoveries	**4.6**	**4.0**	**—**	**8.6**
Production	**(32.4)**	**(16.4)**	**(2.5)**	**(51.3)**
Sale of properties	**(8.5)**	**(140.7)**	**(.2)**	**(149.4)**
December 31, 2004	**220.5**	**23.6**	**24.7**	**268.8**
Proved Developed				
December 31, 2001	189.6	277.5	34.1	501.2
December 31, 2002	139.7	205.6	30.1	375.4
December 31, 2003	150.5	156.0	26.6	333.1
December 31, 2004	**136.6**	**22.2**	**24.0**	**182.8**

[1] Includes net proved natural gas reserves related to discontinued operations of 8.1 billion cubic feet at December 31, 2001.
[2] Includes net proved natural gas reserves related to discontinued operations of 150.5 billion cubic feet at December 31, 2003, 195.5 billion cubic feet at December 31, 2002, and 278.4 billion cubic feet at December 31, 2001.

Information on Proved Reserves for Canadian Synthetic Oil Operation Not Included in Net Proved Oil Reserves

The Company has a 5% interest in Syncrude, the world's largest tar sands synthetic oil production project located in Alberta, Canada. In addition to conventional liquids and natural gas proved reserves, Murphy has significant proved synthetic oil reserves associated with Syncrude that are shown in the table below. For internal management purposes, Murphy views these reserves and ongoing production and development as an integral part of its total Exploration and Production operations. However, the U.S. Securities and Exchange Commission's regulations define Syncrude as a mining operation, and therefore, do not permit these associated proved reserves to be included as a part of conventional oil and natural gas reserves. These reserves are also not included in the Company's schedule of Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves, which can be found on page F-36.

Synthetic Oil Proved Reserves

(Millions of barrels)	
December 31, 2001	131.0
December 31, 2002	136.2
December 31, 2003	136.8
December 31, 2004	**138.0**

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Schedule 3 – Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

(Millions of dollars)	United States[1]	Canada[2,3]	United Kingdom	Ecuador	Malaysia	Other	Total
Year Ended December 31, 2004							
Property acquisition costs							
Unproved	**$ 9.7**	**54.8**	**—**	**—**	**—**	**6.1**	**70.6**
Proved	**—**	**67.3**	**—**	**—**	**—**	**—**	**67.3**
Total acquisition costs	**9.7**	**122.1**	**—**	**—**	**—**	**6.1**	**137.9**
Exploration costs	**95.1**	**10.9**	**1.0**	**—**	**151.5**	**9.6**	**268.1**
Development costs	**96.5**	**101.9**	**3.0**	**12.5**	**108.7**	**—**	**322.6**
Total capital expenditures	**201.3**	**234.9**	**4.0**	**12.5**	**260.2**	**15.7**	**728.6**
Asset retirement costs	**12.4**	**7.2**	**1.9**	**—**	**(2.8)**	**—**	**18.7**
Charged to expense							
Dry hole expense	**41.3**	**21.4**	**.7**	**—**	**47.4**	**.1**	**110.9**
Geophysical and other costs	**15.7**	**3.4**	**.3**	**—**	**15.3**	**2.3**	**37.0**
Total charged to expense	**57.0**	**24.8**	**1.0**	**—**	**62.7**	**2.4**	**147.9**
Property additions	**$156.7**	**217.3**	**4.9**	**12.5**	**194.7**	**13.3**	**599.4**
Year Ended December 31, 2003							
Property acquisition costs							
Unproved	$ 19.9	2.9	—	—	—	—	22.8
Proved	—	—	—	—	—	—	—
Total acquisition costs	19.9	2.9	—	—	—	—	22.8
Exploration costs	72.5	23.9	.3	—	68.9	5.1	170.7
Development costs	189.4	45.9	24.5	27.0	115.5	—	402.3
Total capital expenditures	281.8	72.7	24.8	27.0	184.4	5.1	595.8
Asset retirement costs	13.6	3.9	—	—	5.7	—	23.2
Charged to expense							
Dry hole expense	36.4	2.8	(.1)	—	17.6	3.9	60.6
Geophysical and other costs	15.5	6.2	.4	—	14.0	1.2	37.3
Total charged to expense	51.9	9.0	.3	—	31.6	5.1	97.9
Property additions	$243.5	67.6	24.5	27.0	158.5	—	521.1
Year Ended December 31, 2002							
Property acquisition costs							
Unproved	$ 8.4	7.2	—	—	—	—	15.6
Proved	—	.6	—	—	—	—	.6
Total acquisition costs	8.4	7.8	—	—	—	—	16.2
Exploration costs	56.7	25.0	3.8	—	102.3	.2	188.0
Development costs	156.7	40.9	36.0	14.9	24.8	—	273.3
Total capital expenditures	221.8	73.7	39.8	14.9	127.1	.2	477.5
Charged to expense							
Dry hole expense	39.8	8.9	3.1	—	37.9	.1	89.8
Geophysical and other costs	12.8	2.8	.7	—	4.2	.1	20.6
Total charged to expense	52.6	11.7	3.8	—	42.1	.2	110.4
Property additions[4]	$169.2	62.0	36.0	14.9	85.0	—	367.1

1 Excludes property additions of $.5 million in 2002 related to discontinued operations.

2 Excludes property additions for the Company's 5% interest in synthetic oil operations in Canada, which were $110.6 million in 2004, $93.8 million in 2003 and $61.5 million in 2002.

3 Excludes property additions of $4.6 million in 2004, $49.3 million in 2003, and $68.3 million in 2002 related to discontinued operations.

4

Excludes pro forma total asset retirement costs, assuming SFAS No. 143 had been applied retroactively, of $8.3 million.

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Schedule 4 – Results of Operations for Oil and Gas Producing Activities

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Malaysia	Other	Subtotal	Synthetic Oil – Canada	Total
Year Ended December 31, 2004									
Revenues									
Crude oil and natural gas liquids									
Transfers to consolidated operations	**$ —**	**31.5**	**—**	**—**	**—**	**—**	**31.5**	**31.3**	**62.8**
Sales to unaffiliated enterprises	**248.4**	**371.8**	**146.8**	**30.8**	**167.2**	**—**	**965.0**	**142.9**	**1,107.9**
Natural gas									
Transfers to consolidated companies	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sales to unaffiliated enterprises	**207.6**	**28.7**	**11.4**	**—**	**—**	**—**	**247.7**	**—**	**247.7**
Total oil and gas revenues	**456.0**	**432.0**	**158.2**	**30.8**	**167.2**	**—**	**1,244.2**	**174.2**	**1,418.4**
Other operating revenues	**26.8**	**.5**	**39.2**	**—**	**—**	**3.4**	**69.9**	**—**	**69.9**
Total revenues	**482.8**	**432.5**	**197.4**	**30.8**	**167.2**	**3.4**	**1,314.1**	**174.2**	**1,488.3**
Costs and expenses									
Production expenses	**76.3**	**39.4**	**18.8**	**13.9**	**22.7**	**—**	**171.1**	**77.9**	**249.0**
Storm damage and estimated retrospective insurance costs	**8.7**	**2.9**	**2.4**	**—**	**.1**	**—**	**14.1**	**1.1**	**15.2**
Exploration costs charged to expense	**57.0**	**24.8**	**1.0**	**—**	**62.7**	**2.4**	**147.9**	**—**	**147.9**
Undeveloped lease amortization	**12.8**	**2.7**	**—**	**—**	**—**	**.9**	**16.4**	**—**	**16.4**
Depreciation, depletion and amortization	**66.9**	**100.8**	**28.0**	**5.3**	**29.6**	**.1**	**230.7**	**10.8**	**241.5**
Accretion of asset retirement obligations	**3.7**	**2.9**	**2.3**	**—**	**.2**	**.4**	**9.5**	**.4**	**9.9**
Selling and general expenses	**19.3**	**9.4**	**2.8**	**.6**	**4.8**	**9.2**	**46.1**	**.6**	**46.7**
Total costs and expenses	**244.7**	**182.9**	**55.3**	**19.8**	**120.1**	**13.0**	**635.8**	**90.8**	**726.6**
	238.1	**249.6**	**142.1**	**11.0**	**47.1**	**(9.6)**	**678.3**	**83.4**	**761.7**
Income tax expense	**78.6**	**76.4**	**55.0**	**4.4**	**8.8**	**1.8**	**225.0**	**24.4**	**249.4**
Results of operations*	**$159.5**	**173.2**	**87.1**	**6.6**	**38.3**	**(11.4)**	**453.3**	**59.0**	**512.3**
Year Ended December 31, 2003									
Revenues									
Crude oil and natural gas liquids									
Transfers to consolidated operations	$ —	33.0	—	—	—	—	33.0	17.0	50.0
Sales to unaffiliated enterprises	39.2	281.8	158.6	41.9	77.7	—	599.2	78.7	677.9
Natural gas									
Transfers to consolidated operations	—	—	—	—	—	—	—	—	—
Sales to unaffiliated enterprises	158.3	34.9	12.2	—	—	—	205.4	—	205.4
Total oil and gas revenues	197.5	349.7	170.8	41.9	77.7	—	837.6	95.7	933.3
Other operating revenues	(.8)	10.9	50.8	—	—	4.2	65.1	—	65.1
Total revenues	196.7	360.6	221.6	41.9	77.7	4.2	902.7	95.7	998.4
Costs and expenses									
Production expenses	36.8	36.4	27.9	16.5	9.1	—	126.7	62.9	189.6
Exploration costs charged to expense	51.9	9.0	.3	—	31.6	5.1	97.9	—	97.9
Undeveloped lease amortization	11.5	3.1	.1	—	—	—	14.7	—	14.7
Depreciation, depletion and amortization	36.7	94.0	32.6	7.5	18.5	.2	189.5	9.1	198.6
Impairment of properties	3.0	—	—	—	—	—	3.0	—	3.0
Accretion of asset retirement obligations	3.3	2.5	2.9	—	.3	.3	9.3	.4	9.7
Selling and general expenses	17.0	12.2	2.7	.6	3.8	6.7	43.0	.6	43.6
Total costs and expenses	160.2	157.2	66.5	24.6	63.3	12.3	484.1	73.0	557.1
	36.5	203.4	155.1	17.3	14.4	(8.1)	418.6	22.7	441.3
Income tax expense	13.2	55.6	59.8	.6	3.7	.7	133.6	4.3	137.9
Results of operations*	$ 23.3	147.8	95.3	16.7	10.7	(8.8)	285.0	18.4	303.4

* Excludes discontinued operations, corporate overhead and interest in 2004 and 2003. Income from discontinued operations was $204.9 million in 2004 and $22.8 million in 2003.

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Schedule 4 – Results of Operations for Oil and Gas Producing Activities (Contd.)

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Malaysia	Other	Subtotal	Synthetic Oil – Canada	Total
Year Ended December 31, 2002									
Revenues									
Crude oil and natural gas liquids									
Transfers to consolidated operations	$ —	24.5	—	—	—	—	24.5	31.7	56.2
Sales to unaffiliated enterprises	30.0	230.5	163.0	30.7	—	—	454.2	74.6	528.8
Natural gas									
Transfers to consolidated operations	3.3	—	—	—	—	—	3.3	—	3.3
Sales to unaffiliated enterprises	108.0	33.1	7.0	—	—	—	148.1	—	148.1
Total oil and gas revenues	141.3	288.1	170.0	30.7	—	—	630.1	106.3	736.4
Other operating revenues	17.0	1.5	.6	—	—	2.3	21.4	—	21.4
Total revenues	158.3	289.6	170.6	30.7	—	2.3	651.5	106.3	757.8
Costs and expenses									
Production expenses	43.7	48.2	35.9	12.8	—	—	140.6	48.7	189.3
Storm damage costs	5.0	—	—	—	—	—	5.0	—	5.0
Exploration costs charged to expense	52.6	11.7	3.8	—	42.1	.2	110.4	—	110.4
Undeveloped lease amortization	10.5	3.0	—	—	—	—	13.5	—	13.5
Depreciation, depletion and amortization	34.1	59.6	35.7	5.3	.9	.3	135.9	8.8	144.7
Impairment of properties	31.6	—	—	—	—	—	31.6	—	31.6
Selling and general expenses	13.5	8.9	3.3	.6	—	5.5	31.8	.3	32.1
Total costs and expenses	191.0	131.4	78.7	18.7	43.0	6.0	468.8	57.8	526.6
	(32.7)	158.2	91.9	12.0	(43.0)	(3.7)	182.7	48.5	231.2
Income tax expense (benefit)	(20.9)	44.3	42.3	—	—	(.9)	64.8	15.6	80.4
Results of operations*	$ (11.8)	113.9	49.6	12.0	(43.0)	(2.8)	117.9	32.9	150.8

* Excludes discontinued operations, corporate overhead and interest in 2002. Income from discontinued operations was $24.2 million in 2002. Excludes pro forma accretion of asset retirement obligations of $10.3 million in 2002.

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Schedule 5 – Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

(Millions of dollars)	United States	Canada[1,2]	United Kingdom	Ecuador	Malaysia	Total
December 31, 2004						
Future cash inflows	**$ 3,721.2**	**1,215.2**	**1,119.6**	**401.8**	**2,119.2**	**8,577.0**
Future development costs	**(194.8)**	**(31.9)**	**(34.7)**	**(39.7)**	**(625.6)**	**(926.7)**
Future production and abandonment costs	**(595.7)**	**(342.0)**	**(247.9)**	**(128.7)**	**(739.4)**	**(2,053.7)**
Future income taxes	**(862.3)**	**(252.9)**	**(352.9)**	**(42.4)**	**(312.9)**	**(1,823.4)**
Future net cash flows	**2,068.4**	**588.4**	**484.1**	**191.0**	**441.3**	**3,773.2**
10% annual discount for estimated timing of cash flows	**(485.8)**	**(75.4)**	**(173.3)**	**(45.9)**	**(210.4)**	**(990.8)**
Standardized measure of discounted future net cash flows	**$ 1,582.6**	**513.0**	**310.8**	**145.1**	**230.9**	**2,782.4**
December 31, 2003						
Future cash inflows	$ 3,787.5	2,239.6	948.2	685.1	544.6	8,205.0
Future development costs	(184.2)	(85.4)	(22.7)	(41.4)	(104.1)	(437.8)
Future production and abandonment costs	(631.1)	(649.5)	(268.8)	(264.6)	(143.2)	(1,957.2)
Future income taxes	(1,001.2)	(419.0)	(265.0)	(116.5)	(129.6)	(1,931.3)
Future net cash flows	1,971.0	1,085.7	391.7	262.6	167.7	3,878.7
10% annual discount for estimated timing of cash flows	(560.7)	(266.2)	(122.9)	(72.7)	(36.3)	(1,058.8)
Standardized measure of discounted future net cash flows	$ 1,410.3	819.5	268.8	189.9	131.4	2,819.9
December 31, 2002						
Future cash inflows	$ 3,657.1	2,344.2	1,374.9	690.3	468.5	8,535.0
Future development costs	(332.0)	(57.0)	(55.2)	(64.5)	(83.6)	(592.3)
Future production and abandonment costs	(579.0)	(487.2)	(421.1)	(250.4)	(149.5)	(1,887.2)
Future income taxes	(905.7)	(579.7)	(376.8)	(116.7)	(84.6)	(2,063.5)
Future net cash flows	1,840.4	1,220.3	521.8	258.7	150.8	3,992.0
10% annual discount for estimated timing of cash flows	(633.6)	(291.3)	(160.0)	(88.2)	(38.5)	(1,211.6)
Standardized measure of discounted future net cash flows	$ 1,206.8	929.0	361.8	170.5	112.3	2,780.4

[1] Includes discounted future net cash flows from discontinued operations of $322.2 million and $392.1 million at December 31, 2003 and 2002, respectively.
[2] Excludes discounted future net cash flows from synthetic oil of $708.6 million at December 31, 2004, $451.5 million at December 31, 2003 and $411 million at December 31, 2002.

Following are the principal sources of change in the standardized measure of discounted future net cash flows for the years shown.

(Millions of dollars)	2004	2003	2002
Net changes in prices, production costs and development costs	**$ (1.4)**	(97.0)	2,480.2
Sales and transfers of oil and gas produced, net of production costs	**(1,143.0)**	(938.8)	(672.9)
Net change due to extensions and discoveries	**1,056.5**	307.7	238.8
Net change due to purchases and sales of proved reserves	**(272.0)**	(196.7)	(150.9)
Development costs incurred	**310.7**	426.9	304.3
Accretion of discount	**421.1**	420.4	202.5
Revisions of previous quantity estimates	**(443.4)**	85.1	(223.2)
Net change in income taxes	**34.0**	31.9	(824.8)
Net increase (decrease)	**(37.5)**	39.5	1,354.0
Standardized measure at January 1	**2,819.9**	2,780.4	1,426.4
Standardized measure at December 31	**$ 2,782.4**	2,819.9	2,780.4

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Schedule 6 – Capitalized Costs Relating to Oil and Gas Producing Activities

(Millions of dollars)	United States	Canada	United Kingdom	Ecuador	Malaysia	Other	Subtotal	Synthetic Oil – Canada	Total
December 31, 2004									
Unproved oil and gas properties	**$ 166.2**	**33.2**	**.1**	**—**	**89.5**	**16.7**	**305.7**	**—**	**305.7**
Proved oil and gas properties	**1,581.4**	**1,105.1**	**368.0**	**282.2**	**353.9**	**—**	**3,690.6**	**579.2**	**4,269.8**
Asset retirement costs	**62.1**	**45.9**	**16.8**	**—**	**3.5**	**3.4**	**131.7**	**4.4**	**136.1**
Gross capitalized costs	**1,809.7**	**1,184.2**	**384.9**	**282.2**	**446.9**	**20.1**	**4,128.0**	**583.6**	**4,711.6**
Accumulated depreciation, depletion and amortization									
Unproved oil and gas properties	**(34.2)**	**(8.2)**	**(.1)**	**—**	**—**	**(4.3)**	**(46.8)**	**—**	**(46.8)**
Proved oil and gas properties	**(1,047.9)**	**(400.6)**	**(209.8)**	**(191.6)**	**(44.6)**	**—**	**(1,894.5)**	**(89.2)**	**(1,983.7)**
Asset retirement costs	**(34.9)**	**(17.7)**	**(8.6)**	**—**	**(2.7)**	**(3.4)**	**(67.3)**	**(.4)**	**(67.7)**
Net capitalized costs	**$ 692.7**	**757.7**	**166.4**	**90.6**	**399.6**	**12.4**	**2,119.4**	**494.0**	**2,613.4**
December 31, 2003									
Unproved oil and gas properties	$ 125.3	120.8	.1	—	154.5	3.5	404.2	—	404.2
Proved oil and gas properties	1,516.6	1,751.9	614.1	269.7	93.7	—	4,246.0	425.5	4,671.5
Asset retirement costs	50.3	65.0	29.6	—	8.1	3.1	156.1	4.1	160.2
Gross capitalized costs	1,692.2	1,937.7	643.8	269.7	256.3	6.6	4,806.3	429.6	5,235.9
Accumulated depreciation, depletion and amortization									
Unproved oil and gas properties	(24.6)	(52.0)	(.1)	—	—	(3.5)	(80.2)	—	(80.2)
Proved oil and gas properties	(1,018.2)	(833.3)	(429.9)	(179.8)	(16.3)	—	(2,477.5)	(71.8)	(2,549.3)
Asset retirement costs	(31.4)	(32.0)	(21.8)	—	(1.7)	(3.1)	(90.0)	(.3)	(90.3)
Net capitalized costs	$ 618.0	1,020.4	192.0	89.9	238.3	—	2,158.6	357.5	2,516.1

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
SUPPLEMENTAL QUARTERLY INFORMATION (UNAUDITED)

(Millions of dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Year Ended December 31, 2004					
Sales and other operating revenues	**$1,628.2**	**2,097.0**	**2,262.3**	**2,311.6**	**8,299.1**
Income from continuing operations before income taxes	**139.8**	**257.6**	**196.4**	**211.1**	**804.9**
Income from continuing operations	**80.7**	**168.1**	**115.8**	**131.8**	**496.4**
Income from discontinued operations	**17.5**	**181.8**	**2.9**	**2.7**	**204.9**
Net income	**98.2**	**349.9**	**118.7**	**134.5**	**701.3**
Income per Common share – basic					
Continuing operations	**.88**	**1.82**	**1.26**	**1.43**	**5.39**
Discontinued operations	**.19**	**1.98**	**.03**	**.03**	**2.23**
Net income	**1.07**	**3.80**	**1.29**	**1.46**	**7.62**
Income per Common share – diluted					
Continuing operations	**.86**	**1.80**	**1.24**	**1.41**	**5.31**
Discontinued operations	**.19**	**1.95**	**.03**	**.03**	**2.20**
Net income	**1.05**	**3.75**	**1.27**	**1.44**	**7.51**
Cash dividend per Common share	**.20**	**.20**	**.225**	**.225**	**.85**
Market price of Common Stock[1]					
High	**66.99**	**73.70**	**86.77**	**86.30**	**86.30**
Low	**58.08**	**62.91**	**70.14**	**77.56**	**58.08**
Year Ended December 31, 2003[2]					
Sales and other operating revenues	$1,257.2	1,176.2	1,251.4	1,409.7	5,094.5
Income from continuing operations before income taxes	102.2	111.0	85.3	75.7	374.2
Income from continuing operations	82.9	72.3	66.8	56.4	278.4
Income from discontinued operations	11.2	7.4	1.9	2.3	22.8
Income before cumulative effect of accounting change	94.1	79.7	68.7	58.7	301.2
Cumulative effect of accounting change	(7.0)	—	—	—	(7.0)
Net income	87.1	79.7	68.7	58.7	294.2
Income per Common share – basic					
Continuing operations	.91	.79	.73	.61	3.03
Discontinued operations	.12	.08	.02	.03	.25
Cumulative effect of accounting change	(.08)	—	—	—	(.08)
Net income	.95	.87	.75	.64	3.20
Income per Common share – diluted					
Continuing operations	.90	.78	.72	.61	3.00
Discontinued operations	.12	.08	.02	.02	.25
Cumulative effect of accounting change	(.08)	—	—	—	(.08)
Net income	.94	.86	.74	.63	3.17
Cash dividend per Common share	.20	.20	.20	.20	.80
Market price of Common Stock[1]					
High	45.24	53.34	59.00	68.02	68.02
Low	38.84	40.87	47.58	57.52	38.84

[1] Prices are as quoted on the New York Stock Exchange.
[2] Reclassified to conform to 2004 presentation.

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MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
SCHEDULE II – VALUATION ACCOUNTS AND RESERVES

(Millions of dollars)	Balance at January 1	Charged (Credited) to Expense	Deductions	Other[1]	Balance at December 31
2004					
Deducted from asset accounts:					
Allowance for doubtful accounts	**$ 14.3**	**2.2**	**(2.8)**	**.3**	**14.0**
Deferred tax asset valuation allowance	**68.1**	**(6.8)[2]**	**—**	**—**	**61.3**
Included in liabilities:					
Accrued major repair costs	**20.5**	**30.2**	**(8.0)**	**1.5**	**44.2**
2003					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 9.3	6.1	(1.5)	.4	14.3
Deferred tax asset valuation allowance	89.6	(21.5)[2]	—	—	68.1
Included in liabilities:					
Accrued major repair costs	53.0	28.5	(61.9)	.9	20.5
2002					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 11.3	.8	(2.7)	(.1)	9.3
Deferred tax asset valuation allowance	67.7	21.9	—	—	89.6
Included in liabilities:					
Accrued major repair costs	44.6	25.0	(17.0)	.4	53.0

[1] Amounts represent changes in foreign currency exchange rates.
[2] Includes recognition of deferred income tax benefits of $31.9 million in 2004 for Block K and $11.4 million in 2003 for Blocks SK 309 and 311 in Malaysia.

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GLOSSARY OF TERMS

bitumen or oil sands
tar-like hydrocarbon-bearing substance that occurs naturally in certain areas at the Earth's surface or at relatively shallow depths

clean fuels
low-sulfur content gasoline and diesel products

deepwater
offshore location in greater than 1,000 feet of water

downstream
refining and marketing operations

dry hole
an unsuccessful exploration well that is plugged and abandoned, with associated costs written off to expense

exploratory
wildcat and delineation, e.g., exploratory wells

feedstock
crude oil, natural gas liquids and other materials used as raw materials for making gasoline and other refined products by the Company's refineries

hydrocarbons
organic chemical compounds of hydrogen and carbon atoms that form the basis of all petroleum products

on stream
commencement of oil and gas production from a new field

3D seismic
three-dimensional images created by bouncing sound waves off underground rock formations that are used to determine the best places to drill for hydrocarbons

throughput
average amount of raw material processed in a given period by a facility

upstream
oil and natural gas exploration and production operations, including synthetic oil operation

wildcat
well drilled to target an untested or unproved geologic formation

EXHIBIT 4.2

MURPHY OIL CORPORATION

as Issuer

and

SUNTRUST BANK, NASHVILLE, NA.

as Trustee

Indenture

Dated as of May 4, 1999

CROSS REFERENCE SHEET*

Between

Provisions of the Trust Indenture Act of 1939 and the Indenture to be dated as of May 4, 1999 between MURPHY OIL CORPORATION and SUNTRUST BANK, Nashville, N.A., as Trustee:

Section of the Act	Section of Indenture
310(a)(1)	5.08
310(a)(3)	Inapplicable
310(b)	5.12 and 5.09(a), (b) and (d)
310(c)	Inapplicable
311(a)	5.13
311(b)	5.13
311(c)	Inapplicable
312(a)	3.06
312(b)	3.06
312(c)	4.02(c)
313(a)	3.08
313 (b)(1)	Inapplicable
313(b)(2)	3.08
313(c)	3.08
313(d)	3.08
314(a)	3.07
314(b)	Inapplicable
314(c)(1) and (2)	10.05
314(c)(3)	Inapplicable
314(d)	Inapplicable
314(e)	10.05
314(f)	Inapplicable
315(a), (c) and (d)	5.01
315(b)	4.11
315(e)	4.12
316(a)(1)	4.09
316(a)(2)	Not required
316(a) (last sentence)	6.04
316(b)	4.07
317(a)	4.02
317(b)	3.04(a) and (b)
318(a)	10.07

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* This Cross Reference Sheet is not part of the Indenture.

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THIS INDENTURE, dated as of May 4, 1999 between MURPHY OIL CORPORATION (the "**Issuer**"), a corporation organized under the laws of the State of Delaware, and SUNTRUST BANK, NASHVILLE, N.A., a national banking association (the "**Trustee**").

WITNESSETH:

WHEREAS, the Issuer has duly authorized the issue from time to time of its unsecured debentures, notes or other evidences of Indebtedness to be issued in one or more series (the "**Securities**") up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture and to provide, among other things, for the authentication, delivery and administration thereof, the Issuer has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the holders thereof, the Issuer and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities or of a series thereof as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Certain Terms Defined.* The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Article. All other terms used in this Indenture that are defined in the Trust Indenture Act of 1939 or the definitions of which in the Securities Act of 1933 are referred to in the Trust Indenture Act of 1939, including terms defined therein by reference to the Securities Act of 1933 (except as herein otherwise expressly provided or unless the context otherwise clearly requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "**generally accepted accounting principles**" means such accounting principles as are generally accepted at the time of any computation. The words "**herein**", "**hereof**" and "**hereunder**" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

“**Board of Directors**” means either the Board of Directors of the Issuer or any committee of such Board duly authorized to act hereunder.

“**Business Day**” means, with respect to any Security, a day that in the city (or in any of the cities, if more than one) in which amounts are payable, as specified in the form of such Security, is not a day on which banking institutions are authorized by law or regulation to close.

“**Capital Lease Obligations**” means any obligation to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease obligation under generally accepted accounting principles, and, for the purposes of this Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with such principles.

“**Capital Stock**” means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock.

“**Commission**” means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“**Consolidated Net Assets**” means the total of all assets (less depreciation and amortization reserves and other valuation reserves and loss reserves) which, under generally accepted accounting principles, would appear on the asset side of a consolidated balance sheet of the Company and its Subsidiaries, less the aggregate of all liabilities, deferred credits, minority shareholders’ interests in Subsidiaries, reserves and other items which, under such principles, would appear on the liability side of such consolidated balance sheet, except Funded Indebtedness and Stockholders’ Equity; provided, however, that in determining Consolidated Net Assets, there shall not be included as assets, (i) all assets (other than goodwill, which shall be included) which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, patents, trademarks, copyrights and unamortized debt discount and expense, (ii) any treasury stock carried as an asset, or (iii) any write-ups of capital assets (other than write-ups resulting from the acquisition of stock or assets of another corporation or business).

“**Corporate Trust Office**” means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located at Sixth Floor, SunTrust Center, 424 Church Street, Nashville, Tennessee 37219.

“**Debt**” shall have the meaning set forth in Section 3.09.

“**Depositary**” means, with respect to the Securities of any series issuable or issued in the form of one or more Global Securities, the Person designated as Depositary by the Issuer pursuant to Section 2.03 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Depositary**” shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, “**Depositary**” as used with respect to the Securities of that series shall mean the Depositary with respect to the Global Securities of that series.

“**Event of Default**” means any event or condition specified as such in Section 4.01.

“**Funded Indebtedness**” of any Person means all indebtedness for borrowed money created, incurred, assumed or guaranteed in any manner by such Person, and all indebtedness incurred or assumed by such Person in connection with the acquisition of any business, property or asset, which in each case matures more than one year after, or which by its terms is renewable or extendible or payable out of the proceeds of similar indebtedness incurred pursuant to the terms of any revolving credit agreement or any similar agreement at the option of such Person for a period ending more than one year after the date as of which Funded Indebtedness is being determined (excluding any amount thereof which is included in current liabilities); *provided, however*, that Funded Indebtedness shall not include: (i) any indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness, if permitted under the instrument creating or evidencing such indebtedness) in the necessary amount shall have been irrevocably deposited in trust with a trustee or proper depository either on or before the maturity or redemption date thereof or (ii) any indebtedness of such Person to any of its subsidiaries or of any subsidiary to such Person or any other subsidiary or (iii) any indebtedness incurred in connection with the financing of operating, construction or acquisition projects, provided that the recourse for such indebtedness is limited to the assets of such projects.

“**Global Security**” means a Security evidencing all or a part of a series of Securities, issued to the Depositary for such series in accordance with Section 2.05, and bearing the legend prescribed in Section 2.05.

“**Holder**”, “**holder of Securities**”, “**Securityholder**” or other similar terms mean the Person in whose name a Security is registered in the security register kept by the Issuer for the purpose in accordance with the terms hereof.

“**Indebtedness**” means (a) any liability of any Person (I) for borrowed money, or any non-contingent reimbursement obligation relating to a letter of credit, or (2) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind (other than a trade payable or a

current liability arising in the ordinary course of business), or (3) for the payment of money relating to a Capital Lease Obligation; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above.

"**Indenture**" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented or both, and shall include the forms and terms of particular series of Securities established as contemplated hereunder.

"**Interest**" means, when used with respect to non-interest bearing Securities, interest payable after maturity.

"**Issuer**" means Murphy Oil Corporation, a corporation organized under the laws of the State of Delaware, and, subject to Article 8, its successors and assigns.

"**Issuer Order**" means a written statement, request or order of the Issuer signed in its name by the chairman of the Board of Directors, the president, any vice president or the treasurer of the Issuer.

"**Mortgage**" shall have the meaning set forth in Section 3.09.

"**New York Agency**" means the office of Harris Trust Company of New York, serving as agent of the Trustee in The City of New York, which office is, at the date as of which this Indenture is dated, located at Nineteenth Floor, 88 Pine Street, New York, New York 10005.

"**Officers' Certificate**" means a certificate signed by the chairman of the Board of Directors or the president or any vice president and by the treasurer or the secretary or any assistant secretary of the Issuer and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for in Section 10.05 hereof, if and to the extent that such sections are applicable.

"**Opinion of Counsel**" means an opinion in writing signed by legal counsel who may be an employee of or counsel to the Issuer and who shall be satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for in Section 10.05 hereof, if and to the extent that such sections are applicable.

"**Original Issue Discount Security**" means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 4.01.

“**Outstanding**”, when used with reference to Securities, shall, subject to the provisions of Section 6.04, mean, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer for the holders of such Securities (if the Issuer shall act as its own paying agent), *provided* that if such Securities, or portions thereof, are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities in substitution for which other Securities shall have been authenticated and delivered, or which shall have been paid, pursuant to the terms of Section 2.09 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a person in whose hands such Security is a legal, valid and binding obligation of the Issuer).

In determining whether the holders of the requisite principal amount of Outstanding Securities of any or all series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 4.01.

“**Periodic Offering**” means an offering of Securities of a series from time to time, the specific terms of which Securities, including, without limitation, the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Issuer or its agents upon the issuance of such Securities.

“**Person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**principal**” whenever used with reference to the Securities or any Security or any portion thereof, shall be deemed to include “and premium, if any”.

“**Principal Property**” means all property and equipment directly engaged in the exploration, production, refining, marketing and transportation activities of

the Issuer and its Subsidiaries, except any such property and equipment which the Board of Directors declares is not material to the business of the Issuer and its Subsidiaries taken as a whole.

“**Responsible Officer**” when used with respect to the Trustee means the chairman of the board of directors, any vice chairman of the board of directors, the chairman of the trust committee, the chairman of the executive committee, any vice chairman of the executive committee, the president, any vice president, the cashier, the secretary, the treasurer, any senior trust officer, any trust officer, any assistant trust officer, any assistant vice president, any assistant cashier, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

“**Restricted Subsidiary**” means any Subsidiary of the Issuer that owns a Principal Property and has Stockholders’ Equity that is greater than 2% of the Consolidated Net Assets of the Issuer.

“**Sale and Lease-Back Transaction**” shall have the meaning set forth in Section 3.10.

“**Security**” or “**Securities**” has the meaning stated in the first recital of this Indenture, or, as the case may be, Securities that have been authenticated and delivered under this Indenture.

“**Senior Funded Indebtedness**” means any Funded Indebtedness which is also Senior Indebtedness.

“**Senior Indebtedness**” shall mean the principal of and premium, if any, and interest on (including interest accruing after the filing of a petition initiating any proceeding pursuant to any bankruptcy law) and other amounts due on or in connection with any Indebtedness of the Issuer, whether outstanding on the date of this Indenture or hereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall be subordinated to the Securities. Notwithstanding the foregoing, Senior Indebtedness shall not include Indebtedness of the Issuer to a Subsidiary of the Issuer for money borrowed or advanced from such Subsidiary.

“**Stockholders’ Equity**” means the aggregate of (however designated) capital, capital stock (including preferred stock), capital surplus, capital in excess of par value of stock, earned surplus, net income retained for use in the business and cumulative foreign exchange translation adjustments, after deducting the cost of shares of the Issuer held in its treasury.

“**Subsidiary**” means (i) any corporation of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time directly or indirectly owned by the Issuer or by the Issuer and one or more Subsidiaries or by one or more Subsidiaries, and (ii) any limited partnership in which the Issuer or a Subsidiary is a general partner and in which more than 50% of the voting interests thereof is at the time directly or indirectly owned by the Issuer or by the Issuer and one or more Subsidiaries or by one or more Subsidiaries. The term “subsidiary”, when used with respect to any Person other than the Issuer, shall have a meaning correlative to the foregoing.

“**Trust Indenture Act of 1939**” (except as otherwise provided in Sections 7.01 and 7.02) means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was originally executed.

“**Trustee**” means the Person identified as “Trustee” in the first paragraph hereof and, subject to the provisions of Article 5, shall also include any successor trustee. “**Trustee**” shall also mean or include each Person who is then a trustee hereunder and if at any time there is more than one such Person, “**Trustee**” as used with respect to the Securities of any series shall mean the trustee with respect to the Securities of such series.

“**U.S. Government Obligations**” shall have the meaning set forth in Section 9.01.

“**vice president**” when used with respect to the Issuer or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title of “vice president”.

“**Yield to Maturity**” means the yield to maturity on a series of Securities, calculated at the time of issuance of such series, or, if applicable, at the most recent redetermination of interest on such series, and calculated in accordance with accepted financial practice.

ARTICLE 2
SECURITIES

Section 2.01. *Forms Generally*. The Securities of each series shall be substantially in such form (not inconsistent with this Indenture) as shall be established by or pursuant to a resolution of the Board of Directors (as set forth in such resolution or, to the extent established pursuant to rather than set forth in such resolution, an Officers’ Certificate detailing such establishment) or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this

Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with any rules of any securities exchange or to conform to general usage, all as may be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 2.02. *Form of Trustee's Certificate of Authentication*. The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

SUNTRUST BANK, NASHVILLE, N.A.,
as Trustee

By: ______________________________
Authorized Officer

Section 2.03. *Amount Unlimited; Issuable in Series.* The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a resolution of the Board of Directors and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.08, 2.09, 2.11, 7.05 or 11.03);

(3) the date or dates on which the principal of the Securities of the series is payable;

(4) if other than the coin or currency of the United States, the coin or currency in which the Securities of that series are denominated, the coin or currency in which payment of the principal of or interest, if any, on the Securities of that series shall be payable and the method of valuing that

coin or currency for purposes of determining the aggregate principal amount of Securities of that series then Outstanding and the amount to be paid to satisfy a judgment denominated in the coin or currency of the United States;

(5) the rate or rates at which the Securities of the series shall bear interest, if any, or the method by which such rate shall be determined, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable and the record dates for the determination of Holders to whom interest is payable;

(6) the place or places where the principal of and any interest on Securities of the series shall be payable (if other than as provided in Section 3.02);

(7) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Issuer, pursuant to any sinking fund or otherwise;

(8) if other than denominations of $1,000 and any multiple thereof, the denominations in which Securities of the series shall be issuable;

(9) the obligation, if any, of the Issuer to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which and the period or periods within which and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(10) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 4.01 or provable in bankruptcy pursuant to Section 4.02;

(11) if the amount of payments of principal of and interest on the Securities of the series may be determined with reference to an index based on a coin or currency other than that in which the Securities of the series are denominated, the manner in which such amounts shall be determined;

(12) whether and under what circumstances the Issuer will pay additional amounts on the Securities of the series held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether the Issuer will have the option to redeem such Securities rather than pay such additional amounts;

(13) any trustees, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the Securities of such series;

(14) any other events of default or covenants with respect to the Securities of such series;

(15) whether the Securities of the series shall be issued in the form of one or more Global Securities and, in such case, the Depositary for such Global Security or Securities; and

(16) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such resolution of the Board of Directors or Officers' Certificate or in any such indenture supplemental hereto. All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such a resolution of the Board of Directors, such Officer's Certificate or in any such indenture supplemental hereto.

Section 2.04. *Authentication and Delivery of Securities.* At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Securities of any series executed by the Issuer to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver such Securities to or upon the written order of the Issuer (contained in the Issuer Order referred to below in this Section), or pursuant to such procedures acceptable to the Trustee and to such recipients as may be specified from time to time by an Issuer Order. The maturity date, original issue date, interest rate and any other terms of the Securities of such series may, if not previously established by a Board Resolution, Officers' Certificate or indenture supplemental hereto pursuant to Section 2.03, be determined by or pursuant to such Issuer Order and procedures. If provided for in such procedures, such Issuer Order may authorize authentication and delivery pursuant to oral instructions from the Issuer or its duly authorized agent, which instructions shall be promptly confirmed in writing. In authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities the Trustee shall be entitled to receive (in the case of subparagraphs 1, 2, 3 and 4 below only at or before the time of the first request of the Issuer to the Trustee to authenticate Securities of such series), and (subject to Section 5.01) shall be fully protected in relying upon, unless and until such documents have been superseded or revoked:

(1) a copy of any resolution or resolutions of the Board of Directors relating to such series, in each case certified by the Secretary or an Assistant Secretary of the Issuer;

(2) an executed supplemental indenture, if any;

(3) an Officers' Certificate setting forth the form and terms, or the manner of establishing the terms, of the Securities as required pursuant to Section 2.01 and 2.03, respectively and prepared in accordance with Section 10.05;

(4) an Opinion of Counsel, prepared in accordance with Section 10.05, to the effect that

(a) the form or forms of such Securities have been established by or pursuant to a resolution of the Board of Directors or by a supplemental indenture as permitted by Section 2.01 and 2.03 in conformity with the provisions of this Indenture;

(b) in the case of an underwritten offering, the terms of the Securities have been duly authorized and established in conformity with the provisions of this Indenture, and, in the case of a Periodic Offering, certain terms of the Securities have been established pursuant to a resolution of the Board of Directors, an Officers' Certificate or a supplemental indenture in accordance with this Indenture, and when such other terms as are to be established pursuant to procedures set forth in an Issuer Order shall have been established, all such terms will have been duly authorized by the Issuer and will have been established in conformity with the provisions of this Indenture;

(c) such Securities, when authenticated and delivered by the Trustee and issued by the Issuer in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Issuer;

(d) all laws and requirements in respect of the execution and delivery by the Issuer of the Securities have been complied with; and

(e) covering such other matters as the Trustee may reasonably request.

(5) an Issuer Order requesting such authentication and setting forth delivery instructions if the Securities are not to be delivered to the Issuer, provided that, with respect to Securities of a series subject to a Periodic Offering, (a) such Issuer Order may be delivered by the Issuer to the Trustee prior to the delivery to the Trustee of such Securities for authentication and delivery, (b) the Trustee shall authenticate and deliver Securities of such series for original issue from time to time, in an aggregate principal amount not exceeding the aggregate principal amount

established for such series, pursuant to an Issuer Order or pursuant to procedures acceptable to the Trustee as may be specified from time to time by an Issuer Order, (c) the maturity date or dates, original issue date or dates, interest rate or rates and any other terms of Securities of such series shall be determined by an Issuer Order or pursuant to such procedures and (d) if provided for in such procedures, such Issuer Order may authorize authentication and delivery pursuant to oral or electronic instructions from the Issuer or its duly authorized agent or agents, which oral instructions shall be promptly confirmed in writing;

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken by the Issuer or if the Trustee in good faith by its board of directors or board of trustees, executive committee, or a trust committee of directors or trustees or Responsible Officers shall determine that such action would expose the Trustee to personal liability to existing Holders or would affect the Trustee's own rights, duties or immunities under the Securities, this Indenture or otherwise.

Section 2.05. *Execution of Securities.* The Securities shall be signed on behalf of the Issuer by both (a) the chairman of its Board of Directors or any vice chairman of its Board of Directors or its president or any vice president and (b) by its treasurer or any assistant treasurer or its secretary or any assistant secretary, under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Issuer who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by the Trustee or disposed of by the Issuer, such Security nevertheless may be authenticated and delivered or disposed of as though the person who signed such Security had not ceased to be such officer of the Issuer; and any Security may be signed on behalf of the Issuer by such persons as, at the actual date of the execution of such Security, shall be the proper officers of the Issuer, although at the date of the execution and delivery of this Indenture any such person was not such an officer.

If the Issuer shall establish pursuant to Section 2.03 that the Securities of a series are to be issued in the form of one or more Global Securities, then the Issuer shall execute and the Trustee shall, in accordance with this Section and the Issuer Order with respect to such series, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities of such series

having the same terms issued and not yet canceled, (ii) shall be registered in the name of the Depositary for such Global Security or Securities or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depositary to the nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of such Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

Each Depositary designated pursuant to Section 2.03 must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and any other applicable statute or regulation.

Notwithstanding any other provision of this Section 2.05, unless and until it is exchanged in whole or in part for Securities in definitive form, a Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If at any time the Depositary for any Securities of a series represented by one or more Global Securities notifies the Issuer that it is unwilling or unable to continue as Depositary for such Securities or if at any time the Depositary for such Securities shall no longer be eligible under this Section 2.05, the Issuer shall appoint a successor Depositary eligible under this Section 2.05 with respect to such Securities. If a successor Depositary eligible under this Section 2.05 for such Securities is not appointed by the Issuer within 90 days after the Issuer receives such notice or becomes aware of such ineligibility, the Issuer's election pursuant to Section 2.03 that such Securities be represented by one or more Global Securities shall no longer be effective and the Issuer will execute, and the Trustee, upon receipt of an Officers' Certificate for the authentication and delivery of definitive Securities of such series, will authenticate and deliver, Securities of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities in exchange for such Global Security or Securities.

The Issuer may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more Global Securities shall no longer be represented by a Global Security or Securities. In such event the Issuer will execute, and the Trustee, upon receipt of an Issuer Order for the authentication and delivery of definitive Securities of such series, will

authenticate and deliver, Securities of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities, in exchange for such Global Security or Securities.

If specified by the Issuer pursuant to Section 2.03 with respect to Securities represented by a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for Securities of the same series in definitive registered form on such terms as are acceptable to the Issuer and such Depositary. Thereupon, the Issuer shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to the Person specified by such Depositary a new Security or Securities of the same series, of any authorized denominations as requested by such Person, in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and

(ii) to such Depositary a new Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities authenticated and delivered pursuant to clause (i) above.

Upon the exchange of a Global Security for Securities in definitive registered form without coupons, in authorized denominations, such Global Security shall be canceled by the Trustee or an agent of the Issuer or the Trustee. Securities in definitive registered form without coupons issued in exchange for a Global Security pursuant to this Section 2.05 shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Issuer or the Trustee. The Trustee or such agent shall deliver such Securities to or as directed by the Persons in whose names such Securities are so registered.

Section 2.06. *Certificate of Authentication.* Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee by the manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Issuer shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the benefits of this Indenture.

Section 2.07. *Denomination and Date of Securities, Payments of Interest.* The Securities shall be issuable as registered securities without coupons and in denominations as shall be specified as contemplated by Section 2.03. In the absence of any such specification with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of $1,000 and any

multiple thereof. The Securities shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plan as the officers of the Issuer executing the same may determine with the approval of the Trustee as evidenced by the execution and authentication thereof.

Each Security shall be dated the date of its authentication, shall bear interest, if any, from such date and shall be payable on the dates, in each case, which shall be specified as contemplated by Section 2.03.

The person in whose name any Security of any series is registered at the close of business on any record date applicable to a particular series with respect to any interest payment date for such series shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Security subsequent to the record date and prior to such interest payment date, except if and to the extent the Issuer shall default in the payment of the interest due on such interest payment date for such series, in which case such defaulted interest shall be paid to the persons in whose names Outstanding Securities for such series are registered at the close of business on a subsequent record date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the holders of Securities not less than 15 days preceding such subsequent record date. The term “record date” as used with respect to any interest payment date (except a date for payment of defaulted interest) shall mean the date specified as such in the terms of the Securities of any particular series, or, if no such date is so specified, if such interest payment date is the first day of a calendar month, the fifteenth day of the next preceding calendar month or, if such interest payment date is the fifteenth day of a calendar month, the first day of such calendar month, whether or not such record date is a Business Day.

Section 2.08. *Registration, Transfer and Exchange.* The Issuer will keep or cause to be kept at each office or agency to be maintained for the purpose as provided in Section 3.02 a register or registers in which, subject to such reasonable regulations as it may prescribe, it will register, and will register the transfer of, Securities as in this Article provided. Such register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. At all reasonable times such register or registers shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Security of any series at any such office or agency to be maintained for the purpose as provided in Section 3.02, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Security or Securities of the same series in authorized denominations for a like aggregate principal amount.

Any Security or Securities of any series may be exchanged for a Security or Securities of the same series in other authorized denominations, in an equal aggregate principal amount. Securities of any series to be exchanged shall be

surrendered at any office or agency to be maintained by the Issuer for the purpose as provided in Section 3.02, and the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor the Security or Securities of the same series which the Securityholder making the exchange shall be entitled to receive, bearing numbers not contemporaneously outstanding.

All Securities presented for registration of transfer, exchange, redemption or payment shall (if so required by the Issuer or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the holder or his attorney duly authorized in writing.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities. No service charge shall be made for any such transaction.

The Issuer shall not be required to exchange or register a transfer of(a) any Securities of any series for a period of 15 days next preceding the first mailing of notice of redemption of Securities of such series to be redeemed, or (b) any Securities selected, called or being called for redemption except, in the case of any Security where notice has been given that such Security is to be redeemed in part, the portion thereof not so to be redeemed.

All Securities issued upon any transfer or exchange of Securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Section 2.09. *Mutilated, Defaced, Destroyed, Lost and Stolen Securities.* In case any temporary or definitive Security shall become mutilated, defaced or be destroyed, lost or stolen, the Issuer in its discretion may execute, and upon the written request of any officer of the Issuer, the Trustee shall authenticate and deliver, a new Security of the same series, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and substitution for the Security so destroyed, lost or stolen. In every case, the applicant for a substitute Security shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, shall furnish evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of any substitute Security, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith. In case any Security which has

matured or is about to mature or has been called for redemption in full shall become mutilated or defaced or be destroyed, lost or stolen, the Issuer may instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Security), if the applicant for such payment shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as any of them may require to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Issuer and the Trustee and any agent of the Issuer or the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security of any series issued pursuant to the provisions of this Section by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone and that substitute Security shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities of such series duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced or destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.10. *Cancellation of Securities; Disposition Thereof.* All Securities surrendered for payment, redemption, registration of transfer or exchange, or for credit against any payment in respect of a sinking or analogous fund, if surrendered to the Issuer or any agent of the Issuer or of the Trustee, shall be delivered to the Trustee for cancellation or, if surrendered to the Trustee, shall be canceled by it; and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Securities held by it in accordance with its customary procedures and deliver a certificate of disposition to the Issuer. If the Issuer shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation.

Section 2.11. *Temporary Securities.* Pending the preparation of definitive Securities for any series, the Issuer may execute and the Trustee shall authenticate and deliver temporary Securities for such series (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities of any series shall be issuable as registered Securities without coupons, of any authorized denomination, and substantially in the form of the definitive Securities of such series but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as

may be determined by the Issuer with the concurrence of the Trustee. Temporary Securities may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the Issuer shall execute and shall furnish definitive Securities of such series and thereupon temporary Securities of such series may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Issuer for that purpose pursuant to Section 3.02, and the Trustee shall authenticate and deliver in exchange for such temporary Securities of such series a like aggregate principal amount of definitive Securities of the same series of authorized denominations. Until so exchanged, the temporary Securities of any series shall be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 2.12. *Computation of Interest.* Except as otherwise specified as contemplated by Section 2.03 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360 day year of twelve 30-day months.

ARTICLE 3
COVENANTS OF THE ISSUER AND THE TRUSTEE

Section 3.01. *Payment of Principal and Interest.* The Issuer covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay or cause to be paid the principal of, and interest on, each of the Securities of such series at the place or places, at the respective times and in the manner provided in such Securities. Each instalment of interest on the Securities of any series may be paid by mailing checks for such interest payable to or upon the written order of the holders of Securities entitled thereto as they shall appear on the registry books of the Issuer.

Section 3.02. *Offices for Payments, Etc.* So long as any of the Securities remain Outstanding, the Issuer will maintain in The City of New York, the following for each series: an office or agency (a) where the Securities may be presented for payment, (b) where the Securities may be presented for registration of transfer and for exchange as in this Indenture provided and (c) where notices and demands to or upon the Issuer in respect of the Securities or of this Indenture may be served. The Issuer will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. Unless otherwise specified in accordance with Section 2.03, the Issuer hereby initially designates the New York Agency, as the office to be maintained by it for each such purpose. In case the Issuer shall fail to so designate or maintain any such office or agency or shall fail to give such notice of the location or of any change in the location

thereof, presentations and demands may be made and notices may be served at the New York Agency.

Section 3.03. *Appointment to Fill a Vacancy in Office of Trustee.* The Issuer, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 5.09, a Trustee, so that there shall at all times be a Trustee with respect to each series of Securities hereunder.

Section 3.04. *Paying Agents.* Whenever the Issuer shall appoint a paying agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section,

(a) that it will hold all sums received by it as such agent for the payment of the principal of or interest on the Securities of such series (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities of such series) in trust for the benefit of the holders of the Securities of such series or of the Trustee,

(b) that it will give the Trustee notice of any failure by the Issuer (or by any other obligor on the Securities of such series) to make any payment of the principal of or interest on the Securities of such series when the same shall be due and payable, and

(c) that it will pay any such sums so held by it in trust to the Trustee upon the Trustee's written request at any time during the continuance of the failure referred to in clause (b) above.

The Issuer will, on or prior to each due date of the principal of or interest on the Securities of such series, deposit with the paying agent a sum sufficient to pay such principal or interest so becoming due, and (unless such paying agent is the Trustee) the Issuer will promptly notify the Trustee of any failure to take such action.

If the Issuer shall act as its own paying agent with respect to the Securities of any series, it will, on or before each due date of the principal of or interest on the Securities of such series, set aside, segregate and hold in trust for the benefit of the holders of the Securities of such series a sum sufficient to pay such principal or interest so becoming due. The Issuer will promptly notify the Trustee of any failure to take such action.

Anything in this Section to the contrary notwithstanding, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any such series by the

Issuer or any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Section 9.03 and 9.04.

Section 3.05. *Certificate of the Issuer.* The Issuer will deliver to the Trustee, on or before a date not more than 120 days after the end of each fiscal year of the Issuer ending after the date of this Indenture, a written statement signed by the following officers (one of whom shall be the principal executive, financial or accounting officer of the Issuer): the Chairman, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Comptroller, an Assistant Comptroller, the Secretary or the Assistant Secretary of the Issuer, stating whether or not, after a review under each signer's supervision of the activities of the Issuer during such year and of the Issuer's performance under this Indenture, to the best knowledge, based on such review, of the signers thereof, the Issuer has fulfilled all of its obligations, conditions and covenants under this Indenture throughout such year, and, if there has been a default in the fulfillment of any such obligation, condition or covenant specifying each default and the nature and status thereof.

Section 3.06. *Securityholders Lists.* If and so long as the Trustee shall not be the Security registrar for the Securities of any series, the Issuer will furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the holders of the Securities of such series pursuant to Section 312 of the Trust Indenture Act of 1939 (a) semi-annually not more than 15 days after each record date for the payment of interest on such Securities, as hereinabove specified, as of such record date and on dates to be determined pursuant to Section 2.03 for non-interest bearing securities in each year, and (b) at such other times as the Trustee may request in writing, within thirty days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

Section 3.07. *Reports by the Issuer.* The Issuer covenants to file with the Trustee, within 15 days after the Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports which the Issuer may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 or pursuant to Section 314 of the Trust Indenture Act of 1939.

Section 3.08. *Reports by the Trustee.* Any Trustee's report required under Section 3 13(a) of the Trust Indenture Act of 1939 shall be transmitted on or before July 15 in each year following the date hereof, so long as any Securities are Outstanding hereunder, and shall be dated as of a date convenient to the Trustee no more than 60 nor less than 45 days prior thereto. At the time it delivers such report, the Trustee shall deliver a copy thereof to the Issuer.

Section 3.09. *Limitation on Liens.* The Issuer will not, nor will it permit any Restricted Subsidiary to, incur, assume, guarantee or suffer to exist any Indebtedness for money borrowed (herein referred to as "**Debt**") if such Debt is secured, directly or indirectly, by any mortgage, pledge, security interest or lien of any kind (hereinafter referred to as a "**Mortgage**") upon any Principal Property or upon any Indebtedness or share of capital stock of any Restricted Subsidiary which owns any Principal Property, now owned or hereafter acquired, without making effective provision, and the Issuer in such case will make or cause to be made effective provision, whereby the Securities of each series will be secured by such Mortgage equally and ratably with (or prior to) any other Debt thereby secured so long as such Debt shall be so secured, except that the foregoing provisions shall not apply to: (i) Mortgages existing at the time of acquisition of the property, shares of stock or Indebtedness affected thereby or incurred to secure payment of all or part of the purchase price of such property, shares of stock or Indebtedness or to secure Debt incurred prior to, at the time of or within 120 days after the acquisition or completion of construction of such property, shares of stock or Indebtedness for the purpose of financing all or part of the purchase price or cost of construction thereof, as the case may be (provided that such Mortgages are limited to such property and improvements thereon or the shares of stock or Indebtedness so acquired), (ii) Mortgages affecting property, shares of stock or Indebtedness of a Person existing at the time it becomes a Restricted Subsidiary (provided that any such Mortgage shall attach only to the properties and improvements thereon or the shares of stock or Indebtedness so acquired), (iii) Mortgages which secure only Debt of a Restricted Subsidiary owing to the Issuer or a Subsidiary, (iv) Mortgages or easements on property of the Issuer or any Restricted Subsidiary related to the financing of such property on a tax-exempt basis pursuant to Section 1 03(b)(4) or (b)(6) of the Internal Revenue Code of 1986, as amended (or any successor section thereto), that do not in the aggregate materially detract from the value of property or assets or materially impair the use thereof in the operation of the business of the Issuer or any Restricted Subsidiary, (v) Mortgages in favor of the United States of America or any instrumentality thereof, or in favor of any foreign government or any department, agency, instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute, (vi) Mortgages existing at the date of this Indenture, (vii) liens on property or assets of the Issuer or any Restricted Subsidiary consisting of marine Mortgages provided for in Title XI of the Merchant Marine Act of 1936 or foreign equivalents, (viii) Mortgages on property of the Issuer or any Restricted Subsidiary securing Debt incurred in connection with the financing of operating, constructing or acquiring projects, provided that the recourse for such Debt is limited to the assets of such projects, and (ix) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Mortgage referred to in the foregoing clauses (i) to (viii) inclusive or of any Debt secured thereby, *provided* that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and; *provided, further*, that such

Mortgage shall be limited to all or part of substantially the same property which secured the Mortgage extended, renewed or replaced (plus improvements on such property).

Notwithstanding the foregoing, the Issuer or any Restricted Subsidiary may create or permit to exist Mortgages on any Principal Property, or upon any indebtedness or share of capital stock of any Restricted Subsidiary so long as the aggregate amount of Debt secured by all such Mortgages (excluding therefrom the Debt secured by Mortgages set forth in clauses (i) through (ix), inclusive, above) does not exceed 10% of the Consolidated Net Assets of the Issuer.

Section 3.10. *Limitation on Sale and Lease-Back Transactions.* The Issuer will not, nor will it permit any Restricted Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Issuer or a Restricted Subsidiary as lessee of any Principal Property (except for temporary leases for a term of not more than three years), which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to such person (herein referred to as a "**Sale and Lease-Back Transaction**"), unless (i) the Issuer or such Restricted Subsidiary would be entitled to incur Debt secured by a Mortgage on the property to be leased without violation of Section 3.09 and without equally and ratably securing the Securities of each series or (ii) the Issuer shall, and in any such case the Issuer covenants that it will, apply an amount equal to the greater of (a) the proceeds of such sale or transfer or (b) the fair value (as determined by the Board of Directors) of the property so leased to the defeasance or retirement (other than any mandatory retirement), within 120 days of the effective date of any such arrangement, of Senior Funded Indebtedness; *provided*, *however*, that the amount to be so applied to the defeasance or retirement of such Senior Funded Indebtedness will be reduced by an amount (not previously used to reduce the amount of such defeasance or retirement) equal to the lesser of (x) the amount expended by the Issuer since the date of this Indenture and within twelve months prior to the effective date of any such arrangement or within 120 days thereafter for the acquisition by it of unencumbered Principal Properties or (y) the fair value (as determined by the Board of Directors) of unencumbered Principal Properties so acquired by the Issuer during such twelve-month period and 120-day period.

ARTICLE 4
REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

Section 4.01. *Event of Default Defined; Acceleration of Maturity; Waiver of Default.* "**Event of Default**" with respect to Securities of any series wherever used herein, means each one of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to

any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any installment of interest upon any of the Securities of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal on any of the Securities of such series as and when the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) default in the payment of any sinking fund installment as and when the same shall become due and payable by the terms of the Securities of such series; or

(d) default in the performance, or breach, of any covenant or warranty of the Issuer in respect of the Securities of such series (other than a covenant or warranty in respect of the Securities of such series a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of all series affected thereby, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "**Notice of Default**" hereunder; or

(e) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or for any substantial part of its property or ordering the winding up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or for any substantial part of its property, or make any general assignment for the benefit of creditors;

(g) an event of default, as defined in any indenture or instrument evidencing or securing or under which the Issuer has at the date of this Indenture or shall hereafter have outstanding, any Debt in an amount exceeding $25,000,000, which default shall involve (i) the failure by the Issuer to make any payment when such Debt is due and payable after demand has been made and the

passage of any applicable grace period and such failure shall have continued for a period of thirty days after written notice thereof to the Issuer and the Trustee by the holders of not less than 25% in aggregate principal amount of the Securities of such series or (ii) a default in the payment of interest, premium, principal or a default in the payment of a sinking fund or redemption payment, which shall have resulted in such Debt having been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable, and such acceleration shall not be stayed, rescinded or annulled within ten days after written notice thereof to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the Securities of such series; *provided, however*, that if such event of default under such indenture or instrument shall be remedied or cured by the Issuer or be waived by the holders of such Debt before any judgment or decree for the payment of the moneys due shall have been obtained or entered, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the holders of the Securities of such series; or

(h) any other Event of Default provided in the supplemental indenture or provided in or pursuant to the resolution of the Board of Directors under which such series of Securities is issued or in the form of Security for such series.

If an Event of Default with respect to Securities of such series occurs and is continuing, then, and in each and every such case, unless the principal of all of the Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of such series then Outstanding hereunder (each such series voting as a separate class) by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) of all Securities of such series and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if the Securities are Original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof) of the Securities of any series shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of such series and the principal of any and all Securities of such series which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series to the date of such payment or

deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the non-payment of the principal of Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein—then and in every such case the holders of a majority in aggregate principal amount of all the Securities of such series, each series voting as a separate class, then Outstanding, by written notice to the Issuer and to the Trustee, may waive all defaults with respect to such series and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Securities shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the principal amount of such Original Issue Discount Securities shall be deemed, for all purposes hereunder, to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Securities.

The Trustee shall not be charged with notice of any event of default referred to in Section 4.01(g) unless (i) an officer of the Trustee assigned to its Corporate Trustee Administration Department shall have actual knowledge thereof or (ii) the Trustee shall have received written notice thereof from the Issuer, the holder of any Debt referred to in Section 4.01(g) or the holders of not less than 25% in aggregate principal amount of the Securities of any series.

Section 4.02. *Collection of Indebtedness by Trustee; Trustee May Prove Debt.* The Issuer covenants that (a) in case default shall be made in the payment of any instalment of interest on any of the Securities of any series when such interest shall have become due and payable, and such default shall have continued for a period of 30 days or (b) in case default shall be made in the payment of all or any part of the principal of any of the Securities of any series when the same shall have become due and payable, whether upon maturity of the Securities of such series or upon any redemption or by declaration or otherwise—then upon demand of the Trustee, the Issuer will pay to the Trustee for the benefit of the Holders of the Securities of such series the whole amount that then shall have become due and payable on all Securities of such series for principal or interest, as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the

Securities of such series); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Trustee, the Issuer may pay the principal of and interest on the Securities of any series to the registered holders, whether or not the principal of and interest on the Securities of such series be overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon such Securities and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Securities, wherever situated, the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Securities under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Securities of any series, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of any Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest (or, if the Securities of any series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) owing and unpaid in respect of the Securities of any series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Securityholders allowed in any

judicial proceedings relative to the Issuer or other obligor upon the Securities of any series, or to the creditors or property of the Issuer or such other obligor,

(b) unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Securities of any series in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Securityholders and of the Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Securityholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 5.06.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Securityholder any plan or reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, liabilities incurred, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the holders of the Securities in respect of which such action was taken.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Securities in respect to which such action was taken, and it shall not be necessary to make any holders of such Securities parties to any such proceedings.

Section 4.03. *Application of Proceeds.* Any moneys collected by the Trustee pursuant to this Article in respect of any series shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities in respect of which monies have been collected and stamping (or otherwise noting) thereon the payment, or issuing Securities of such series in reduced principal amounts in exchange for the presented Securities of like series if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses applicable to such series in respect of which monies have been collected, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and all other amounts due to the Trustee or any predecessor Trustee pursuant to Section 5.06;

SECOND: In case the principal of the Securities of such series in respect of which moneys have been collected shall not have become and be then due and payable, to the payment of interest on the Securities of such series in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Securities of such series in respect of which moneys have been collected shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities of such series for principal and interest, with interest upon the overdue principal, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities of such series, then to the payment of such principal and interest or Yield to Maturity, without preference or priority of principal over interest or Yield to Maturity, or of interest or Yield to Maturity over principal, or of any instalment of interest over any other installment of interest, or of any Security of such series over any

other Security of such series, ratably to the aggregate of such principal and accrued and unpaid interest or Yield to Maturity; and

FOURTH: To the payment of the remainder, if any, to the Issuer or any other person lawfully entitled thereto.

Section 4.04. *Suits for Enforcement.* In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 4.05. *Restoration of Rights on Abandonment of Proceedings.* In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

Section 4.06. *Limitations on Suits by Securityholders.* No Holder of any Security of any series shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities of such series then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 4.09; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security with every other taker and Holder and the Trustee, that no one or more Holders of Securities of any series shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holder of Securities, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right

under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities of the applicable series. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 4.07. *Unconditional Right of Securityholders to Institute Certain Suits.* Notwithstanding any other provision in this Indenture and any provision of any Security, the right of any Holder of any Security to receive payment of the principal of and interest on such Security on or after the respective due dates expressed or provided for in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 4.08. *Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.* Except as provided in Sections 2.09 and 4.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Securityholder to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 4.06, every power and remedy given by this Indenture or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

Section 4.09. *Control By Securityholders.* The Holders of a majority in aggregate principal amount of the Securities of each series affected (with each series voting as a separate class) at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture and provided further that (subject to the provisions of Section 5.01) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forebearances specified in or

pursuant to such direction would be unduly prejudicial to the interests of Holders of the Securities of all series so affected not joining in the giving of said direction, it being understood that (subject to Section 5.01) the Trustee shall have no duty to ascertain whether or not such actions or forebearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Securityholders.

Section 4.10. *Waiver of Past Defaults.* Prior to a declaration of the acceleration of the maturity of the Securities of any series as provided in Section 4.01, the Holders of a majority in aggregate principal amount of the Securities of such series at the time Outstanding (each such series voting as a separate class) may on behalf of the Holders of all the Securities of such series waive any past default or Event of Default described in clause (d) or (g) of Section 4.01 which relates to less than all series of Securities then Outstanding, except a default in respect of a covenant or provision hereof which cannot be modified or amended without the consent of each Holder affected as provided in Section 7.02. Prior to a declaration of acceleration of the maturity of the Securities of any series as provided in Section 4.01, the Holders of Securities of a majority in principal amount of all the Securities then Outstanding (voting as one class) may on behalf of all Holders waive any past default or Event of Default referred to in said clause (d) or (g) which relates to all series of Securities then Outstanding, or described in clause (e) or (f) of Section 4.01, except a default in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Security affected as provided in Section 7.02. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Securities of each series affected shall be restored to their former positions and rights hereunder, respectively.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 4.11. *Trustee to Give Notice of Default, But May Withhold in Certain Circumstances.* The Trustee shall give to the Securityholders of any series, as the names and addresses of such Holders appear on the registry books, notice by mail of all defaults known to the Trustee which have occurred with respect to such series, such notice to be transmitted within 90 days after the occurrence thereof, unless such defaults shall have been cured before the giving of such notice (the term "**default**" or "**defaults**" for the purposes of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); *provided* that, except in the case of default in the payment of the principal of or interest on any of the

Securities of such series, or in the payment of any sinking or purchase fund installment with respect to the Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or trustees and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders of such series.

Section 4.12. *Right of Court to Require Filing of Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder or group of Securityholders of any series holding in the aggregate more than 10% in aggregate principal amount of the Securities of such series, or, in the case of any suit relating to or arising under clauses (d) or (g) of Section 4.01 (if the suit relates to Securities of more than one but less than all series), 10% in aggregate principal amount of Securities Outstanding affected thereby, or in the case of any suit relating to or arising under clauses (d) or (g) (if the suit relates to all the Securities then Outstanding), (e) or (1) of Section 4.01, 10% in aggregate principal amount of all Securities Outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of or interest on any Security on or after the due date expressed in such Security.

ARTICLE 5
CONCERNING THE TRUSTEE

Section 5.01. *Duties and Responsibilities of The Trustee; During Default; Prior to Default.* With respect to the Holders of any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Securities of a particular series and after the curing or waiving of all Events of Default which may have occurred with respect to such series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Securities of a series has occurred (which has not been cured or waived) the Trustee shall with respect to such series of Securities exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(a) prior to the occurrence of an Event of Default with respect to the Securities of any series and after the curing or waiving of all such Events of Default with respect to such series which may have occurred:

(i) the duties and obligations of the Trustee with respect to the Securities of such series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 4.09 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

The provisions of this Section 5.01 are in furtherance of and subject to Sections 315 and 316 of the Trust Indenture Act of 1939.

Section 5.02. *Certain Rights of the Trustee.* In furtherance of and subject to the Trust Indenture Act of 1939, and subject to Section 5.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Issuer;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected then Outstanding; *provided* that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall

be paid by the Issuer or, if paid by the Trustee or any predecessor trustee, shall be repaid by the Issuer upon demand; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

Section 5.03. *Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof.* The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Issuer of any of the Securities or of the proceeds thereof.

Section 5.04. *Trustee and Agents May Hold Securities, etc.* The Trustee or any agent of the Issuer or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or such agent.

Section 5.05. *Moneys Held by Trustee.* Subject to the provisions of Section 9.04 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Issuer or the Trustee shall be under any liability for interest on any moneys received by it hereunder.

Section 5.06. *Compensation and Indemnification of Trustee and Its Prior Claim.* The Issuer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Issuer covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) except to the extent any such expense, disbursement or advance may arise from its negligence or bad faith. The Issuer also covenants to indemnify the Trustee and each predecessor Trustee for, and to hold it harmless against, any loss, liability or expense arising out of or in connection with the acceptance or administration of this Indenture or the trusts

hereunder and the performance of its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises, except to the extent such loss, liability or expense is due to the negligence or bad faith of the Trustee or such predecessor Trustee. The obligations of the Issuer under this Section to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional Indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional Indebtedness shall be a senior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the holders of particular Securities, and the Securities are hereby subordinated to such senior claim.

Section 5.07. *Right of Trustee to Rely on Officers' Certificate, etc.* Subject to Sections 5.01 and 5.02, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 5.08. *Persons Eligible for Appointment as Trustee.* The Trustee for each series of Securities hereunder shall at all times be a corporation having a combined capital and surplus of at least $50,000,000, and which is eligible in accordance with the provisions of Section 3 10(a) of the Trust Indenture Act of 1939. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of a Federal, State or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 5.09. *Resignation and Removal; Appointment of Successor Trustee.* (a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to one or more or all series of Securities by giving written notice of resignation to the Issuer and by mailing notice thereof by first class mail to Holders of the applicable series of Securities at their last addresses as they shall appear on the Security register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee or trustees with respect to the applicable series by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or

trustees. If no successor trustee shall have been so appointed with respect to any series and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities of the applicable series for at least six months may, subject to the provisions of Section 4.12, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act of 1939 with respect to any series of Securities after written request therefor by the Issuer or by any Securityholder who has been a bona fide Holder of a Security or Securities of such series for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 3 10(a) of the Trust Indenture Act of 1939 and shall fail to resign after written request therefor by the Issuer or by any Securityholder; or

(iii) the Trustee shall become incapable of acting with respect to any series of Securities, or shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer may remove the Trustee with respect to the applicable series of Securities and appoint a successor trustee for such series by written instrument, in duplicate, executed by order of the Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to Section 315(e) of the Trust Indenture Act of 1939, any Securityholder who has been a bona fide Holder of a Security or Securities of such series for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee with respect to such series. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities of each series at the time Outstanding may at any time remove the Trustee with respect to Securities of such series and appoint a successor trustee with respect to the Securities of such series by delivering to the Trustee so

removed, to the successor trustee so appointed and to the Issuer the evidence provided for in Section 6.01 of the action in that regard taken by the Securityholders.

(d) Any resignation or removal of the Trustee with respect to any series and any appointment of a successor trustee with respect to such series pursuant to any of the provisions of this Section 5.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 5.10.

Section 5.10. *Acceptance of Appointment by Successor Trustee.* Any successor trustee appointed as provided in Section 5.09 shall execute and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee with respect to all or any applicable series shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations with respect to such series of its predecessor hereunder, with like effect as if originally named as trustee for such series hereunder; but, nevertheless, on the written request of the Issuer or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall, subject to Section 9.04, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 5.06.

If a successor trustee is appointed with respect to the Securities of one or more (but not all) series, the Issuer, the predecessor Trustee and each successor trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not retiring shall continue to be vested in the predecessor Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such trustees co-trustees of the same trust and that each such trustee shall be trustee of a trust or trusts under separate indentures.

Upon acceptance of appointment by any successor trustee as provided in this Section 5.10, the Issuer shall mail notice thereof by first-class mail to the Holders of Securities of any series for which such successor trustee is acting as trustee at their last addresses as they shall appear in the Security register. If the

acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 5.09. If the Issuer fails to mail such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Issuer.

Section 5.11. *Merger, Conversion, Consolidation or Succession to Business of Trustee.* Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, *provided* that such corporation shall be eligible under the provisions of Section 5.08, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities of any series shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities of any series shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Securities of such series or in this Indenture provided that the certificate of the Trustee shall have; *provided*, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities of any series in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 5.12. *Preferential Collection of Claims Against the Issuer.* Reference is made to Section 311 of the Trust Indenture Act of 1939, as amended.

ARTICLE 6
CONCERNING THE SECURITYHOLDERS

Section 6.01. *Evidence of Action Taken by Securityholders.* Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by a specified percentage in principal amount of the Securityholders of any or all series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of Securityholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Sections

5.01 and 5.02) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Article.

Section 6.02. *Proof of Execution of Instruments and of Holding of Securities; Record Date.* Subject to Sections 5.01 and 5.02, the execution of any instrument by a Securityholder or his agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Securities shall be proved by the Security register or by a certificate of the registrar thereof. The Issuer may set a record date for purposes of determining the identity of holders of Securities of any series entitled to vote or consent to any action referred to in Section 6.01 which record date may be set at any time or from time to time by notice to the Trustee, for any date or dates (in the case of any adjournment or reconsideration) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, only holders of Securities of such series of record on such record date shall be entitled to so vote or give such consent or revoke such vote or consent.

Section 6.03. *Holders to Be Treated as Owners.* The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the person in whose name any Security shall be registered upon the Security register for such series as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Indenture, interest on such Security and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary. All such payments so made to any such person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security.

Section 6.04. *Securities Owned By Issuer Deemed Not Outstanding.* In determining whether the Holders of the requisite aggregate principal amount of Outstanding Securities of any or all series have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Issuer or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Securities and that the pledgee is not the Issuer or any other obligor upon the Securities or any person directly or indirectly controlling or controlled by or under

direct or indirect common control with the Issuer or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Issuer shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Issuer to be owned or held by or for the account of any of the above-described persons; and, subject to Sections 5.01 and 5.02, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

Section 6.05. *Right of Revocation of Action Taken.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 6.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all the Securities affected by such action.

ARTICLE 7
SUPPLEMENTAL INDENTURES

Section 7.01. *Supplemental Indentures Without Consent of Securityholders.* The Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities of one or more series any property or assets;

(b) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to Article 8;

(c) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as its Board of Directors and the Trustee shall consider to be for the protection of the Holders of Securities, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided*, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities of such series to waive such an Event of Default;

(d) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture, which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture; or to make such other provisions in regard to matters or questions arising under this Indenture or under any supplemental indenture as the Board of Directors may deem necessary or desirable; *provided* that no such action shall adversely affect the interests of the Holders of the Securities in any material respect;

(e) to establish the form or terms of Securities of any series as permitted by Sections 2.01 and 2.03; and

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 5.10.

The Trustee is hereby authorized to join with the Issuer in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee’s own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Securities at the time Outstanding, notwithstanding any of the provisions of Section 7.02.

Section 7.02. *Supplemental Indentures With Consent of Securityholders.* With the consent (evidenced as provided in Article 6) of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of each series affected by such supplemental indenture, the Issuer, when authorized by a resolution of its Board of Directors, and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities of each such series; *provided*, that no such supplemental indenture shall (a) extend the final maturity of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 4.01 or the amount thereof provable in bankruptcy pursuant to Section 4.02, or impair or affect the right of any Securityholder to institute suit for the payment thereof or, if the Securities provide therefor, any right of repayment at the option of the Securityholder without the consent of the Holder of each Security so affected, or (b) reduce the aforesaid percentage of Securities of any series, the consent of the Holders of which is required for any such supplemental indenture, without the consent of the Holders of each Security so affected.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of holders of Securities of such series with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture of the holders of Securities of any other series.

Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors certified by the secretary or an assistant secretary of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid and other documents, if any, required by Section 6.01, the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Issuer shall mail a notice thereof by first class mail to the Holders of Securities of each series affected thereby at their addresses as they shall appear on the registry books of the Issuer, setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 7.03. *Effect of Supplemental Indenture.* Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Issuer and the Holders of Securities of each series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.04. *Documents to Be Given to Trustee.* The Trustee, subject to the provisions of Sections 5.01 and 5.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article 7 complies with the applicable provisions of this Indenture.

Section 7.05. *Notation on Securities in Respect of Supplemental Indentures.* Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation in form approved by the Trustee for such series as to any matter provided for by such supplemental indenture. If the Issuer or the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Issuer, authenticated by the Trustee and delivered in exchange for the Securities of such series then Outstanding.

ARTICLE 8
CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 8.01. *Issuer May Consolidate, Etc., on Certain Terms.* The Issuer covenants that it will not merge or consolidate with any other corporation or sell or convey all or substantially all of its assets to any Person, unless (i) either the Issuer shall be the continuing corporation, or the successor corporation or the Person which acquires by sale or conveyance substantially all the assets of the Issuer (if other than the Issuer) shall be a corporation organized under the laws of

the United States of America or any State thereof and shall expressly assume the due and punctual payment of the principal of and interest on all the Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Issuer, by supplemental indenture in form satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) the Issuer or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition of this Indenture.

Section 8.02. *Successor Corporation Substituted.* In case of any such consolidation, merger, sale or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein. Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer prior to such succession any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Issuer and delivered to the Trustee; and, upon the order of such successor corporation instead of the Issuer and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Issuer to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

In the event of any such sale or conveyance (other than a conveyance by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Indenture and the Securities and may be liquidated and dissolved.

Section 8.03. *Opinion of Counsel to Trustee.* The Trustee, subject to the provisions of Sections 5.01 and 5.02, may receive an Opinion of Counsel, prepared in accordance with Section 10.05, as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

ARTICLE 9
SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

Section 9.01. *Satisfaction and Discharge of Indenture.* If at any time (a) the Issuer shall have paid or caused to be paid the principal of and interest on all the Securities of any series Outstanding hereunder (other than Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.09) as and when the same shall have become due and payable, or (b) the Issuer shall have delivered to the Trustee for cancellation all Securities of any series theretofore authenticated (other than any Securities of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.09) or (c) (i) all the Securities of such series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (ii) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee as trust funds the entire amount in cash (other than moneys repaid by the Trustee or any paying agent to the Issuer in accordance with Section 9.04) or direct obligations of the United States of America, backed by its full faith and credit ("**U.S. Government Obligations**"), maturing as to principal and interest in such amounts and at such times as will insure the availability of cash sufficient (in case U.S. Government Obligations have been so deposited, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) to pay at maturity or upon redemption all Securities of such series (other than any Securities of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.09) not theretofore delivered to the Trustee for cancellation, including principal and interest due or to become due on or prior to such date of maturity as the case may be, and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer with respect to Securities of such series, then this Indenture shall cease to be of further effect with respect to Securities of such series (except as to (i) rights of registration of transfer and exchange of Securities of such series, and the Issuer's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of holders to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration) and remaining rights of the holders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations and immunities of the Trustee hereunder (v) the rights of the Securityholders of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (vi) the obligations of the Issuer under Section 3.02), and the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture with respect to such series; *provided*, that the rights of

Holders of the Securities to receive amounts in respect of principal of and interest on the Securities held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange upon which the Securities are listed. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Securities of such series.

Section 9.02. *Application by Trustee of Funds Deposited for Payment of Securities.* Subject to Section 9.04, all moneys deposited with the Trustee pursuant to Section 9.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Holders of the particular Securities of such series for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law.

Section 9.03. *Repayment of Moneys Held by Paying Agent.* In connection with the satisfaction and discharge of this Indenture or any defeasance under Article 12 with respect to Securities of any series, all moneys then held by any paying agent under the provisions of this Indenture with respect to such series of Securities shall, upon demand of the Issuer, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 9.04. *Return of Moneys Held by Trustee and Paying Agent Unclaimed for Two Years.* Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Security of any series and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee for such series or such paying agent, and the Holder of the Security of such series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease *provided, however*, that the Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City and State of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

ARTICLE 10
MISCELLANEOUS PROVISIONS

Section 10.01. *Incorporators, Stockholders, Officer and Directors of Issuer Exempt from Individual Liability.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any Indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the holders thereof and as part of the consideration for the issue of the Securities.

Section 10.02. *Provisions of Indenture for the Sole Benefit of Parties and Securityholders.* Nothing in this Indenture or in the Securities, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto and their successors and the Holders of the Securities, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of the Securities.

Section 10.03. *Successors and Assigns of Issuer Bound by Indenture.* All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 10.04. *Notices and Demands on Issuer, Trustee and Securityholders.* Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders of Securities to or on the Issuer may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Issuer is filed by the Issuer with the Trustee) to Murphy Oil Corporation, 200 Peach Street, P.O. Box 7000, El Dorado, Arkansas 71731-7000. Any notice, direction, request or demand by the Issuer or any Securityholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes if in writing and by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed to the Corporate Trust Office, Attention: Corporate Trustee Administration Department.

Where this Indenture provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed,. first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Security register. In any case where notice to Holders

is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer and Securityholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

Section 10.05. *Officers' Certificates and Opinions of Counsel; Statement to Be Contained Therein.* Upon any application or demand by the Issuer to the Trustee to take any action under any of the provisions of this Indenture, the Issuer shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificate required by Section 3.05) shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate,

statement or opinion of counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Issuer, upon the certificate, statement or opinion of or representations by an officer of officers of the Issuer, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

Section 10.06. *Payments Due on Saturdays, Sundays and Holidays.* If the date of maturity of interest on or principal of the Securities of any series or the date fixed for redemption or repayment of any such Security shall not be a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption or repayment, and no interest shall accrue on the payment so deferred for the period after such date.

Section 10.07. *Conflict of any Provision of Indenture with Trust Indenture Act of 1939.* If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by or with another provision (an "**incorporated provision**") included in this Indenture by operation of Sections 310 to 318, inclusive, of the Trust Indenture Act of 1939, such imposed duties or incorporated provision shall control.

Section 10.08. *New York Law to Govern.* This Indenture and each Security shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of such State, except as may otherwise be required by mandatory provisions of law.

Section 10.09. *Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 10.10. *Effect of Headings.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 10.11. *Separability Clause.* In case any provision of this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

ARTICLE 11
Redemption of Securities and Sinking Funds

Section 11.01. *Applicability of Article.* The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.03 for Securities of such series.

Section 11.02. *Notice of Redemption; Partial Redemptions.* Notice of redemption to the Holders of Securities of any series to be redeemed as a whole or in part at the option of the Issuer shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Holders of Securities of such series at their last addresses as they shall appear upon the registry books. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

The notice of redemption to each such Holder shall specify the principal amount of each Security of such series held by such Holder to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of such Securities, that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case, that interest accrued to the date fixed for redemption will be paid as specified in such notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security of a series is to be redeemed in part only the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Securities of any series to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

On or prior to the redemption date specified in the notice of redemption given as provided in this Section, the Issuer will deposit with the Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.04) an amount of money sufficient to redeem on the redemption date all the Securities of such series so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. If less than all the Outstanding Securities of a series are to be redeemed, the Issuer will deliver to the Trustee at least 70 days prior to the date on which notice of redemption is to be issued an Officers' Certificate stating the aggregate principal amount of Securities to be redeemed.

If less than all the Securities of a series are to be redeemed, the Trustee shall select, in such manner as it shall deem appropriate and fair, Securities of such Series to be redeemed in whole or in part. Securities may be redeemed in part in multiples equal to the minimum authorized denomination for Securities of such series or any multiple thereof. The Trustee shall promptly notify the Issuer in writing of the Securities of such series selected for redemption and, in the case of any Securities of such series selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities of any series shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

Section 11.03. *Payment of Securities Called for Redemption.* If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Issuer shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Sections 5.05. and 9.04, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities or the specified portions thereof shall be paid and redeemed by the Issuer at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; *provided* that any semiannual payment of interest becoming due on or prior to the date fixed for redemption shall be payable to the Holders of such Securities

registered as such on the relevant record date subject to the terms and provisions of Section 2.04 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate of interest or Yield to Maturity (in the case of an Original Issue Discount Security) borne by the Security.

Upon presentation of any Security redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to or on the order of the Holder thereof, at the expense of the Issuer, a new Security or Securities of such series, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

Section 11.04. *Exclusion of Certain Securities from Eligibility for Selection for Redemption.* Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in a written statement signed by an authorized officer of the Issuer and delivered to the Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Issuer or (b) an entity specifically identified in such written statement directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer.

Section 11.05. *Mandatory and Optional Sinking Funds.* The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a “**mandatory sinking fund payment**”, and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an “**optional sinking fund payment**”. The date on which a sinking fund payment is to be made is herein referred to as the “**sinking fund payment date**”.

In lieu of making all or any part of any mandatory sinking fund payment with respect to any series of Securities in cash, the Issuer may at its option (a) deliver to the Trustee Securities of such series theretofore purchased or otherwise acquired (except upon redemption pursuant to the mandatory sinking fund) by the Issuer or receive credit for Securities of such series (not previously so credited) theretofore purchased or otherwise acquired (except as aforesaid) by the Issuer and delivered to the Trustee for cancellation pursuant to Section 2.10, (b) receive credit for optional sinking fund payments (not previously so credited) made pursuant to this Section, or (c) receive credit for Securities of such series (not previously so credited) redeemed by the Issuer through any optional redemption provision contained in the terms of such series. Securities so delivered or credited shall be received or credited by the Trustee at the sinking fund redemption price specified in such Securities.

On or before the sixtieth day next preceding each sinking fund payment date for any series, the Issuer will deliver to the Trustee a written statement (which need not contain the statements required by Section 10.05) signed by an authorized officer of the Issuer (a) specifying the portion of the mandatory sinking fund payment to be satisfied by payment of cash and the portion to be satisfied by credit of Securities of such series, (b) stating that none of the Securities of such series has theretofore been so credited, (c) stating that no defaults in the payment of interest or Events of Default with respect to such series have occurred (which have not been waived or cured) and are continuing and (d) stating whether or not the Issuer intends to exercise its right to make an optional sinking fund payment with respect to such series and, if so, specifying the amount of such optional sinking fund payment which the Issuer intends to pay on or before the next succeeding sinking fund payment date. Any Securities of such series to be credited and required to be delivered to the Trustee in order for the Issuer to be entitled to credit therefor as aforesaid which have not theretofore been delivered to the Trustee shall be delivered for cancellation pursuant to Section 2.10 to the Trustee with such written statement (or reasonably promptly thereafter if acceptable to the Trustee). Such written statement shall be irrevocable and upon its receipt by the Trustee the Issuer shall become unconditionally obligated to make all the cash payments or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Issuer, on or before any such sixtieth day, to deliver such written statement and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute, on and as of such date, the irrevocable election of the Issuer (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Issuer will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed $50,000 (or a lesser sum if the Issuer shall so request) with respect to the Securities of any particular series, such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. If such amount shall be $50,000 or less and the Issuer makes no such request then it shall be carried over until a sum in excess of $50,000 is available. The Trustee shall select, in the manner provided in Section 11.02, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as may be, and shall (if requested in writing by the Issuer) inform the Issuer of the serial numbers of the Securities of such series (or portions thereof) so selected. The Trustee, in the name and at the expense of the Issuer (or the Issuer, if it shall so request the Trustee in writing) shall cause notice of redemption of the Securities of such series to be given in substantially the manner provided in Section 11.02 (and with

the effect provided in Section 11.03) for the redemption of Securities of such series in part at the option of the Issuer. The amount of any sinking fund payments not so applied or allocated to the redemption of Securities of such series shall be added to the next cash sinking fund payment for such series and, together with such payment, shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys held on the stated maturity date of the Securities of any particular series (or earlier, if such maturity is accelerated), which are not held for the payment or redemption of particular Securities of such series shall be applied, together with other moneys, if necessary, sufficient for the purpose, to the payment of the principal of, and interest on, the Securities of such series at maturity.

On or prior to each sinking fund payment date, the Issuer shall pay to the Trustee in cash or shall otherwise provide for the payment of all interest accrued to the date fixed for redemption on Securities to be redeemed on such sinking fund payment date.

The Trustee shall not redeem or cause to be redeemed any Securities of a series with sinking fund moneys or mail any notice of redemption of Securities for such series by operation of the sinking fund during the continuance of a default in payment of interest on such Securities or of any Event of Default except that, where the mailing of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Securities, provided that it shall have received from the Issuer a sum sufficient for such redemption. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur, and any moneys thereafter paid into the sinking fund, shall, during the continuance of such default or Event of Default, be deemed to have been collected under Article 4 and held for the payment of all such Securities. In case such Event of Default shall have been waived as provided in Section 4.10 or the default cured on or before the sixtieth day preceding the sinking fund payment date in any year, such moneys shall thereafter be applied on the next succeeding sinking fund payment date in accordance with this Section to the redemption of such Securities.

ARTICLE 12
DEFEASANCE

Section 12.01. *Issuer's Option To Effect Defeasance.* The Issuer may at its option, by Board Resolution, at any time, elect to defease the Issuer's obligations under the Outstanding Securities of any series and this Indenture in accordance with either Section 12.02 or Section 12.03 upon compliance with the conditions set forth below in this Article 12. Notwithstanding any such election, the terms of the Securities of such series shall remain in full force and effect.

Section 12.02. *Defeasances and Discharge.* Upon the Issuer's exercise of the option set forth in Section 12.01 applicable to this Section, and after the

expiration of the 90-day (or other) period referred to in clause (6)(ii) of Section 12.05, the Issuer shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities of such series on the date the conditions set forth below are satisfied (hereinafter, "**defeasance**"). For this purpose, such defeasance means that the Issuer shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities of such series and to have satisfied all its other obligations under the Securities of such series and this Indenture insofar as the Securities of such series are concerned (and the Trustee, upon an Issuer Order and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of holders of Outstanding Securities of such series to receive, solely from the trust fund described in Section 12.05 and as more fully set forth in such Section, payments in respect of the principal of and interest on the Securities of such series when such payments are due, (B) the Issuer's obligations with respect to such Securities of such series under Sections 2.08, 2.09 and 3.02, (C) the rights, powers, trusts, duties, and immunities of the Trustee hereunder, including but not limited to Article 5, (D) the Issuer's right of optional redemption, if any, (E) the rights of Holders to receive mandatory sinking fund payments, if any, and (F) this Article 12. Subject to compliance with this Article 12, the Issuer may exercise its option under this Section 12.02 notwithstanding the prior exercise of its option under Section 12.03 with respect to the Securities of such series.

Section 12.03. *Covenant Defeasance.* Upon the Issuer's exercise of the option set forth in Section 12.01 applicable to this Section, and after the expiration of the 90-day (or other) period referred to in clause (6)(ii) of Section 12.05, the Issuer shall be released from its obligations under Sections 3.09 and Section 3.10, with respect to the Outstanding Securities of any series on and after the date the conditions set forth below are satisfied (hereinafter, "**covenant defeasance**"). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities of such series, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section, whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, and such omission to comply shall not constitute a default or Event of Default under Section 4.01 (d), but, except as specified above, the remainder of this Indenture and the Securities of such series shall be unaffected thereby.

Section 12.04. *Conditions to Defeasance.* The following shall be the conditions to application of either Section 12.02 or Section 12.03 to the Outstanding Securities of any series.

(1) The Issuer shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the holders of Securities of such series (A) money

in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest, if any, in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in each case, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge the principal of and interest, if any, on the Outstanding Securities of such series on the stated maturity of such principal or interest or earlier date of redemption.

(2) No Event of Default or event which after notice or lapse of time or both would become an Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit.

(3) Such defeasance or covenant defeasance shall not cause the Trustee for the Securities of such series to have a conflicting interest as defined in Section 3 10(b) of the Trust Indenture Act of 1939 with respect to any Securities of the Issuer.

(4) Such defeasance or covenant defeasance shall be permitted by, and shall not result in breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound.

(5) Such defeasance or covenant defeasance shall not cause any Securities of such series then listed on any registered national securities exchange under the Securities Exchange Act of 1934, as amended, to be delisted.

(6) In the case of an election under Section 12.02, the Issuer shall have delivered to the Trustee an Opinion of Counsel stating (i) that the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred, and (ii) that after the passage of 90 days (or such other period of time as then required by the non-insider preference provisions of any applicable federal bankruptcy laws) following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally, and (iii) that there would not occur any violation of the Investment Company Act of 1940, as amended, on the part of the Issuer, the trust funds representing such deposit or the Trustee

as a result of such deposit and the related exercise of the Issuer's election under this Article 12.

(7) In the case of an election under Section 12.03, the Issuer shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred. Such Opinion shall also cover the matters referred to in clauses (ii) and (iii) of Section 12.4(6).

(8) The Issuer shall have delivered to the Trustee an irrevocable Issuer Order to apply the monies so deposited towards payment of all indebtedness on the Securities of such series at their stated maturity or earlier date of redemption, and an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 12.02 or the covenant defeasance under Section 12.03 (as the case may be) have been complied with.

Section 12.05. *Deposited Money and U.S. Government Obligations to Be Held in Trust; Reinstatement; Miscellaneous.* Subject to the provisions of Section 9.04, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 12.05 in respect of the Outstanding Securities of any series shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities of such series and this Indenture, to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), as the Trustee may determine, to the holders of Securities of such series, of all sums due and to become due thereon in respect of principal and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 9.01 or 12.05 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities of such series.

If the Trustee is unable to apply any money or U.S. Government Obligations in accordance with Section 9.01 or 12.05 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under this Indenture and the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 9.01 or 12.05; *provided* that if the Issuer has made any payment of principal of or interest on any Securities of such series because of the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Securities of such series to receive such payment from the money or U.S. Government Obligations held by the Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested. all as of the day and year first written above.

MURPHY OIL CORPORATION

By: ______________________________

Steven A. Cosse'
Senior Vice President and General Counsel

Attest:

By: ______________________________

Walter K. Compton
Secretary

SUNTRUST BANK, NASHVILLE, N.A.,
as Trustee

By: ______________________________

Attest:

By: ______________________________

STATE OF ARKANSAS)
: ss
COUNTY OF UNION)

On this day of before me personally came Walter K. Compton to me personally known, who, being by me duly sworn, did depose and say that he resides at El Dorado, Arkansas that he is a Secretary of MURPHY OIL CORPORATION, one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation. and that he signed his name thereto by like authority.

Notary Public

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested. all as of the day and year first written above.

MURPHY OIL CORPORATION

By: ______________________________

Attest:

By: ______________________________

SUNTRUST BANK, NASHVILLE, N.A.,
as Trustee

By: ______________________________

Attest:

By: ______________________________

STATE OF)
: ss
COUNTY OF)

On this day of before me personally came to me personally known, who, being by me duly sworn, did depose and say that he resides at that he is a SUNTRUST BANK, NASHVILLE, N.A., one of the corporations described in and which executed the above instrument; that he knows the corporate seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation. and that he signed his name thereto by like authority.

Notary Public

MURPHY OIL CORPORATION

and

SUNTRUST BANK, NASHVILLE, N.A.
Trustee

Supplemental Indenture

Dated as of May 4, 1999

$250,000,000 aggregate principle amount of 7.05% Notes Due 2029

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[1] The Table of Contents is not part of this Supplemental Indenture.

SUPPLEMENTAL INDENTURE, dated as of May 4, 1999, between Murphy Oil Corporation, a Delaware corporation (hereinafter sometimes referred to as the "Company"), and SUNTRUST BANK, NASHVILLE, N.A. a national banking association (hereinafter sometimes referred to as the "Trustee").

WITNESSETH THAT:

WHEREAS, the Company and the Trustee have entered into an Indenture (the "Indenture") dated as of May 4, 1999 providing for the issuance of debt securities in series; and

WHEREAS, for its lawful corporate purposes, the Company desires to create and authorize the series 7.05% Notes due May 1, 2029 (hereinafter referred to as the "Notes") in an aggregate principal amount of Two Hundred Fifty Million Dollars ($250,000,000) and to provide the terms and conditions upon which the Notes are to be executed, registered, authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Supplemental Indenture; and

WHEREAS, the Notes and the certificates of authentication to be borne by the Notes are to be substantially in the following forms, respectively;

[FORM OF NOTE]

[FACE]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depositary to the nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

No. 1

CUSIP #626717AA0
$250,000,000

MURPHY OIL CORPORATION

7.05% Note Due 2029

Murphy Oil Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein called the “Company”), for value received, hereby promises to pay to Cede & Co. or registered assigns, the principal sum of Two Hundred Fifty Million Dollars ($250,000,000) on May 1, 2029, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semiannually on May 1 and November 1 of each year, commencing November 1, 1999, on said principal sum at said office or agency, in like coin or currency, at the rate per annum specified in the title of this Note; provided, that payment of interest may be made on any Note issued in definitive form, at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear on the Security register. Interest on the Note will accrue from the most recent date to which interest has been paid, or if no interest has been paid, from May 4, 1999. The interest so payable on any May 1 or November 1 will, subject to certain exceptions provided in the Indenture dated as of May 4, 1999 (herein called the “Indenture”) referred to on the reverse hereof, be paid to the person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the April 15 or October 15 (whether or not a Business Day), as the case may be, next preceding such May 1 or November 1. Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by the Trustee under the Indenture referred to on the reverse hereof by manual signature.

IN WITNESS WHEREOF, Murphy Oil Corporation has caused this instrument to be duly executed.

MURPHY OIL CORPORATION

By: ______________________________

By: ______________________________

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: May 4, 1999

This is one of the Securities designated herein and referred to in the within-mentioned Indenture.

SUNTRUST BANK, NASHVILLE, N.A.,
as Authorized Signatory

By: ______________________________
Authorized Officer

[REVERSE OF NOTE]

MURPHY OIL CORPORATION
7.05% Note Due 2029

This Note is one of a duly authorized issue of unsecured debentures, notes, or other evidences of indebtedness of the Company (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of May 4, 1999 (herein called the "Indenture"), duly executed and delivered by the Company to SunTrust Bank, Nashville, N.A., as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Note is one of a series designated as the 7.05% Notes Due 2029 (the "Notes") of the Company, limited in aggregate principal amount to $250,000,000.

In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of each series issued under such Indenture then Outstanding and affected, to add any provisions to, or change in any manner or eliminate any of the provisions of, such Indenture or modify in any manner the rights of the Holders of the Securities of each series so affected; provided that the Company and the Trustee may not, without the consent of the Holder of each outstanding Security affected thereby, (i) extend the stated maturity of any Security, or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or reduce the principal amount of any original issue discount security payable upon acceleration or provable in bankruptcy or impair or affect the right to institute suit for the payment on any Security when due or (ii) reduce the aforesaid percentage in principal amount of Securities of any series issued under such Indenture, the consent of the Holders of which is required for any such modification. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the Holders of a majority in aggregate principal amount Outstanding of the Securities of such series (or, in

the case of certain defaults or Events of Default, all or certain series of the Securities) may on behalf of the Holders of all the Securities of such series (or, in the case of certain defaults or Events of Default, all or certain series of the Securities, as the case may be) waive any such past default or Event of Default and its consequences. The preceding sentence shall not, however, apply to a default in the payment of the principal of or interest on any of the Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and any Notes which may be issued in exchange or substitution herefor or on registration of transfer hereof, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note in the manner, at the respective times, at the rate and in the coin or currency herein prescribed.

The Notes are redeemable as a whole or in part, at the option of the Company at any time and from time to time, at a redemption price equal to the greater of (i) 100% of principal amount of such Notes, or (ii) the sum of the present values of the Remaining Scheduled Payments of the Notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points, plus in each case accrued interest thereon, if any, to the date of redemption.

"**Remaining Scheduled Payments**" means the remaining scheduled payments of the principal of and interest on each Note to be redeemed that would be due after the related redemption date but for such redemption. If the redemption date is not an interest payment date with respect to the Note being redeemed, the amount of the next succeeding scheduled interest payment on the Note will be reduced by the amount of interest accrued thereon to that redemption date.

"**Treasury Rate**" means the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second business day immediately preceding the redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

"**Comparable Treasury Issue**" means the United States Treasury security selected by an Independent Investment Banker that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"**Comparable Treasury Price**" means:

- the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) as of the third business day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or
- if that release (or any successor release) is not published or does not contain such prices on that business day, (a) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all quotations obtained

"**Independent Investment Banker**" means one of the Reference Treasury Dealers that the Company appoints.

"**Reference Treasury Dealer**" means each of Salomon Smith Barney Inc. (and its successors) and four other nationally recognized investment banking firms that are primary U.S. Government securities dealers specified from time to time by the Company. If, however, any of them shall cease to be a primary U.S. Government securities dealer, the Company will substitute another nationally recognized investment banking firm that is such a dealer.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer as of 3:30 p.m., New York time, on the third business day preceding the redemption date.

The Notes are issuable in registered form without coupons in denominations of $1,000 and any integral multiple of $1,000 at the office or agency of the Company in the Borough of Manhattan, The City of New York, and in the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

Upon due presentment for registration of transfer of this Note at the office or agency of the Company in the Borough of Manhattan, The City of New York, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the

limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company, the Trustee and any authorized agent of the Company or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof and subject to the provisions on the face hereof, interest hereon, and for all other purposes, and none of the Company, the Trustee or any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

This Note shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

AND WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by or on behalf of the Trustee as in this Indenture provided, the valid, binding and legal obligations of the Company, and to constitute these presents a valid Indenture and agreement according to its terms, have been done and performed.

NOW THEREFORE:

In order to declare the terms and conditions upon which the Notes are executed, registered, authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of such Notes by the holders thereof and of the sum of one dollar to it duly paid by the Trustee at the declaration of these presents, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective holders from time to time by such Notes, as follows:

PART I

CREATION AND AUTHORIZATION OF NOTES

There is hereby created and authorized the series of Notes entitled the “7.05% Notes Due 2029”, which shall be a closed series limited to $250,000,000 aggregate principal amount (except such Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes of this series pursuant to Sections 2.08, 209, 2.11 or 11.03).

PART II

SPECIAL PROVISIONS APPLICABLE TO THIS SERIES

There are no special provisions applicable to this Series.

IN WITNESS WHEREOF, Murphy Oil Corporation has caused this Supplemental Indenture to be signed and delivered and its corporate seal affixed hereunto and the same to be attested, and the Trustee has caused this Supplemental Indenture to be signed and delivered and its corporate seal to be affixed hereunto and the same to be attested, all as of the day and year first written above.

MURPHY OIL CORPORATION

By: ______________________________

ATTEST:

____

SUNTRUST BANK, NASHVILLE, N.A.,
AS TRUSTEE

By: ______________________________

____

ATTEST:

____

IN WITNESS WHEREOF, Murphy Oil Corporation has caused this Supplemental Indenture to be signed and delivered and its corporate seal to be affixed hereunto and the same to be attested, and the Trustee has caused this Supplemental Indenture to be signed and delivered and its corporate seal to be affixed hereunto and the same to be attested, all as of the day and year first written above.

MURPHY OIL CORPORATION, INC.

By: ______________________________

ATTEST:

____

SUNTRUST BANK, NASHVILLE, N.A.,
AS TRUSTEE

By: ______________________________

____

ATTEST:

____

EXHIBIT 4.3

[CONFORMED COPY]

RIGHTS AGREEMENT

dated as of

December 6, 1989

between

MURPHY OIL CORPORATION

and

HARRIS TRUST COMPANY OF NEW YORK,

as Rights Agent

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Exhibit A - Form of Certificate of Designation of Preferred Stock

Exhibit B - Form of Right Certificate

Exhibit C - Summary Description of the Stockholder Rights Plan

RIGHTS AGREEMENT

AGREEMENT dated as of December 6, 1989, between Murphy Oil Corporation, a Delaware corporation (the "**Company**"), and Harris Trust Company of New York, as Rights Agent (the "**Rights Agent**"),

W I T N E S S E T H

WHEREAS, on December 6, 1989 the Board of Directors of the Company authorized and declared a dividend of one preferred stock purchase right (a "**Right**") for each share of Common Stock (as hereinafter defined) outstanding at the close of business on December 20, 1989 (the "**Record Date**") and has authorized the issuance, upon the terms and subject to the conditions hereinafter set forth, of one Right in respect of each share of Common Stock issued after the Record Date, each Right representing the right to purchase, upon the terms and subject to the conditions hereinafter set forth, one one-hundredth of a share of Preferred Stock (as hereinafter defined);

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Definitions*. The following terms, as used herein, have the following meanings:

"**Acquiring Person**" means any Person (other than Charles H. Murphy, Jr. and Affiliates of Charles H. Murphy, Jr.) who, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, but shall not include the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or any Person organized, appointed or established by the Company or any of its Subsidiaries for or pursuant to the terms of any such plan.

"**Affiliate**" and "**Associate**" have the respective meanings ascribed to such terms in Rule 12b-2 under the Exchange Act as in effect on the date hereof.

A Person shall be deemed the "**Beneficial Owner**" of, and shall be deemed to "**beneficially own**", any securities:

(a) which such Person or any of its Affiliates or Associates, directly or indirectly, beneficially owns (as determined pursuant to Rule 13d-3 under the Exchange Act as in effect on the date hereof);

(b) which such Person or any of its Affiliates or Associates, directly or indirectly, has

(i) the right to acquire (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise (other than pursuant to the Rights); *provided* that a Person shall not be deemed the "**Beneficial Owner**" of or to "**beneficially own**" securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of its Affiliates or Associates until such tendered securities are accepted for payment or exchange; or

(ii) the right to vote (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise; *provided* that a Person shall not be deemed the "**Beneficial Owner**" of or to "**beneficially own**" any security under this clause (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of its Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in subparagraph (b)(ii) immediately above) or disposing of any such securities.

"**Business Day**" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"**Close of business**" on any given date means 5:00 P.M., New York City time, on such date; *provided* that if such date is not a Business Day "**close of business**" means 5:00 P.M., New York City time, on the next succeeding Business Day.

“**Common Stock**” means the Common Stock, par value $1.00 per share, of the Company, except that, when used with reference to any Person other than the Company, “**Common Stock**” means the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

“**Continuing Director**” means any member of the Board of Directors of the Company, while such Person is a member of the Board, who is not an Acquiring Person or an Affiliate or Associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any such Affiliate or Associate and either (a) was a member of the Board immediately prior to the time any Person becomes an Acquiring Person or (b) subsequently becomes a member of the Board, if such Person’s nomination for election or election to the Board is recommended or approved by a majority of the Continuing Directors.

“**Distribution Date**” means the close of business on the tenth day (or such later day as may be designated by action of a majority of the Continuing Directors) after the Stock Acquisition Date.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Expiration Date**” means the earlier of (a) the Final Expiration Date and (b) the time at which all Rights are redeemed as provided in Section 23 or exchanged as provided in Section 24.

“**Final Expiration Date**” means the close of business on December 6, 1999.

“**Person**” means an individual, corporation, partnership, association, trust or any other entity or organization.

“**Preferred Stock**” means the Series A Participating Cumulative Preferred Stock, par value $100.00 per share, of the Company, having the terms set forth in the form of certificate of designation attached hereto as Exhibit A.

“**Purchase Price**” means the price (subject to adjustment as provided herein) at which a holder of a Right may purchase one one-hundredth of a share of Preferred Stock (subject to adjustment as provided herein) upon exercise of a Right, which price shall initially be $130.00.

“**Section 11(a)(ii) Event**” means any event described in the first clause of Section 11(a)(ii).

"**Section 13 Event**" means any event described in clauses (x), (y) or (z) of Section 13(a).

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Stock Acquisition Date**" means the date of the first public announcement (including the filing of a report on Schedule 13D under the Exchange Act (or any comparable or successor report)) by the Company or an Acquiring Person indicating that an Acquiring Person has become such.

"**Subsidiary**" of any Person means any other Person of which securities or other ownership interests having ordinary voting power, in the absence of contingencies, to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such first Person.

"**Trading Day**" means a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day.

"**Triggering Event**" means any Section 11(a)(ii) Event or any Section 13 Event.

SECTION 2. *Appointment of Rights Agent*. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable. If the Company appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and any Co-Rights Agents shall be as the Company shall determine.

SECTION 3. *Issue of Right Certificates.* (a) Prior to the Distribution Date, (i) the Rights will be evidenced by the certificates for the Common Stock and not by separate Right Certificates (as hereinafter defined) and the registered holders of the Common Stock shall be deemed to be the registered holders of the associated Rights, and (ii) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock. As soon as practicable after the Record Date, the Company will send a summary of the Rights substantially in the form of Exhibit C hereto, by first-class, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Record Date at the address of such holder shown on the records of the Company.

(b) As soon as practicable after the Company has notified the Rights Agent of the occurrence of the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more Right Certificates evidencing one Right (subject to adjustment as provided herein) for each share of Common Stock so held. If an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(p), the Company shall, at the time of distribution of the Right Certificates, make the necessary and appropriate rounding adjustments (in accordance with Section 14(a)) so that Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. From and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(c) Rights shall be issued in respect of all shares of Common Stock outstanding as of the Record Date or issued (on original issuance or out of treasury) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the Expiration Date, the Company (i) shall, with respect to shares of Common Stock so issued or sold (x) pursuant to the exercise of stock options or under any employee plan or arrangement or (y) upon the exercise, conversion or exchange of other securities issued by the Company prior to the Distribution Date and (ii) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; *provided* that no such Right Certificate shall be issued if, and to the extent that, (i) the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued or (ii) appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

(d) Certificates for the Common Stock issued after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

> This certificate also evidences certain Rights as set forth in a Rights Agreement between Murphy Oil Corporation (the "**Company**") and Harris Trust Company of New York dated as of December 6, 1989 (the "**Rights Agreement**"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. The Company will mail to the holder of this certificate a copy of the

> Rights Agreement without charge promptly after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be evidenced by separate certificates and no longer be evidenced by this certificate, may be redeemed or exchanged or may expire. As set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may be null and void.

SECTION 4. *Form of Right Certificates.* (a) The certificates evidencing the Rights (and the forms of assignment, election to purchase and certificates to be printed on the reverse thereof) (the "**Right Certificates**") shall be substantially in the form of Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law, rule or regulation or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. The Right Certificates, whenever distributed, shall be dated as of the Record Date.

(b) Any Right Certificate representing Rights beneficially owned by any Person referred to in clauses (i), (ii) or (iii) of the first sentence of Section 7(d) shall (to the extent feasible) contain the following legend:

> The Rights represented by this Right Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). This Right Certificate and the Rights represented hereby may be or may become null and void in the circumstances specified in Section 7(d) of such Agreement.

SECTION 5. *Countersignature and Registration.* (a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose manual or facsimile signature is affixed to the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery

by the Company, such Right Certificates may, nevertheless, be countersigned by the Rights Agent and issued and delivered with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company. Any Right Certificate may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such Person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the place for surrender of Right Certificates upon exercise, transfer or exchange, books for registration and transfer of the Right Certificates. Such books shall show with respect to each Right Certificate the name and address of the registered holder, the number of Rights indicated on the certificate and the certificate number.

SECTION 6. *Transfer and Exchange of Right Certificates; Mutilated, Destroyed, Lost of Stolen Right Certificates.* (a) At any time after the Distribution Date and prior to the Expiration Date, any Right Certificate or Certificates may, upon the terms and subject to the conditions set forth below in this Section 6(a), be transferred or exchanged for another Right Certificate or Certificates evidencing a like number of Rights as the Right Certificate or Certificates surrendered. Any registered holder desiring to transfer or exchange any Right Certificate or Certificates shall surrender such Right Certificate or Certificates (with, in the case of a transfer, the form of assignment and certificate on the reverse side thereof duly executed) to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate or Certificates until the registered holder of the Rights has complied with the requirements of Section 7(e). Upon satisfaction of the foregoing requirements, the Rights Agent shall, subject to Sections 4(b), 7(d), 14 and 24, countersign and deliver to the Person entitled thereto a Right Certificate or Certificates as so requested. The Company may require payment of a sum sufficient to cover any transfer tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Right Certificate or Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company’s request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will issue and

deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

SECTION 7. *Exercise of Rights; Purchase Price; Expiration Date of Rights.* (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein, including Sections 7(d) and (e), 9(c), 11(a)(iii) and 24) in whole or in part at any time after the Distribution Date and prior to the Expiration Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment (in lawful money of the United States of America by certified check or bank draft payable to the order of the Company) of the aggregate Purchase Price with respect to the Rights then to be exercised and an amount equal to any applicable transfer tax or other governmental charge.

(b) Upon satisfaction of the requirements of Section 7(a) and subject to Section 20(k), the Rights Agent shall thereupon promptly (i)(A) requisition from any transfer agent of the Preferred Stock (or make available, if the Rights Agent is the transfer agent therefor) certificates for the total number of one one-hundredths of a share of Preferred Stock to be purchased (and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests) or (B) if the Company shall have elected to deposit the shares of Preferred Stock issuable upon exercise of the Rights with a depositary agent, requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company will direct the depositary agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of issuance of fractional shares in accordance with Section 14 and (iii) after receipt of such certificates or depositary receipts and cash, if any, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate (with such certificates or receipts registered in such name or names as may be designated by such holder). If the Company is obligated to deliver Common Stock, other securities or assets pursuant to this Agreement, the Company will make all arrangements necessary so that such other securities and assets are available for delivery by the Rights Agent, if and when appropriate.

(c) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing the number of Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14.

(d) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person (or any such Associate or Affiliate) to holders of equity interests in such Acquiring Person (or in any such Associate or Affiliate) or to any Person with whom the Acquiring Person (or any such Associate or Affiliate) has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(d) shall become null and void without any further action, and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(d) and Section 4(b) are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates and Associates or any transferee of any of them hereunder.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights upon the occurrence of any purported transfer pursuant to Section 6 or exercise pursuant to this Section 7 unless such registered holder (i) shall have completed and signed the certificate contained in the form of assignment or election to purchase, as the case may be, set forth on the reverse side of the Right Certificate surrendered for such transfer or exercise, as the case may be, (ii) shall not have indicated an affirmative response to clause 1 or 2 thereof and (iii) shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

SECTION 8. *Cancellation and Destruction of Right Certificates.* All Right Certificates surrendered for exercise, transfer or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by this Agreement. The Company shall deliver to the Rights Agent for cancellation, and the Rights Agent shall cancel, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

SECTION 9. *Reservation and Availability of Capital Stock.* (a) The Company covenants and agrees that it will cause to be reserved and kept available a number of shares of Preferred Stock which are authorized but not outstanding or otherwise reserved for issuance sufficient to permit the exercise in full of all outstanding Rights as provided in this Agreement.

(b) So long as the Preferred Stock issuable upon the exercise of Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all securities reserved for such issuance to be listed on any such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts (i) to file, as soon as practicable following the earliest date after the occurrence of a Section 11(a)(ii) Event as of which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(iii), or as soon as is required by law following the Distribution Date, as the case may be, a registration statement under the Securities Act with respect to the securities issuable upon exercise of the Rights, (ii) to cause such registration statement to become effective as soon as practicable after such filing and (iii) to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or blue sky laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed 90 days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily

suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any such provision of this Agreement to the contrary, the Rights shall not be exercisable for securities in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, such exercise therefor shall not be permitted under applicable law or a registration statement in respect of such securities shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to insure that all one one-hundredths of a share of Preferred Stock issuable upon exercise of Rights shall, at the time of delivery of the certificates for such securities (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and other governmental charges which may be payable in respect of the issuance or delivery of the Right Certificates and of any certificates for Preferred Stock upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax or other governmental charge which may be payable in respect of any transfer involved in the issuance or delivery of any Right Certificates or of any certificates for Preferred Stock to a Person other than the registered holder of the applicable Right Certificate, and prior to any such transfer, issuance or delivery any such tax or other governmental charge shall have been paid by the holder of such Right Certificate or it shall have been established to the Company's satisfaction that no such tax or other governmental charge is due.

SECTION 10. *Preferred Stock Record Date*. Each Person (other than the Company) in whose name any certificate for Preferred Stock is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such Preferred Stock represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any transfer taxes or other governmental charges) was made; *provided* that if the date of such surrender and payment is a date upon which the transfer books of the Company relating to the Preferred Stock are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the applicable transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company except as provided herein.

SECTION 11. *Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights*. (a) (i) If the Company shall at any time after the date of this Agreement (A) pay a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock into a greater number of shares, (C) combine the outstanding Preferred Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger involving the Company), the Purchase Price in effect immediately prior to the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or other capital stock issuable on such date shall be proportionately adjusted so that each holder of a Right shall (except as otherwise provided herein, including Section 7(d)) thereafter be entitled to receive, upon exercise thereof at the Purchase Price in effect immediately prior to such date, the aggregate number and kind of shares of Preferred Stock or other capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the applicable transfer books of the Company were open, such holder would have been entitled to receive upon such exercise and by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which requires an adjustment under both this Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) If any Person, alone or together with its Affiliates and Associates, shall, at any time after the date of this Agreement, become the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, then proper provision shall promptly be made so that each holder of a Right shall (except as otherwise provided herein, including Section 7(d)) thereafter be entitled to receive, upon exercise thereof at the Purchase Price in effect immediately prior to the first occurrence of a Section 11(a)(ii) Event, in lieu of Preferred Stock, such number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock of the Company (such number of shares being referred to herein as the "**Adjustment Shares**") as shall be equal to the result obtained by dividing

(x) the product obtained by multiplying the Purchase Price in effect immediately prior to the first occurrence of a Section 11(a)(ii) Event by the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence (such product being thereafter referred to as the "**Purchase Price**" for each Right and for all purposes of this Agreement) by

(y) 50% of the current market price (determined pursuant to Section 11(d)(i)) per share of Common Stock on the date of such first occurrence;

provided that if the transaction that would otherwise give rise to the foregoing adjustment is also subject to the provisions of Section 13, then only the provisions of Section 13 shall apply and no adjustment shall be made pursuant to this Section 11(a)(ii).

(iii) If the number of shares of Common Stock which are authorized by the Company's certificate of incorporation but not outstanding or reserved for issuance other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with Section 11(a)(ii), the Company shall, with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the Purchase Price then in effect, (A) (to the extent available) Common Stock and then, (B) (to the extent available) other equity securities of the Company which the Board of Directors of the Company (or, if at such time there is an Acquiring Person, a majority of the Continuing Directors) has determined to be essentially equivalent to shares of Common Stock in respect to dividend, liquidation and voting rights (such securities being referred to herein as "**common stock equivalents**") and then, if necessary, (C) other equity or debt securities of the Company, cash or other assets, a reduction in the Purchase Price or any combination of the foregoing, having an aggregate value (as determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company) equal to the value of the Adjustment Shares; *provided* that (x) the Company may, and (y) if the Company shall not have made adequate provision as required above to deliver value within 30 days following the later of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 shall expire, then the Company shall be obligated to, deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, (1) (to the extent available) Common Stock and then (2) (to the extent available) common stock equivalents and then, if necessary, (3) other debt or equity securities to the Company, cash or other assets or any combination of the foregoing, having an aggregate value (as determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company) equal to the excess of the value of the Adjustment Shares over the Purchase Price. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the 30 day period set forth above (such period, as it may be extended, being referred to herein as the "**Substitution Period**") may be extended to the extent necessary, but not more than 90 days following the first occurrence of a

Section 11(a)(ii) Event, in order that the Company may seek stockholder approval for the authorization of such additional shares. To the extent that the Company determines that some action is to be taken pursuant to the first and/or second sentence of this Section 11(a)(iii), the Company (X) shall provide, subject to Section 7(d), that such action shall apply uniformly to all outstanding Rights and (Y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form and value of any consideration to be delivered as referred to in such first and/or second sentence. If any such suspension occurs, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the current market price per share of Common Stock (as determined pursuant to Section 11(d)) on the later of the date of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 shall expire; any "**common stock equivalent**" shall be deemed to have the same value as the Common Stock on such date; and the value of other securities or assets shall be determined pursuant to Section 11(d)(iii).

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within 45 calendar days after such record date) Preferred Stock (or securities having the same rights, privileges and preferences as the shares of Preferred Stock ("**equivalent preferred stock**")) or securities convertible into or exercisable for Preferred Stock (or equivalent preferred stock) at a price per share of Preferred Stock (or equivalent preferred stock) (in each case, taking account of any conversion or exercise price) less than the current market price (as determined pursuant to Section 11(d)) per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock which the aggregate price (taking account of any conversion or exercise price) of the total number of shares of Preferred Stock (and/or equivalent preferred stock) so to be offered would purchase at such current market price and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of additional shares of Preferred Stock (and/or equivalent preferred stock) so to be offered. In case such subscription price may be paid by delivery of consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. Shares of Preferred Stock owned by or held

for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and if such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger involving the Company) of evidences of indebtedness, equity securities other than Preferred Stock, assets (other than a regular periodic cash dividend out of the earnings or retained earnings of the Company) or rights, options or warrants (excluding those referred to in Section 11(b)), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current market price (as determined pursuant to Section 11(d)) per share of Preferred Stock on such record date, less the value (as determined pursuant to Section 11(d)(iii)) of such evidences of indebtedness, equity securities, assets, rights, options or warrants so to be distributed with respect to one share of Preferred Stock and the denominator of which shall be such current market price per share of Preferred Stock. Such adjustment shall be made successively whenever such a record date is fixed, and if such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder other than computations made pursuant to Section 11(a)(iii) or 14, the "**current market price**" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 30 consecutive Trading Days immediately prior to such date; for purposes of computations made pursuant to Section 11(a)(iii), the "**current market price**" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 10 consecutive Trading Days immediately following such date; and for purposes of computations made pursuant to Section 14, the "**current market price**" per share of Common Stock for any Trading Day shall be deemed to be the closing price per share of Common Stock for such Trading Day; *provided* that if the current market price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities exercisable for or convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of the requisite 30 Trading Day or 10 Trading Day period, as set

forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "**current market price**" shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("**NASDAQ**") or such other system then in use or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. If the Common Stock is not publicly held or not so listed or traded, the "**current market price**" per share means the fair value per share as determined in good faith by the Board of Directors of the Company, or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors, or if there are no Continuing Directors, by a nationally recognized investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the "**current market price**" per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in Section 11(d)(i) (other than the last sentence thereof). If the current market price per share of Preferred Stock cannot be determined in such manner, the "**current market price**" per share of Preferred Stock shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the current market price per share of Common Stock (as determined pursuant to Section 11(d)(i) (other than the last sentence thereof)). If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, the "**current market price**" per share of the Preferred Stock shall be determined in the same manner as set forth in the last sentence of Section 11(d)(i). For all purposes of this Agreement, the "**current**

market price" of one one-hundredth of a share of Preferred Stock shall be equal to the "**current market price**" of one share of Preferred Stock divided by 100.

(iii) For the purpose of any computation hereunder, the value of any securities or assets other than Common Stock or Preferred Stock shall be the fair value as determined in good faith by the Board of Directors of the Company, or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors then in office, or, if there are no Continuing Directors, by a nationally recognized investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; *provided* that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or one-millionth of a share of Preferred Stock, as the case may be.

(f) If at any time, as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a), the holder of any Right shall be entitled to receive upon exercise of such Right any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Section 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made hereunder shall evidence the right to purchase, at the Purchase Price then in effect, the then applicable number of one one-hundredths of a share of Preferred Stock and other capital stock of the Company issuable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a

share of Preferred Stock (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-hundredths of a share for which a Right was exercisable immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a share of Preferred Stock for which such Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-hundredth of a share and the number of shares which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the par value, if any, of the number of one one-hundredths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of one one-hundredths of a share of Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one one-hundredths of a share of Preferred Stock or other capital stock of the Company, if any, issuable upon such exercise over and above the number of one one-hundredths of a share of Preferred Stock or other capital stock of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; *provided* that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it, in its sole discretion, shall determine to be advisable in order that any consolidation or subdivision of the Preferred Stock, issuance wholly for cash of any Preferred Stock at less than the current market price, issuance wholly for cash of Preferred Stock or securities which by their terms are convertible into or exercisable for Preferred Stock, stock dividends or issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to the holders of its Preferred Stock, shall not be taxable to such stockholders.

(n) The Company covenants and agrees that it will not at any time after the Distribution Date (i) consolidate, merge or otherwise combine with or (ii) sell or otherwise transfer (and/or permit any of its Subsidiaries to sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons if (x) at the time of or immediately after such consolidation, merger, combination or sale there are any rights, warrants or other instruments or securities outstanding or any agreements or arrangements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger,

combination or sale, the stockholders of a Person who constitutes, or would constitute, the "**Principal Party**" for the purposes of Section 13 shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that after the Distribution Date, it will not, except as permitted by Sections 23, 24 and 27, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Notwithstanding anything in this Agreement to the contrary, if at any time after the date hereof and prior to the Distribution Date the Company shall (i) pay a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock into a larger number of shares or (iii) combine the outstanding Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter as contemplated by Section 3(c), shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

SECTION 12. *Certificate of Adjusted Purchase Price or Number of Shares*. Whenever an adjustment is made as provided in Sections 11 and 13, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Stock and the Common Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing shares of Common Stock) in the manner set forth in Section 26. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

SECTION 13. *Consolidation, Merger or Sale or Transfer of Assets or Earning Power*. (a) If, following the Stock Acquisition Date, directly or indirectly,

(x) the Company shall consolidate with, merge into, or otherwise combine with, any other Person, and the Company shall not be the continuing or surviving corporation of such consolidation, merger or combination,

(y) any Person shall merge into, or otherwise combine with, the Company, and the Company shall be the continuing or surviving corporation of such merger or combination and, in connection with such merger or combination, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for other stock or securities of the Company or any other Person, cash or any other property, or

(z) the Company and/or one or more of its Subsidiaries shall sell or otherwise transfer, in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons,

then, and in each such case, proper provision shall promptly be made so that

(1) each holder of a Right shall (except as otherwise provided herein, including Section 7(d)) thereafter be entitled to receive, upon exercise thereof at the Purchase Price in effect immediately prior to the first occurrence of any Triggering Event, such number of duly authorized, validly issued, fully paid and nonassessable shares of freely tradeable Common Stock of the Principal Party (as hereinafter defined), not subject to any rights of call or first refusal, liens, encumbrances or other claims, as shall be equal to the result obtained by dividing

(A) the product obtained by multiplying the Purchase Price in effect immediately prior to the first occurrence of any Triggering Event by the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence (such product being thereafter referred to as the "**Purchase Price**" for each Right and for all purposes of this Agreement) by

(B) 50% of the current market price (determined pursuant to Section 11(d)(i)) per share of the Common Stock of such Principal Party on the date of consummation of such consolidation, merger, combination, sale or transfer;

(2) the Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, combination, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement;

(3) the term "**Company**" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 shall apply only to such Principal Party following the first occurrence of a Section 13 Event; and

(4) such Principal Party shall take such steps (including the authorization and reservation of a sufficient number of shares of its Common Stock to permit exercise of all outstanding Rights in accordance with this Section 13(a)) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of its Common Stock thereafter deliverable upon the exercise of the Rights.

(b) "**Principal Party**" means

(i) in the case of any transaction described in Section 13(a)(x) or (y), the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger, consolidation or combination, and if no securities are so issued, the Person that is the other party to such merger, consolidation or combination; and

(ii) in the case of any transaction described in Section 13(a)(z), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions; *provided* that in any such case, (A) if the Common Stock of such Person is not at such time and has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "**Principal Party**" shall refer to such other Person; and (B) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of two or more of which are and have been so registered, "**Principal Party**" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, combination, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which are not outstanding or otherwise reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in Section 13(a) and (b) and providing that, as soon as practicable after the date of any consolidation, merger, combination, sale or transfer mentioned in Section 13(a), the Principal Party will

(i) prepare and file a registration statement under the Securities Act with respect to the securities issuable upon exercise of the Rights, and will use its best efforts to cause such registration statement (A) to become effective as soon as practicable after such filing and (B) to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date and

(ii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers, consolidations, combinations, sales or other transfers. If any Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

SECTION 14. *Fractional Rights and Fractional Shares*. (a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p), or to distribute Right Certificates which evidence fractional Rights. In lieu of any such fractional Rights, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market price of a whole Right. For purposes of this Section 14(a), the current market price of a whole Right shall be the closing price of a Right for the Trading Day immediately prior to the date on which such fractional Rights would otherwise have been issuable. The closing price of a Right for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the current market price of the Rights on such date shall be as determined in good faith by the Board of Directors of the Company.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions which are multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions which are multiples of one one-hundredth of a share of Preferred Stock). In lieu of any such fractional shares of Preferred Stock, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market price of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market price of one one-hundredth of a share of Preferred Stock shall be one one-hundredth of the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of any Triggering Event or upon any exchange pursuant to Section 24, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised or exchanged as herein provided an amount in cash equal to the same fraction of the current market price of a share of Common Stock. For purposes of this Section 14(c), the current market price of a share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to Section 11(d)(i)) for the Trading Day immediately prior to the date of such exercise or exchange.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right except as permitted by this Section 14.

SECTION 15. *Rights of Action*. All rights of action in respect of this Agreement are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of certificates representing Common Stock); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of any certificate representing Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of any certificate representing Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be

entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of, any Person subject to this Agreement.

SECTION 16. *Agreement of Right Holders*. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Sections 6 and 7, the Company and the Rights Agent may deem and treat the Person in whose name a Right Certificate (or, prior to the Distribution Date, a certificate representing shares of Common Stock) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the certificate representing shares of Common Stock made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(d), shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation; *provided* that the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

SECTION 17. *Right Certificate Holder Not Deemed a Stockholder*. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the shares of capital stock which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of

the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

SECTION 18. *Concerning the Rights Agent*. (a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the execution or administration of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the administration of this Agreement or the exercise or performance of its duties hereunder, including the costs and expenses of defending against any claim of liability.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with the administration of this Agreement or the exercise or performance of its duties hereunder in reliance upon any Right Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, instruction, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

SECTION 19. *Merger or Consolidation or Change of Name of Rights Agent*. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of

a predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

SECTION 20. *Duties of Rights Agent*. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any “**Acquiring Person**” and the determination of “**current market price**”) be proved or established by the Company prior to taking, suffering or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken, suffered or omitted in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 7(d)) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Sections 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of Common Stock or Preferred Stock will, when issued, be duly authorized, validly issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President or any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken, suffered or omitted to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company or to any holders of Rights resulting from any such act, default, neglect or misconduct, provided that reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the cases may be, has either not been completed or indicates an affirmative response to clause 1 or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

SECTION 21. *Change of Rights Agent*. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Stock and Preferred Stock by registered or certified mail, and, subsequent to the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Stock by registered or certified mail, and, subsequent to the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the

Company or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or of any state of the United States, in good standing, having a principal office in the State of New York, which is authorized under such laws to exercise stock transfer or corporate trust powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50,000,000 or (b) an Affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and, subsequent to the Distribution Date, mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

SECTION 22. *Issuance of New Right Certificates*. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares of stock issuable upon exercise of the Rights made in accordance with the provisions of this Agreement.

SECTION 23. *Redemption*. (a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing Directors may designate prior to such time as the Rights are no longer redeemable) and (ii) the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of $.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "**Redemption Price**"); *provided* that after any Person has become an Acquiring Person, any redemption of the Rights shall be effective only if there are Continuing Directors then in office, and such redemption shall have been approved by a majority of such Continuing Directors. Notwithstanding anything in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a)(ii) Event until such time as the Company's right of redemption hereunder has expired.

(b) Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights and without any further action and without any notice, the right to exercise the Rights will terminate and thereafter the only right of the holders of Rights shall be to receive the Redemption Price for each Right so held. The Company shall promptly thereafter give notice of such redemption to the Rights Agent and the holders of the Rights in the manner set forth in Section 26; *provided* that the failure to give, or any defect in, such notice shall not affect the validity of such redemption. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in Section 23 or 24, and other than in connection with the purchase, acquisition or redemption of shares of Common Stock prior to the Distribution Date.

SECTION 24. *Exchange*. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to Section 7(d)) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "**Exchange Ratio**"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or any Person organized, appointed or established by the Company or any of its Subsidiaries for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the shares of Common Stock then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company electing to exchange any Rights pursuant to Section 24(a) and without any further action and without any notice, the right to exercise such Rights will terminate and thereafter the only right of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly thereafter give notice of such exchange to the Rights Agent and the holders of the Rights to be exchanged in the manner set forth in Section 26; *provided* that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the

shares of Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to Section 7(d)) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute common stock equivalents (as defined in Section 11(a)(iii)) for shares of Common Stock exchangeable for Rights, at the initial rate of one common stock equivalent for each share of Common Stock, as appropriately adjusted to reflect adjustments in dividend, liquidation and voting rights of common stock equivalents pursuant to the terms thereof, so that each common stock equivalent delivered in lieu of each share of Common Stock shall have essentially the same dividend, liquidation and voting rights as one share of Common Stock.

SECTION 25. *Notice to Proposed Actions*. (a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of its Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision or combination of outstanding shares of Preferred Stock) or (iv) to effect any consolidation or merger with any other Person, or to effect and/or to permit one or more of its Subsidiaries to effect any sale or other transfer, in one transaction or a series of related transactions, of assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons, or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right, to the extent feasible and in accordance with Section 26, a notice of such proposed action, which shall specify the record date for the purposes of any such dividend, distribution or offering of rights or warrants, or the date on which any such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date for determining holders of the Preferred Stock entitled to participate in such dividend, distribution or offering, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Preferred Stock, whichever shall be the earlier. The failure to give notice required by this Section or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote upon any such action.

(b) Notwithstanding anything in this Agreement to the contrary, prior to the Distribution Date a filing by the Company with the Securities and Exchange Commission shall constitute sufficient notice to the holders of securities of the Company, including the Rights, for purposes of this Agreement and no other notice need be given to such holders.

(c) If a Triggering Event shall occur, then, in any such case, (1) the Company shall as soon as practicable thereafter give to each holder of a Right, in accordance with Section 26, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) or 13, as the case may be, and (2) all references in Section 25(a) to Preferred Stock shall be deemed thereafter to refer to Common Stock or other capital stock, as the case may be.

SECTION 26. *Notices*. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right to or on the Company shall be sufficiently given or made if sent by first-class mail (postage prepaid) to the address of the Company indicated on the signature page hereof or such other address as the Company shall specify in writing to the Rights Agent. Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail (postage prepaid) to the address of the Rights Agent indicated on the signature page hereof or such other address as the Rights Agent shall specify in writing to the Company. Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate (or, prior to the Distribution Date, to the holder of any certificate representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail (postage prepaid) to the address of such holder shown on the registry books of the Company.

SECTION 27. *Supplements and Amendments*. Prior to the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock. From and after the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Right Certificates in order (a) to cure any ambiguity, (b) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein or (c) to change or supplement the provisions hereof in any manner which the Company may deem necessary or desirable and

which shall not adversely affect the interests of the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Notwithstanding the foregoing, after any Person has become an Acquiring Person, any supplement or amendment shall be effective only if there are Continuing Directors then in office, and such supplement or amendment shall have been approved by a majority of such Continuing Directors. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section, the Rights Agent shall execute such supplement or amendment. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

SECTION 28. *Successors*. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 29. *Determinations and Actions by the Board of Directors, etc*. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) under the Exchange Act as in effect on the date of this Agreement. The Board of Directors of the Company (with, where specifically provided for herein, the concurrence of the Continuing Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or exchange or not to redeem or exchange the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board (or, where specifically provided for herein, by the Continuing Directors) in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board of Directors of the Company or the Continuing Directors to any liability to the holders of the Rights.

SECTION 30. *Benefits of this Agreement*. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the certificates representing the shares of Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the certificates representing the shares of Common Stock).

SECTION 31. *Severability*. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; *provided* that, notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors.

SECTION 32. *Governing Law*. This Agreement, each Right and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State, except that the rights and obligations of the Rights Agent shall be governed by the law of the State of New York.

SECTION 33. *Counterparts*. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

SECTION 34. *Descriptive Headings*. The captions herein are included for convenience of reference only, do not constitute a part of this Agreement and shall be ignored in the construction and interpretation hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MURPHY OIL CORPORATION

By: /s/ Clefton Vaughan

Clefton Vaughan
Vice President

200 Peach Street
El Dorado, Arkansas 71730
Attention: W. Bayless Rowe

HARRIS TRUST COMPANY OF NEW YORK

By: /s/ Vincent G. Marrone

Vincent G. Marrone
Assistant Vice President

77 Water Street
New York, New York 10005
Attention: Vincent Marrone

FORM OF
CERTIFICATE OF DESIGNATION
OF
SERIES A PARTICIPATING CUMULATIVE
PREFERRED STOCK

OF

MURPHY OIL CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the
State of Delaware

We, R. Madison Murphy, Vice President, Planning, and W. Bayless Rowe, Secretary, of Murphy Oil Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware ("**Delaware Law**"), in accordance with the provisions thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, the Board of Directors on December 6, 1989, adopted the following resolution creating a series of Preferred Stock in the amount and having the designation, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof as follows:

SECTION 1. *Designation and Number of Shares.* The shares of such series shall be designated as "**Series A Participating Cumulative Preferred Stock**" (the "**Series A Preferred Stock**"), and the number of shares constituting such series shall be 350,000.

SECTION 2. *Dividends and Distributions.*

(A) The holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable on March 1, June 1, September 1 and December 1 of each year (each such date being referred to herein as a "**Quarterly Dividend Payment Date**"), commencing on the first quarterly Dividend Payment Date after the first issuance of any share or fraction of a share

of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 and (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends or other distributions and 100 times the aggregate per share amount of all non-cash dividends or other distributions (other than (i) a dividend payable in shares of Common Stock (as hereinafter defined) or (ii) a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise)), declared on the Common Stock, par value $1.00 per share, of the Corporation (the "**Common Stock**") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. If the Corporation shall at any time after December 6, 1989 (the "**Rights Declaration Date**") pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than as described in clause (i) and (ii) of the first sentence of paragraph (A)); *provided* that if no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date (or, with respect to the first Quarterly Dividend Payment Date, the period between the first issuance of any share or fraction of a share of Series A Preferred Stock and such first Quarterly Dividend Payment Date), a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is on or before the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue and be cumulative from the date of issue of such shares, or unless the date of issue is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or before such Quarterly Dividend Payment Date, in which case dividends shall

begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall not be more than 60 days prior to the date fixed for the payment thereof.

SECTION 3. *Voting Rights.* In addition to any other voting rights required by law, the holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of stockholders of the Corporation. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a “**default period**”) which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock and any other series of Preferred Stock then entitled as a class to elect directors, voting together as a single class, irrespective of series, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of 10% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of holders of Common Stock shall not affect the exercise by holders of Preferred Stock of such voting right. At any meeting at which holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two Directors or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or *pari passu* with the Series A Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series. Notwithstanding the provisions

of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) The Certificate of Incorporation of the Corporation shall not be amended in any manner (whether by merger or otherwise) so as to adversely affect the powers, preferences or special rights of the Series A Preferred Stock without the affirmative vote of the holders of a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class.

(E) Except as otherwise provided herein, holders of Series A Preferred Stock shall have no special voting rights, and their consent shall not be required for taking any corporate action.

SECTION 4. *Certain Restrictions.*

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on outstanding shares of Series A Preferred Stock shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such other parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem, purchase or otherwise acquire for value any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock; *provided* that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem, purchase or otherwise acquire for value any shares of Series A Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Preferred Stock and all such other parity stock upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for value any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. *Reacquired Shares.* Any shares of Series A Preferred Stock redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock without designation as to series and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors as permitted by the Certificate of Incorporation or as otherwise permitted under Delaware Law.

SECTION 6. *Liquidation, Dissolution or Winding Up.* Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; *provided* that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such other parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 7. *Consolidation, Merger, etc.* If the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash or any other property, as the case may be, into which or for which each share of Common Stock is changed or

exchanged. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

SECTION 8. *No Redemption.* The Series A Preferred Stock shall not be redeemable.

SECTION 9. *Rank.* The Series A Preferred Stock shall rank junior (as to dividends and upon liquidation, dissolution and winding up) to all other series of the Corporation's preferred stock except any series that specifically provides that such series shall rank junior to the Series A Preferred Stock.

SECTION 10. *Fractional Shares.* Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate this __ day of December, 1989.

____

R. Madison Murphy
Vice President

Attest:

____

W. Bayless Rowe
Secretary

[Form of Right Certificate]

No. R- ___________Rights

NOT EXERCISABLE AFTER THE EARLIER OF DECEMBER 6, 1999 AND THE DATE ON WHICH THE RIGHTS EVIDENCED HEREBY ARE REDEEMED OR EXCHANGED BY THE COMPANY AS SET FORTH IN THE RIGHTS AGREEMENT. AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS ISSUED TO, OR HELD BY, ANY PERSON WHO IS, WAS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT), WHETHER CURRENTLY HELD BY OR ON BEHALF OF SUCH PERSON OR BY ANY SUBSEQUENT HOLDER, MAY BE NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHT CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR AN ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BE OR MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(d) OF THE RIGHTS AGREEMENT.]*

RIGHT CERTIFICATE

MURPHY OIL CORPORATION

This Right Certificate certifies that _____________, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the holder (upon the terms and subject to the conditions set forth in the Rights Agreement dated as of December 6, 1989 (the “**Rights Agreement**”) between Murphy Oil Corporation, a Delaware corporation (the “**Company**”), and Harris Trust Company of New York (the “**Rights Agent**”)) to purchase from the Company, at any time after the Distribution Date and prior to

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*** If applicable, insert this portion of the legend and delete the preceding sentence.**

the Expiration Date, ____ one-hundredth[s] of a fully paid, nonassessable share of Series A Participating Cumulative Preferred Stock (the "**Preferred Stock**") of the Company at a purchase price of $130.00 per one one-hundredth of a share (the "**Purchase Price**"), payable in lawful money of the United States of America, upon surrender of this Right Certificate, with the form of election to purchase and related certificate duly executed, and payment of the Purchase Price at an office of the Rights Agent designated for such purpose.

Terms used herein and not otherwise defined herein have the meanings assigned to them in the Rights Agreement.

The number of Rights evidenced by this Right Certificate (and the number and kind of shares issuable upon exercise of each Right) and the Purchase Price set forth above are as of December 6, 1989, and may have been or in the future be adjusted as a result of the occurrence of certain events, as more fully provided in the Rights Agreement.

Upon the occurrence of a Section 11(a)(ii) Event, if the Rights evidenced by this Right Certificate are beneficially owned by (a) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (b) a transferee of an Acquiring Person (or any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (c) under certain circumstances specified in the Rights Agreement, a transferee of an Acquiring Person (or any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such, such Rights shall become null and void, and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement.

Upon surrender at the principal office or offices of the Rights Agent designated for such purpose and subject to the terms and conditions set forth in the Rights Agreement, any Rights Certificate or Certificates may be transferred or exchanged for another Rights Certificate or Certificates evidencing a like number of Rights as the Rights Certificate or Certificates surrendered.

Subject to the provisions of the Rights Agreement, the Board of Directors of the Company may, at its option,

(a) at any time prior to the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing Directors may designate prior to such time as the Rights are no longer redeemable) and (ii) the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of $.01 per Right; or

(b) at any time after any Person becomes an Acquiring Person (but before such Person becomes the Beneficial Owner of 50% or more of the shares of Common Stock then outstanding), exchange all or part of the then outstanding Rights (other than Rights held by the Acquiring Person and certain related Persons) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right. If the Rights shall be exchanged in part, the holder of this Right Certificate shall be entitled to receive upon surrender hereof another Right Certificate or Certificates for the number of whole Rights not exchanged.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are multiples of one one-hundredth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Certificates for the number of whole Rights not exercised.

No holder of this Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the shares of capital stock which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or, to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal by its authorized officers.

Dated as of ___________, 19__

MURPHY OIL CORPORATION

By ______________________________

Title:

[SEAL]

Attest:

____

Secretary

Countersigned:

HARRIS TRUST COMPANY
OF NEW YORK,
as Rights Agent

By ______________________________

Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed if the registered holder
desires to transfer the Right Certificate.)

FOR VALUE RECEIVED ______________________________________

hereby sells, assigns and transfers unto _____________

____

(Please print name and address of transferee)

____

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint ___________ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _________, 19__

____

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate __are __are not being assigned by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it __did __did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated:__________ , 19__

____
Signature

The signatures to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO PURCHASE

(To be executed if the registered holder desires to exercise
Rights represented by the Right Certificate.)

To: Murphy Oil Corporation

The undersigned hereby irrevocably elects to exercise __________ Rights represented by this Right Certificate to purchase shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such securities be issued in the name of and delivered to:

Please insert social security
or other identifying number

____

(Please print name and address)

____

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

____

(Please print name and address)

____

Dated: __________, 19__

____

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate __are __are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it __did __did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: ___________, 19__

____

Signature

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

MURPHY OIL CORPORATION

STOCKHOLDER RIGHTS PLAN

Summary of Terms

Form of Security:	The Board of Directors has declared a dividend of one preferred stock purchase right for each share of the Company's Common Stock outstanding at the close of business on December 20, 1989 (each a "Right" and collectively, the "Rights").
Transfer:	Prior to the Distribution Date,* the Rights will be evidenced by the certificates for and will trade with the Common Stock, and the registered holders of the Common Stock will be deemed to be the registered holders of the Rights.
	After the Distribution Date, the Rights Agent will mail separate certificates evidencing the Rights to each record holder of the Common Stock as of the close of business on the Distribution Date, and thereafter the Rights will be transferable separately from the Common Stock.
Exercise:	Prior to the Distribution Date, the Rights will not be exercisable.

* **Distribution Date means the close of business on the 10th day after public announcement that any person or group (an "Acquiring Person") has become the beneficial owner of 15% or more of the Company's Common Stock subject to extension by a majority of the directors not affiliated with the Acquiring Person.**

	After the Distribution Date, each Right will be exercisable to purchase, for $130.00 (the "Exercise Price"), one one-hundredth of a share of Series A Participating Cumulative Preferred Stock, par value $100.00 per share, of the Company.
Flip-In:	If any person or group (an "**Acquiring Person**") becomes the beneficial owner of 15% or more of the Company's Common Stock, then each Right (other than Rights owned by the Acquiring Person and certain related persons) will entitle the holder to purchase, for the Exercise Price, a number of shares of the Company's Common Stock having a market value of twice the Exercise Price.
Flip-Over:	If, after any person has become an Acquiring Person, (1) the Company is involved in a merger or other business combination in which the Company is not the surviving corporation or its Common Stock is changed into or exchanged for other securities or assets or (2) the Company and/or one or more of its subsidiaries sell or otherwise transfer assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries, taken as a whole, then each Right (other than Rights owned by the Acquiring Person and certain related persons) will entitle the holder to purchase, for the Exercise Price, a number of shares of common stock of the other party to such business combination or sale (or in certain circumstances, an affiliate) having a market value of twice the Exercise Price.
Redemption:	The Board of Directors may redeem all of the Rights at a price of $.01 per Right at any time prior to the close of business on the 10th day after public announcement that any person has become an Acquiring Person (subject to extension by a majority of the directors not affiliated with the Acquiring Person).

	After any person has become an Acquiring Person, the Rights may be redeemed only with the approval of a majority of the directors not affiliated with the Acquiring Person.
Exchange:	The Board of Directors may, at any time after any person or group has become the beneficial owner of 15% or more but less than 50% of the Company's Common Stock, exchange all or part of the Rights (other than Rights owned by the Acquiring Person and certain related persons) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right.
Expiration:	The Rights will expire on December 6, 1999, unless earlier redeemed or exchanged.
Amendments:	Prior to the Distribution Date, the Rights Agreement may be amended in any respect.
	After the Distribution Date, the Rights Agreement may be amended in any respect that does not adversely affect the Rights holders (other than any Acquiring Person and certain related persons); *provided* that the Rights Agreement may be amended to extend the redemption period at any time prior to the expiration of such period.
	After any person has become an Acquiring Person, the Rights Agreement may be amended only with the approval of a majority of the directors not affiliated with the Acquiring Person.
Voting Rights:	The Rights have no voting power.

Antidilution Provisions:	The Rights Agreement includes antidilution provisions designed to prevent efforts to diminish the efficacy of the Rights.
Taxes:	Distribution of the Rights is designed to be tax-free to the Company and the stockholders, although income may be recognized by the holders of the Rights upon the occurrence of certain subsequent events.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement.

AMENDMENT NO. 1 TO RIGHTS AGREEMENT

Amendment No. 1 dated as of April 6, 1998 ("**Amendment No. 1**") to the Rights Agreement dated as of December 6, 1989 (the "**Original Agreement**") between Murphy Oil Corporation, a Delaware corporation (the "**Company**"), and Harris Trust Company of New York, as Rights Agent (the "**Rights Agent**"),

W I T N E S S E T H

WHEREAS, on December 6, 1989 the Board of Directors of the Company authorized and declared a dividend of one preferred stock purchase right (a "**Right**") for each share of common stock of the Company outstanding at the close of business on December 20, 1989 (the "**Record Date**") and authorized the issuance, upon the terms and subject to the conditions set forth in the Original Agreement, of one Right in respect of each share of common stock of the Company issued after the Record Date, each Right representing the right to purchase, upon the terms and subject to the conditions set forth in the Original Agreement, one one-hundredth of a share of Series A Participating Cumulative Preferred Stock of the Company; and

WHEREAS, the Board of Directors now desires to amend the Original Agreement to extend its term and make certain other changes;

NOW, THEREFORE, the parties hereto agree as follows:

1. All references to the following terms in the Original Agreement and the Exhibits thereto (other than Exhibit C) are amended as set forth below:

(a) references to "one-hundredth", "one-hundredths" and "one-hundredth[s]" shall be replaced with "one-thousandth", "one-thousandths" and "one-thousandth[s]", respectively;

(b) references to "one-millionth" shall be replaced with "ten-millionth"; and

(c) references to "100" shall be replaced with "1000"; *provided* that no reference to "Series A Participating Cumulative Preferred Stock, par value $100.00 per share" shall be so amended.

2. Each of the following definitions in Section 1 of the Original Agreement is amended in its entirety to read as follows:

> **"Acquiring Person" means any Person (other than an Exempt Holder) who, together with all Affiliates and Associates (other than an Exempt Holder) of such Person, shall be the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, but shall not include the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or any Person organized, appointed or established by the Company or any of its Subsidiaries for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" solely as a result of an acquisition of shares of Common Stock by the Company which, by reducing the number of shares of Common Stock outstanding, increases the proportionate number of shares of Common Stock beneficially owned by such Person (together with all Affiliates and Associates of such Person) to 15% or more of the shares of Common Stock then outstanding.**

A Person shall be deemed the "**Beneficial Owner**" of, and shall be deemed to "**beneficially own**", any securities:

(a) which such Person or any of its Affiliates or Associates (other than an Exempt Holder), directly or indirectly, beneficially owns (as determined pursuant to Rule 13d-3 under the Exchange Act as in effect on the date hereof);

(b) which such Person or any of its Affiliates or Associates (other than an Exempt Holder), directly or indirectly, has

> (i) the right to acquire (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise (other than pursuant to the Rights); *provided* that a Person shall not be deemed the "**Beneficial Owner**" of or to "**beneficially own**" securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of its Affiliates or Associates until such tendered securities are accepted for payment or exchange; or

(ii) the right to vote (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise; *provided* that a Person shall not be deemed the "**Beneficial Owner**" of or to "**beneficially own**" any security under this clause (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person (other than an Exempt Holder), or any Affiliate or Associate (other than an Exempt Holder) thereof, with which such Person or any of its Affiliates or Associates (other than an Exempt Holder) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in subparagraph (b)(ii) immediately above) or disposing of any such securities.

"Distribution Date" means the earlier of (a) the close of business on the tenth day (or such later day as may be designated by action of a majority of the Continuing Directors) after the Stock Acquisition Date and (b) the close of business on the tenth Business Day (or such later day as may be designated by action of a majority of the Continuing Directors) after the date of the commencement of a tender or exchange offer by any Person if, upon consummation thereof, such Person would be an Acquiring Person.

"Exempt Holder" means Charles H. Murphy, Jr., his spouse, his descendants (and their spouses) and his and their Affiliates and Associates.

"**Final Expiration Date**" means the close of business on April 6, 2008.

"Purchase Price" means the price (subject to adjustment as provided herein) at which a holder of a Right may purchase one one-thousandth of a share of Preferred Stock (subject to adjustment as provided herein) upon exercise of a Right, which price shall initially be $200.00.

3. Section 6 (a) of the Original Agreement is hereby amended in its entirety to read as follows:

(a) At any time after the Distribution Date and prior to the Expiration Date, any Right Certificate or Certificates may, upon the terms and subject to the conditions set forth below in this Section 6(a), be transferred or exchanged for another Right Certificate or Certificates evidencing a like number of Rights as the Right Certificate or Certificates surrendered. Any registered holder desiring to transfer or exchange any Right Certificate or Certificates shall surrender such Right Certificate or Certificates (with, in the case of a transfer, the form of assignment and certificate on the reverse side thereof duly executed) to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate or Certificates until the registered holder of the Rights has complied with the requirements of Section 7(e). Upon satisfaction of the foregoing requirements, the Rights Agent shall, subject to Sections 4(b), 7(d), 11(a)(iii), 14 and 24, countersign and deliver to the Person entitled thereto a Right Certificate or Certificates as so requested. The Company may require payment by the registered holder of a Right of a sum sufficient to cover any transfer tax or other governmental charge that may be imposed in connection with any transfer or exchange of any Right Certificate or Certificates.

4. Section 7 (a) of the Original Agreement is hereby amended in its entirety to read as follows:

(a) **The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein, including Sections 7(d) and (e), 9(c), 11(a)(iii), 23 and 24) in whole or in part at any time after the Distribution Date and prior to the Expiration Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment (in lawful money of the United States of America by certified check or bank draft payable to the order of the Company) of the aggregate Purchase Price with respect to the Rights then to be exercised and an amount equal to any applicable transfer tax or other governmental charge.**

5. Section 7 (d) of the Original Agreement is hereby amended in its entirety to read as follows:

(d) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights

beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person (or any such Associate or Affiliate) to holders of equity interests in such Acquiring Person (or in any such Associate or Affiliate) or to any Person with whom the Acquiring Person (or any such Associate or Affiliate) has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Continung Directors have determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(d) shall become null and void without any further action, and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(d) and Section 4(b) are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates and Associates or any transferee of any of them hereunder.

6. Sections 11(a) (ii) and (iii) of the Original Agreement are hereby amended in their entirety to read as follows:

(ii) If any Person, alone or together with its Affiliates and Associates, shall, at any time after the date of this Agreement, become an Acquiring Person, then proper provision shall promptly be made so that each holder of a Right shall (except as otherwise provided herein, including Section 7(d)) thereafter be entitled to receive, upon exercise thereof on or after the Distribution Date at the Purchase Price in effect immediately prior to the first occurrence of a Section 11(a)(ii) Event, in lieu of Preferred Stock, such number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock of the Company (such number of shares being referred to herein as the "**Adjustment Shares**") as shall be equal to the result obtained by dividing

(x) the product obtained by multiplying the Purchase Price in effect immediately prior to the first occurrence of a Section 11(a)(ii) Event by the number of one one-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence (such product being thereafter referred to as the "**Purchase Price**" for each Right and for all purposes of this Agreement) by

(y) 50% of the current market price (determined pursuant to Section 11(d)(i)) per share of Common Stock on the date of such first occurrence.

(iii) If the number of shares of Common Stock which are authorized by the Company's certificate of incorporation but not outstanding or reserved for issuance other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with Section 11(a)(ii), the Company shall, with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the Purchase Price then in effect, (A) (to the extent available) Common Stock and then, (B) (to the extent available) other equity securities of the Company which a majority of the Continuing Directors has determined to be essentially equivalent to shares of Common Stock in respect to dividend, liquidation and voting rights (such securities being referred to herein as "**common stock equivalents**") and then, if necessary, (C) other equity or debt securities of the Company, cash or other assets, a reduction in the Purchase Price or any combination of the foregoing, having an aggregate value (as determined by the Continuing Directors based upon the advice of a nationally recognized investment banking firm selected by the Continuing Directors) equal to the value of the Adjustment Shares; *provided* that (x) the Company may, and (y) if the Company shall not have made adequate provision as required above to deliver value within 30 days following the later of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 shall expire, then the Company shall be obligated to, deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, (1) (to the extent available) Common Stock and then (2) (to the extent available) common stock equivalents and then, if necessary, (3) other debt or equity securities to the Company, cash or other assets or any combination of the foregoing, having an aggregate value (as determined by the Continuing Directors based upon the advice of a nationally recognized investment banking firm selected by the Continuing Directors) equal to the excess of the value of the Adjustment Shares over the Purchase Price. If the Continuing Directors shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the 30 day period set forth above (such period, as it may be extended, being referred to herein as the "**Substitution Period**") may be extended to the extent necessary, but not more than 90 days following the first occurrence of a Section 11(a)(ii) Event, in order that the Company may seek stockholder approval for the authorization of such

additional shares. To the extent that the Company determines that some action is to be taken pursuant to the first and/or second sentence of this Section 11(a)(iii), the Company (X) shall provide, subject to Section 7(d), that such action shall apply uniformly to all outstanding Rights and (Y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form and value of any consideration to be delivered as referred to in such first and/or second sentence. If any such suspension occurs, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the current market price per share of Common Stock (as determined pursuant to Section 11(d)) on the later of the date of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 shall expire; any "**common stock equivalent**" shall be deemed to have the same value as the Common Stock on such date; and the value of other securities or assets shall be determined pursuant to Section 11(d)(iii).

7. Section 11(d) (i) of the Original Agreement is hereby amended in its entirety to read as follows:

(d)(i) **For the purpose of any computation hereunder other than computations made pursuant to Section 11(a)(iii) or 14, the "current market price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 30 consecutive Trading Days immediately prior to such date; for purposes of computations made pursuant to Section 11(a)(iii), the "current market price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 10 consecutive Trading Days immediately following such date; and for purposes of computations made pursuant to Section 14, the "current market price" per share of Common Stock for any Trading Day shall be deemed to be the closing price per share of Common Stock for such Trading Day; provided that if the current market price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities exercisable for or convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of the requisite 30 Trading Day or 10 Trading Day period, as set forth above, after the ex-dividend date for**

such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current market price" shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company, or, if at the time of such selection there is an Acquiring Person, by a majority of the Continuing Directors. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company (or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors) shall be used. If the Common Stock is not publicly held or not so listed or traded, the "current market price" per share means the fair value per share as determined in good faith by the Board of Directors of the Company, or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors, or if there are no Continuing Directors, by a nationally recognized investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

8. Section 13 (a) (z) (1) of the Original Agreement is hereby amended in its entirety to read as follows:

(1) **each holder of a Right shall thereafter be entitled to receive, upon exercise thereof at the Purchase Price in effect immediately prior to the first occurrence of any Triggering Event, such number of duly authorized, validly issued, fully paid and nonassessable shares of freely tradeable Common Stock of the Principal Party (as hereinafter defined), not subject to any rights of call or first refusal, liens, encumbrances or other claims, as shall be equal to the result obtained by dividing**

(A) the product obtained by multiplying the Purchase Price in effect immediately prior to the first occurrence of any Triggering Event by the number of one one-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to such first occurrence (such product being thereafter referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by

(B) 50% of the current market price (determined pursuant to Section 11(d)(i)) per share of the Common Stock of such Principal Party on the date of consummation of such consolidation, merger, combination, sale or transfer;

9. Section 14 (a) of the Original Agreement is hereby amended in its entirety to read as follows:

(a) **The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p), or to distribute Right Certificates which evidence fractional Rights. In lieu of any such fractional Rights, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market price of a whole Right. For purposes of this Section 14(a), the current market price of a whole Right shall be the closing price of a Right for the Trading Day immediately prior to the date on which such fractional Rights would otherwise have been issuable. The closing price of a Right for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the**

average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company or, if at the time of such selection there is an Acquiring Person, by a majority of the Continuing Directors. If on any such date no such market maker is making a market in the Rights, the current market price of the Rights on such date shall be as determined in good faith by the Board of Directors of the Company or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors.

10. Section 24(a) of the Original Agreement is hereby amended in its entirety to read as follows:

(a) **In addition to their powers under Section 11(a)(iii), a majority of the Continuing Directors may, at their option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to Section 7(d)) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries or any Person organized, appointed or established by the Company or any of its Subsidiaries for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the shares of Common Stock then outstanding.**

11. Section 24(b) of the Original Agreement is hereby amended in its entirety to read as follows:

(b) Immediately upon the action of the Continuing Directors electing to exchange any Rights pursuant to Section 24(a) and without any further action and without any notice, the right to exercise such Rights will terminate and thereafter the only right of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly thereafter

give notice of such exchange to the Rights Agent and the holders of the Rights to be exchanged in the manner set forth in Section 26; *provided* that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the shares of Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to Section 7(d)) held by each holder of Rights.

12. Section 29 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 29. ***Determinations and Actions by the Board of Directors, etc***. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) under the Exchange Act as in effect on the date of this Agreement. The Board of Directors of the Company (or, after any Person has become an Acquiring Person, a majority of the Continuing Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or exchange or not to redeem or exchange the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board (or, after any Person has become an Acquiring Person, a majority of the Continuing Directors) in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board of Directors of the holders of the Rights.

13. Section 31 of the Original Agreement is hereby amended in its entirety to read as follows:

Section 31. *Severability*. **If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided that, notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company (or, after any Person has become an Acquiring Person, a majority of the Continuing Directors) determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors or Continuing Directors, as the case may be.**

14. Exhibit A to the Original Agreement is hereby amended by :

(a) replacing “R. Madison Murphy, Vice President, Planning” with “Steven A. Cosse, Senior Vice President and General Counsel” and “W. Bayless Rowe, Secretary” with “Walter Compton, Secretary”;

(b) replacing the second paragraph with the following paragraphs:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, (i) the Board of Directors on December 6, 1989 adopted a resolution creating a series of Preferred Stock in an amount of 350,000 shares and having the designation, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof as set forth in such resolution and (ii) the Board of Directors on April 1, 1998 adopted resolutions authorizing and directing that the number of shares of such series of Preferred Stock be reduced to 60,000 and approving the amendment and restatement of the Certificate of Designation of such series of Preferred Stock;

That no shares of such series of such series of Preferred Stock have been issued or are outstanding; and

That the amount, designation, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions of such series of Preferred Stock as established by the resolutions of the Board of Directors are as follows:

(c) in Section 1 of Exhibit A, replacing “350,000” with “60,000”; and

(d) replacing “December, 1989” with “April, 1998” in the last page.

15. Exhibit B to the Original Agreement is hereby amended by replacing (w) the words “December 6, 1999” with the words “April 6, 2008”, (x) the words “December 6, 1989 (the “Rights Agreement”)” in the first paragraph with the words “December 6, 1989, as amended on April 6, 1998 (the “Rights Agreement”),”, (y) “$130.00” with “$200.00” and (z) the words “December 6, 1989” in the third paragraph with the words “April 6, 1998”.

16. Exhibit C to the Original Agreement is hereby amended by replacing the words “Summary of Terms” in the third line with the words “Summary of Terms as of December 6, 1989”.

17. Unless otherwise specifically defined herein, each term used herein which is defined in the Original Agreement shall have the meaning assigned to such term in the Original Agreement. Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Agreement” and each similar reference contained in the Original Agreement shall from and after the date hereof refer to the Original Agreement as amended hereby.

18. This Amendment No. 1 shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflict of laws thereof.

19. This Amendment No. 1 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment No. 1 shall become effective as of the date hereof.

20. Except as amended hereby, all of the terms of the Original Agreement shall remain and continue in full force and effect and are hereby confirmed in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

MURPHY OIL CORPORATION

By: ______________________________

Name: Steven A. Cosse
Title: Senior Vice President and General Counsel

200 Peach Street
El Dorado, Arkansas 71730

HARRIS TRUST COMPANY OF NEW YORK

By: ______________________________

Name: Joseph McFadden
Title: Vice President

88 Pine Street
New York, New York 10005

EXHIBIT 4.5

EXECUTION COPY

AMENDMENT NO. 2 TO RIGHTS AGREEMENT

AMENDMENT NO. 2 dated as of April 15, 1999 to the Rights Agreement dated as of December 6, 1989, as amended by Amendment No. 1 dated as of April 6, 1998 (the "**Rights Agreement**") between Murphy Oil Corporation, a Delaware corporation (the "**Company**"), and Harris Trust Company of New York, as Rights Agent (the "**Rights Agent**").

W I T N E S S E T H

WHEREAS, the parties hereto desire to amend the Rights Agreement in certain respects;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. *Defined Terms; References.* (a) Unless otherwise specifically defined herein, each term used herein which is defined in the Rights Agreement has the meaning assigned to such term in the Rights Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Rights Agreement shall, after this Amendment becomes effective, refer to the Rights Agreement as amended hereby.

(b) Section 1 of the Rights Agreement is hereby amended by deleting the definition of "Continuing Director" contained therein.

(c) Section 1 of the Rights Agreement is hereby amended by inserting in the appropriate alphabetical position the following new definitions:

"**Exempt Person**" shall mean the Company or any Subsidiary of the Company, in each case including, without limitation, in its fiduciary capacity, or any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity or trustee holding Common Stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Company or of any Subsidiary of the Company.

"**Qualified Institutional Investor**" means, as of any time of determination, any Person that is described in Rule 13d-1(b)(1) promulgated under the Exchange Act (as such Rule is in effect on the date hereof) and is eligible to report beneficial ownership of Common Stock on Schedule 13G (or

any successor or comparable report), unless such Person (i) is required to file a Schedule 13D (or any successor or comparable report) with respect to its beneficial ownership of Common Stock, (ii) beneficially owns 15% or more of the shares of Common Stock then outstanding or (iii) together with all of its Affiliates and Associates, beneficially owns 30% or more of the shares of Common Stock then outstanding.

(d) Section 1 of the Rights Agreement is hereby amended by restating in its entirety the following definitions to read in full as follows:

"**Acquiring Person**" means any Person who, together with all Affiliates and Associates (other than an Exempt Holder) of such Person, shall be the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, but shall not include an Exempt Person, an Exempt Holder or a Qualified Institutional Investor; *provided* that (a) if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person" became such inadvertently (including, without limitation, because (i) such Person was unaware that it beneficially owned a percentage of Common Stock that would otherwise cause such Person to be an "Acquiring Person" or (ii) such Person was aware of the extent of its Beneficial Ownership of Common Stock but had no actual knowledge of the consequences of such Beneficial Ownership under this Agreement) and without any intention of changing or influencing control of the Company, and if such Person as promptly as practicable divested or divests itself of Beneficial Ownership of a sufficient number of shares of Common Stock so that such Person would no longer be an "Acquiring Person" (or takes such other action as the Board of Directors requests), then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement and (b) no Person shall become an "Acquiring Person" as the result of an acquisition of shares of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares of Common Stock beneficially owned by such Person to 15% or more of the shares of Common Stock then outstanding; *provided* that if a Person shall become the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding by reason of such share acquisition by the Company and shall thereafter become the Beneficial Owner of any additional shares of Common Stock (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Common Stock or pursuant to a split or subdivision of the outstanding Common Stock), then such Person shall be deemed to be an "Acquiring Person" unless upon becoming the Beneficial Owner of such additional shares of Common Stock such Person does not beneficially own 15% or more of the shares of Common Stock then outstanding.

A Person shall be deemed the “**Beneficial Owner**” of, and shall be deemed to have “Beneficial Ownership” of and to “beneficially own”, any securities:

(a) which such Person or, except in the case of a Qualified Institutional Investor, any of its Affiliates or Associates (other than an Exempt Holder), directly or indirectly, beneficially owns (as determined pursuant to Rule 13d-3 under the Exchange Act as in effect on the date hereof);

(b) which such Person or, except in the case of a Qualified Institutional Investor, any of its Affiliates or Associates (other than an Exempt Holder), directly or indirectly, has

(i) the right to acquire (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for payment or exchange, (B) securities which such Person has a right to acquire upon the exercise of Rights at any time prior to the time that any Person becomes an Acquiring Person or (C) securities issuable upon the exercise of Rights from and after the time that any Person becomes an Acquiring Person if such Rights were acquired by such Person or any of such Person’s Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof (“**Original Rights**”) or pursuant to Section 11(i) or Section 11(p) with respect to an adjustment to Original Rights; or

(ii) the right to vote (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise; *provided* that a Person shall not be deemed the “Beneficial Owner” of or to “beneficially own” any security under this clause (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely

from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person (other than an Exempt Holder), or any Affiliate or Associate (other than an Exempt Holder) thereof, and with respect to which such Person or any of its Affiliates or Associates (other than an Exempt Holder) has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy or consent as described in subparagraph (b)(ii) immediately above) or disposing of any such securities;

(d) *provided* that no Person who is an officer, director or employee of an Exempt Person, an Exempt Holder or a Qualified Institutional Investor shall be deemed, solely by reason of such Person's status or authority as such, to be the "Beneficial Owner" of, to have "Beneficial Ownership" of or to "beneficially own" any securities that are "beneficially owned", including, without limitation, in a fiduciary capacity, by an Exempt Person, an Exempt Holder or a Qualified Institutional Investor or by any other such officer, director or employee of an Exempt Person, an Exempt Holder or a Qualified Institutional Investor.

"**Exempt Holder**" means Charles H. Murphy, Jr., his descendants (and their spouses), and his and their Affiliates and Associates.

(e) Section 1 of the Rights Agreement is hereby amended by deleting from the definition of "Distribution Date" the first instance of the words "(or such later day as may be designated by action of a majority of the Continuing Directors)" and by replacing the second instance of the same words with the words "(or such later day as may be designated prior to the occurrence of a Section 11(a)(ii) Event by action of the Board of Directors)".

SECTION 2. *Exercise of Rights; Expiration Date of Rights.* Section 7(d) of the Rights Agreement is hereby amended by deleting the words "the Continuing Directors have determined" from the first sentence thereof.

SECTION 3. *Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights.* Section 11 of the Rights Agreement is hereby amended by:

(a) replacing the words “a majority of the Continuing Directors has determined to be” in the first sentence of subsection (a)(iii) thereof with the word “are”;

(b) replacing each instance of the words “(as determined by the Continuing Directors based upon the advice of a nationally recognized investment banking firm selected by the Continuing Directors)” in subsection (a)(iii) thereof with the words “(based upon the advice of a nationally recognized investment banking firm)”;

(c) deleting the second sentence of subsection (a)(iii) thereof;

(d) replacing the words “first and/or second sentence of this Section 11(a)(iii)” in the third sentence of subsection (a)(iii) thereof with the words “preceding sentence”;

(e) replacing the words “Substitution Period in order to seek any authorization of additional shares and/or” in the third sentence of subsection (a)(iii) thereof with the words “30-day period set forth above in order”;

(f) replacing the words “such first and/or second” in the third sentence of subsection (a)(iii) thereof with the words “the preceding”;

(g) deleting the words “the later of” from the last sentence of subsection (a)(iii) thereof;

(h) deleting the words “and the first date that the right to redeem the Rights pursuant to Section 23 shall expire” from the last sentence of subsection (a)(iii) thereof;

(i) deleting the words “, or, if at the time of such selection there is an Acquiring Person, by a majority of the Continuing Directors” from the second sentence of subsection (d)(i) thereof;

(j) replacing the words “majority of the Continuing Directors” in the third sentence of subsection (d)(i) thereof with the words “nationally recognized investment banking firm”;

(k) deleting the words “by a majority of the Continuing Directors, or, if there are no Continuing Directors,” from the fourth sentence of subsection (d)(i) thereof;

(l) deleting the words “selected by the Board of Directors” from the fourth sentence of subsection (d)(i) thereof;

(m) deleting the words “by a majority of the Continuing Directors then in office, or, if there are no Continuing Directors,” from subsection (d)(iii) thereof; and

(n) deleting the words “selected by the Board of Directors” from subsection (d)(iii) thereof.

SECTION 4. *Fractional Rights and Fractional Shares.* Section 14(a) of the Rights Agreement is hereby amended by:

(a) deleting the words “, or, if at the time of such selection there is an Acquiring Person, by a majority of the Continuing Directors” from the penultimate sentence thereof; and

(b) replacing the words “majority of the Continuing Directors” in the last sentence thereof with the words “nationally recognized investment banking firm”.

SECTION 5. *Redemption.* Section 23(a) of the Rights Agreement is hereby amended by:

(a) replacing the words “close of business on the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing Directors may designate prior to such time as the Rights are no longer redeemable)” in the first sentence thereof with the words “occurrence of a Section 11(a)(ii) Event”;

(b) deleting the proviso from the first sentence thereof and the semicolon immediately preceding such proviso; and

(c) deleting the last sentence thereof.

SECTION 6. *Exchange.* (a) Section 24(a) of the Rights Agreement is hereby amended by replacing the words “a majority of the Continuing Directors may, at their option, at any time after any Person becomes an Acquiring Person,” in the first sentence thereof with the words “the Board of Directors of the Company may, at its option, upon the occurrence of a Section 11(a)(ii) Event,”.

(b) Section 24(b) of the Rights Agreement is hereby amended by replacing the word “Continuing” in the first sentence thereof with the words “Board of”.

SECTION 7. *Supplements and Amendments.* Section 27 of the Rights Agreement is hereby amended in its entirety to read in full as follows:

For so long as the Rights are redeemable, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement in any respect without the approval of any holders of certificates representing shares of Common Stock. At any time when the Rights are no longer redeemable, the Company may, and the Rights Agent shall if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights; *provided* that no such supplement or amendment may (a) adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), (b) cause this Agreement again to become amendable other than in accordance with this sentence, or (c) cause the Rights again to become redeemable. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section, the Rights Agent shall execute such supplement or amendment.

SECTION 8. *Determination and Actions by the Board of Directors, Etc.* Section 29 of the Rights Agreement is hereby amended by:

(a) deleting the first parenthetical clause from the second sentence thereof; and

(b) deleting the second parenthetical clause and the words “or the Continuing Directors” from the last sentence thereof.

SECTION 9. *Severability.* Section 31 of the Rights Agreement is hereby amended by deleting the proviso contained therein and the semicolon that immediately precedes such proviso.

SECTION 10. *Form of Right Certificate.* Exhibit B to the Rights Agreement is hereby amended by replacing (x) the words “as amended on April 6, 1998” in the first paragraph with the words “as amended on April 6, 1998 and April 15, 1999” and (y) the words “close of business on the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing Directors may designate prior to such time as the Rights are no longer redeemable)” in subparagraph (a) of the seventh paragraph thereof with the words “occurrence of a Section 11(a)(ii) Event”.

SECTION 11. *Summary of Terms.* Exhibit C to the Rights Agreement is hereby amended by:

(a) deleting the words “subject to extension by a majority of the Directors not affiliated with the Acquiring Person” from the first footnote thereof;

(b) restating the language under the heading “Redemption” in its entirety to read in full as follows:

The Board of Directors may redeem all of the Rights at a price of $.01 per Right at any time prior to the time that any person becomes an Acquiring Person.

(c) restating the language under the heading “Amendments” in its entirety to read in full as follows:

For so long as the Rights are redeemable, the Rights Agreement may be amended in any respect.

At any time after the Rights are no longer redeemable, the Rights Agreement may be amended by the Board of Directors in any respect that does not (i) adversely affect the Rights holders (other than any Acquiring Person and certain affiliated persons), (ii) cause the Rights Agreement again to become amendable other than in accordance with this paragraph or (iii) cause the Rights again to become redeemable.

SECTION 12. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law rules, except that the rights and obligations of the Rights Agent shall be governed by the laws of the State of New York.

SECTION 13. *Counterparts.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 14. *Effectiveness.* This Amendment shall become effective upon execution by each of the parties hereto of a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

MURPHY OIL CORPORATION

By: ______________________________

Name:
Title:

HARRIS TRUST COMPANY OF NEW YORK

By: ______________________________

Name:
Title:

EXHIBIT 10.5A

FPSO CHARTER CONTRACT

for

FPSO Hull No: 2284

between

Malaysia International Shipping Corporation Berhad

and

Murphy Sabah Oil Co., Ltd.

CONTRACT NUMBER
Murphy/Kikeh/K003A

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APPENDICES

This FPSO Charter Contract (together with all Appendices attached hereto, this “***Charter***”) is made as of the 31st day of January, 2005.

BETWEEN:

Murphy Sabah Oil Co., Ltd., a company incorporated under the laws of The Bahamas and having its place of business at the address set forth in Article 30 hereof (referred to as “***Charterer***”);

and

Malaysia International Shipping Corporation Berhad, a Malaysian company with its registered office at the address set forth in Article 30 hereof (referred to as “***Owner***”).

This Charter consists of this Charter document and Appendices A through M attached hereto and made a part hereof for all purposes.

RECITALS:

(i) Charterer is engaged in oil and gas exploration activities offshore Sabah, Malaysia pursuant to the Production Sharing Contract entered into with Petronas (hereinafter defined);

(ii) Charterer desires to charter from Owner the use of the “***FPSO***” (as hereinafter defined) at the “***Field***” (as hereinafter defined) located offshore Sabah, Malaysia or such other Field offshore Malaysia or other reasonable location determined by Charterer from time to time;

(iii) Charterer is desirous of having the Owner make certain modifications to a very large crude oil carrier to convert it into an FPSO in accordance with the Specifications to render it suitable as a FPSO for use at the Field prior to delivery;

(iv) Owner is willing to cause such modifications to be made and to charter the use of the FPSO to Charterer;

(v) As a condition of entering into this Charter, Charterer requires “***Owner Guarantor***” (as hereinafter defined) to execute and deliver to Charterer the “***Owner Guarantee***” (as hereinafter defined) which guarantees Owner’s obligations under this Charter;

(vi) As and from the Delivery Date and thereafter throughout the Term, Charterer shall, unless otherwise provided herein, be responsible for the manning, management, operation, maintenance and supervision associated with the FPSO; and

(vii) Concurrently with the execution and delivery of this Charter and of even date herewith, Contractor and Charterer are entering into the FPSO Operating and Maintenance Agreement (hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, IT IS AGREED as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATIONS

The following terms shall have the meaning set forth below for the purposes of this Charter:

Actual Flow Rate	Has the meaning given to it in Clause 9.2(ii).
Accrued Hire Rate	The per Day sum (expressed in U.S. dollars) of (i) Daily Accrued Reduced Hire Rate which accrued during both the First Reduced Hire Rate Period and the Second Reduced Hire Rate Period, plus (ii) Daily Accrued Full Hire Rate which accrued during the Full Hire Rate Accrual Period, which is payable, on a Day by Day basis, pursuant to the provisions of Article 10.
Additional Equipment	Equipment for the FPSO that is provided and owned exclusively by Charterer, including but not limited to Charterer Supplied Items (except the Fluid Transfer Lines, DTU Riser Facilities and Umbilicals), Subsea Related Equipment and Charterer's Communications Equipment, but expressly excluding the FPSO.
Affiliate(s)	In relation to any Person, any entity (incorporated or unincorporated) that controls that Person, is controlled by that Person or is controlled by another entity which also controls that Person, and, "control" and "controlled" means a shareholding (or voting right) of greater than fifty percent (50%) of another entity, provided that any joint venture entity (whether incorporated or unincorporated) between any entity or joint venture in which both Owner and IHC, Inc. S.A., or their Affiliates, has any interest shall be deemed to be an Affiliate of Owner irrespective of the percentage interest therein held by either Owner or IHC, Inc. S.A.
Agreed Interest Rate	A floating interest rate, compounded monthly, equal to two percentage points (2%) per annum above LIBOR.
Annual Maintenance Allowance	The time allowed for maintenance and/or repair as set forth in Clause 5.4 of the FPSO Operating and Maintenance Agreement during which the Hire Rate shall be payable regardless of any Shutdown, which is calculated with respect to a percentage equal to [REDACTED] of the total time (in hours) that exists in the Primary Term, and that exists in any Secondary Term, and which is allocated by Owner with the agreement of Charterer on an annual basis in advance of each contract year of the Term.
Annual Maintenance Allowance Schedule	The annual written budgeted schedule of Contractor's proposed Annual Maintenance Allowance hours to be allocated to the immediately following contract year, which Owner and Contractor present to Charterer for its approval pursuant to the provisions of Clauses 5.4 (ii) and 5.4(iii) of the FPSO Maintenance and Operating Agreement.

Arrival Date	The Day on which the FPSO arrives at the FPSO Site after its initial voyage from the shore-based last location where work on the FPSO is being performed by the Builder.
Best Efforts	All efforts having the highest likelihood of accomplishing their intended purpose in light of (i) the ability of the Party charged with exercising such efforts to take such action and (ii) the justifiable expectations of the Party to which the benefit of such efforts will accrue, if successful.
Builder	Malaysia Shipyard and Engineering Sdn. Bhd. or other ship builder or contractor performing the FPSO Work with respect to the Building Contract and in accordance with the Specifications, to make the FPSO ready for delivery on the Delivery Date.
Builder's Documents Register	A register of all drawings, building guidelines, procedures and technical documents compiled by Owner, Builder and all Subcontractors with respect to the FPSO and Additional Equipment and delivered to and approved by Charterer pursuant to the provisions of Clause 8.4(ii).
Building Contract	The contract for the construction, refurbishment, conversion and upgrade of the FPSO, and installation of the Additional Equipment and all other equipment necessary to make the FPSO ready for delivery on the Delivery Date between Owner and Builder, a true copy of which will be delivered to Charterer within thirty (30) Days after the Contract Date, provided however that all commercial pricing information will be deleted from such copy delivered to Charterer.
Business Day	Means a Day on which banks are open for business in Malaysia.
Certificate of Final Acceptance	Written notification from Owner, and executed by Charterer showing Charterer's acceptance, specifying that: (i) the FPSO has successfully undergone FPSO Commissioning in compliance with the Specifications, which shall specify the date and time of the Successful Run Completion Date, evidencing completion of FPSO Commissioning; (ii) the FPSO is classed with the final FPSO Classification as required hereunder; (iii) the Delivery Date has occurred; and (iv) Owner has received a certified copy of the final FPSO Classification certificate issued by the Classification Society confirming that the FPSO meets the requirements of (i) and (ii) above, with no requirements or recommendations which would impede, restrict or prevent the FPSO from conducting Commercial Operations.
Charter	This Charter and all of the Appendices hereto, all of which are attached hereto and made a part hereof for all purposes.
Charterer Group	Any or all of Charterer, its respective Affiliates, any Co-Venturer, its and their contractors and their subcontractors, and the Personnel

	of any entity mentioned above; but excluding Owner Group and excluding Petronas or any other Government entity or instrumentality party to the PSC (other than Petronas Carigali SDN Bhd., which shall be considered part of Charterer Group).
Charterer Guarantee	The guarantee of Charterer's performance under this Charter given by Charterer Guarantor, the form of which is attached as ***Appendix G-2,*** and referenced in Clause 5.5.
Charterer Guarantor	.
Charterer's Notice of Readiness – Hydrocarbons	Written notice from Charterer, after it has received Owner's Notice of Readiness – FPSO Commissioning, that Charterer is ready to deliver hydrocarbons and commence FPSO Commissioning.
Charterer Property	All equipment, property, facilities, vessels, if any, consumables, and materials of Charterer Group (whether owned by Charterer Group or owned by or leased or rented from Third Parties), including without limitation, the Additional Equipment, the Wells, Christmas Tree, Riser Facilities and Umbilicals, and the Crude Oil and Processed Oil on board the FPSO, regardless of whether the Crude Oil and Processed Oil is owned by Charterer and the Co-Venturers, the Government or a Third Party, the Fluid Transfer Lines and DTU.
Charterer Representative	Such Person as Charterer shall designate from time to time (or any other member of Charterer Group appointed by Charterer or such Person to be such Person's alternate), who shall carry out technical and administrative co-ordination of the duties of Charterer as set out in Clause 16.2 and who shall be entitled to be and remain on the FPSO at any time.
Charterer Supplied Items	Such information, services and equipment for which Charterer shall have the responsibility to provide to Owner as set forth in ***Appendix B, Part B*** and ***Appendix E*** or elsewhere in this Charter
Charterer's Communications Equipment	Certain equipment owned by Charterer to be installed by Owner for ship to shore communications, satellite transmissions, fax transmissions and other similar communications equipment required by Charterer for communicating and transferring voice, videos, data and information.
Christmas Tree	The system of pipes, valves, gauges and related equipment, located on and around the DTU or attached to any subsea wellheads, that controls the flow of Crude Oil, gas and other hydrocarbons produced from, and the flow of water and gas injection to, the Wells.
Claims	All claims, losses, liabilities, suits, demands, judgments, and causes of action of any kind (including, but not limited to, those for bodily

	injury, illness, loss of consortium, death, property damage, loss or destruction, and wrongful termination of employment) in any way arising under or relating (directly or indirectly) to: (i) this Charter; (ii) any subcontract or other agreement executed in connection herewith; or (iii) the operation of the FPSO or any helicopter, tanker, shuttle tanker, supply or crew boat or other vessel used in connection with the Services or with respect to the operations of the FPSO, including, without limitation, claims for any and all damages (including, without limitation, punitive and exemplary damages), expenses, bonding fees, penalties, assessments, costs (including, without limitation, attorneys' fees and court costs), and losses, and whether asserted by either Party or an injured Person (as to personal injury or property damage) or such Person's spouse, heirs, survivors or legal representative, or those Persons or entities entitled to assert claims on account of bodily injury, illness, loss of consortium or support, death, or damage to or loss of personal property, and irrespective of whether any of same arises in contract, tort or strict liability.
Classification Society	American Bureau of Shipping ("***ABS***") or another equivalent body agreed by the Parties in writing.
Closing	Shall have the meaning given in Clause 15.4 with respect to Charterer's option to purchase the FPSO.
Co-Venturer	Any party to the PSC other than Petronas.
Commercial Operations	The production, receiving, storage and processing of Crude Oil, processing and compression of natural gas, injection of water into the Wells and storing and off-loading Processed Oil in accordance with the Specifications and the Classification Society's FPSO Classification certificate.
Contract Date	The date of this Charter set forth in the first paragraph of this Charter above.
Contractor	The Person (as agreed in writing by Charterer) who shall perform the O&M Services for the FPSO under the FPSO Operating and Maintenance Agreement.
Crude Oil	Liquid petroleum and other hydrocarbons produced at the wellhead in a liquid state at atmospheric pressure.
Daily Accrued Full Hire Rate	The Hire Rate per Day which accrues on a Day by Day basis during the Full Hire Rate Accrual Period, and which shall be paid on a Day by Day basis after the Hire Rate Payment Commencement Date in the manner set forth in Clause 10.1.
Daily Accrued Reduced Hire Rate	The U.S. dollar amount per Day equal to seventy five percent (75%) of the Hire Rate which accrues on a Day by Day basis during the First Reduced Hire Rate Period and the Second Reduced Hire

	Rate Period, if any, and which shall be paid on a Day by Day basis on and after the Hire Rate Payment Commencement Date in the manner set forth in Clause 10.1.
Day or day	The period commencing at 00.01 hours of any day and ending at 24.00 hours on the same day.
Delivery Date	Has the meaning set forth in Clause 3.1(v).
Demobilization Costs	The Owner Group's documented costs required to demobilize the FPSO to a nearby location in Malaysia, as more particularly described and payable as set out in ***Appendix B***, ***Part A***, ***Section 2***.
Demobilization Date	The Day on which the FPSO has been disconnected from the Riser Facilities at the end of the Term and is ready for tow to the agreed place of re-delivery with the intent to cease operation hereunder.
Downtime	Any time pursuant to the provisions of this Charter or the FPSO Operating and Maintenance Agreement commencing at and during which there is a reduction, restriction, suspension or complete cessation of the flow of Crude Oil to the FPSO for any reason, including but not limited to, (i) a reduction or cessation of water injection or gas purification or compression which causes Charterer to order a reduction, restriction, suspension or cessation of Crude Oil production or processing, or (ii) subject to the provisions of Clause 9.2, the FPSO being unable to produce, receive, process, store or offload (or any combination of the foregoing) Crude Oil or Processed Oil (as the case may be) in compliance with the Specifications and this Charter or the FPSO Operating and Maintenance Agreement; and such reduction, restriction, suspension or cessation is not due to: (a) the well stream being outside the parameters set forth in the Specifications; (b) the offloading vessel (for any reason not attributable to Owner Group or the FPSO) being unable to receive the Processed Oil; (c) any malfunction or operational default of Charterer's Fluid Transfer Lines, DTU, Charterer's subsea equipment, Riser Facilities, Wells and Umbilicals or Additional Equipment (other than, with respect to the Additional Equipment, any malfunction or operational default due to the default of, or breach by, any of Owner Group of any obligations under this Charter or the FPSO Operating and Maintenance Agreement); (d) any Sole Fault of Charterer Group; or (e) an event of Force Majeure.
DTU	The surface facility attached to the mudline used to support the Christmas Tree and Wells, which is located near to the FPSO Site and is used to control the flow of hydrocarbons from the casinghead.
Early Payment Commencement Date	The sixty-first (61st) Day after the Full Hire Rate Accrual Date (or if such day is not a Business Day, the first Business Day which occurs after such Day).

Early Termination Payment	With respect to any applicable date of termination of this Charter, the United States dollar amount calculated and payable to Owner with respect to such date as provided in ***Appendix B, Part A***.
Encumbrance or Encumbrances	One or more, liens, mortgages, charges, repairman's or shipyard's lien, maritime liens, security interests, encumbrances, or liens for (i) unpaid insurance premiums or calls, (ii) judgments, (iii) port charges, (iv) annual charges or (v) fees of the FPSO's Flag State or liens of any other kind on or against the FPSO, or any portion thereof, its earnings or insurances.
Extended Term	Any extension of the Term which occurs pursuant to the provisions of Clause 6.3.
Field	Kikeh Field, Block K, offshore Sabah, Malaysia.
First Reduced Hire Rate Period	The period commencing on, and including, the Ready for Commissioning Date and continuing until, and including, the Day immediately prior to the Full Hire Rate Accrual Date.
Flag State	The country or state where the FPSO is registered, as approved in writing by Charterer.
Fluid Transfer Lines	Equipment provided by Charterer comprising three (3) ten (10) inch in diameter production lines, one (1) ten (10) inch in diameter water injection line and one (1) Umbilical from and to the DTU from the FPSO.
Force Majeure	An occurrence resulting from circumstances (other than strikes, industrial disputes or lockouts caused by or involving a Party's or any Subcontractors' own workforces, except if part of a nation-wide general strike or except if a strike by the workforce of any shipyard and other than mere shortage of labor, materials, equipment or supplies) that are beyond the control of the Party affected which prevents the due performance by such Party of the provisions of this Charter (including, but not limited to, earthquakes, floods (except inclement weather or storms of the ordinary seasonable nature), wars, expropriation, intervention of civil or military authorities or Government, explosions or fires, riots, insurrections, sabotage or blockades) and which, by the exercise of due diligence, such Party is unable to prevent or overcome, provided that the affected Party gives written notice to the other Party no later than five (5) Days after the Party giving notice is first made aware of the occurrence, the facts and circumstances giving rise to it, and the obligation or performance which is delayed or is prevented by it.
FPSO	The registered floating, production, storage and offloading tanker facility (including the Mooring System and the Process Equipment

	and all Additional Equipment that is installed on the FPSO by Owner Group), that is to be designed, engineered and constructed or refurbished and modified and capable of producing, receiving, and processing Crude Oil, injecting water into the reservoir as needed, separating associated natural gas and water from the Crude Oil produced, processing, purifying and compressing the separated associated natural gas and storing and exporting Processed Oil to an offloading tanker, and all engines, generators, pumps, storage tanks, valves, computer hardware, anchors, tools, machinery and equipment belonging thereto and a part thereof, all as more particularly described in the Specifications.
FPSO Classification	ABS Class + A1 Oil Production and Storage, or such other designation used by ABS or other agreed Classification Society to classify a Class A1 floating production and storage vessel.
FPSO Commissioning	Shall have the meaning given in Clause 3.1(iv).
FPSO Drydocking Costs	Has the meaning set forth in Clause 18.3(i)(d).
FPSO Operating and Maintenance Agreement	That certain agreement dated as of the Contract Date by and between the Charterer and Contractor, or an Affiliate thereof (as agreed by the Charterer) pursuant to which the Contractor thereunder shall perform the O&M Services for the FPSO for the Charterer during the Term or such other term as set forth in such Agreement.
FPSO Pre-Commissioning	All activities necessary for Owner to be ready to begin FPSO Commissioning.
FPSO Site	The location in the Kikeh Field designated in ***Appendix D***, ***Part D*** to which Owner is to deliver, moor, install, and charter the FPSO.
FPSO Terms and Conditions of Sale	The purchase and sale terms and conditions attached as ***Appendix F*** and referenced in Clause 15.1 that apply to the purchase and sale of the FPSO upon exercise of the Option.
FPSO Work	All work performed by the Owner Group pursuant to the terms of this Charter and the Specifications, in connection with the engineering, designing, constructing, converting, installing, refurbishing and equipping the FPSO and the Mooring System, installing the Additional Equipment, towing and mobilizing the FPSO to the FPSO Site, installing the Mooring System at the FPSO Site, safely moving and hooking up the FPSO to the Mooring System at the FPSO Site making the FPSO and Additional Equipment on board the FPSO ready for FPSO Pre-Commissioning, hooking up to and making commercially operational the FPSO to the Fluid Transfer Lines, carrying out the FPSO Commissioning at the FPSO Site, and obtaining the FPSO and Additional Equipment classification (except for the Fluid Transfer Lines and DTU, Riser Facilities and Umbilicals which shall be Charterer’s responsibility), and all other work described in Clause 2.4, ***Appendix A*** or elsewhere in this Charter.

Full Hire Rate Accrual Date	The date which is the earlier of (i) the forty-third Day after the Ready for Commissioning Date or (ii) the Ready for Hydrocarbons Date.
Full Hire Rate Accrual Period	Means the period commencing on the Full Hire Rate Accrual Date and continuing until, and including, the Day immediately before the earlier of the Early Payment Commencement Date or the Ready for Hydrocarbons Date.
Full Flow Rate	Has the meaning set forth in Clause 9.2(ii).
Government	The government of Malaysia and of any other relevant jurisdiction where the Services may be performed, and any agency, ministry, taxing authority, administrative subdivision, entity or instrumentality thereof.
Gas Compression Run Time	Subject to the provisions of Clause 3.1(ix), a period of seventy-two (72) continuous hours during which gas compression, processing and separation operations are successfully achieved by Owner, in accordance with this Specifications, with respect to the gas handling and compression equipment on board the FPSO at the FPSO Site, all to Charterer’s reasonable satisfaction.
Gas Compression Testing	Means work performed by Owner Group after the Ready for Hydrocarbons Date in order to successfully achieve the Gas Compression Run Time on the FPSO and its equipment.
Gas Compression Testing Period	Means the period of time commencing on the later of (i) the Ready for Hydrocarbons Date or (ii) the first Day on which gas is available in sufficient quality and quantity to achieve minimum gas compression speed and ending on the Day which is twenty-eight (28) Days after such date.
Government Approvals	Shall have the meaning set out in Clause 5.2.
Gross Negligence	Such an entire want of care and lack of judgment as to establish that the act or omission in question was the result of actual conscious indifference to the rights, welfare, or safety of the persons or property affected by it.
Group	Either Owner Group or Charterer Group, as the context may require.
Hire Rate	The daily hire rate in respect of the FPSO, which rate is payable by Charterer to Owner in the amounts and in the manner set out in Article 9, Article 10 and ***Appendix B, Part A***.
Hire Rate Payment Commencement Date	Means the earlier to occur of (i) the Successful Run Completion Date or (ii) the Early Payment Commencement Date.

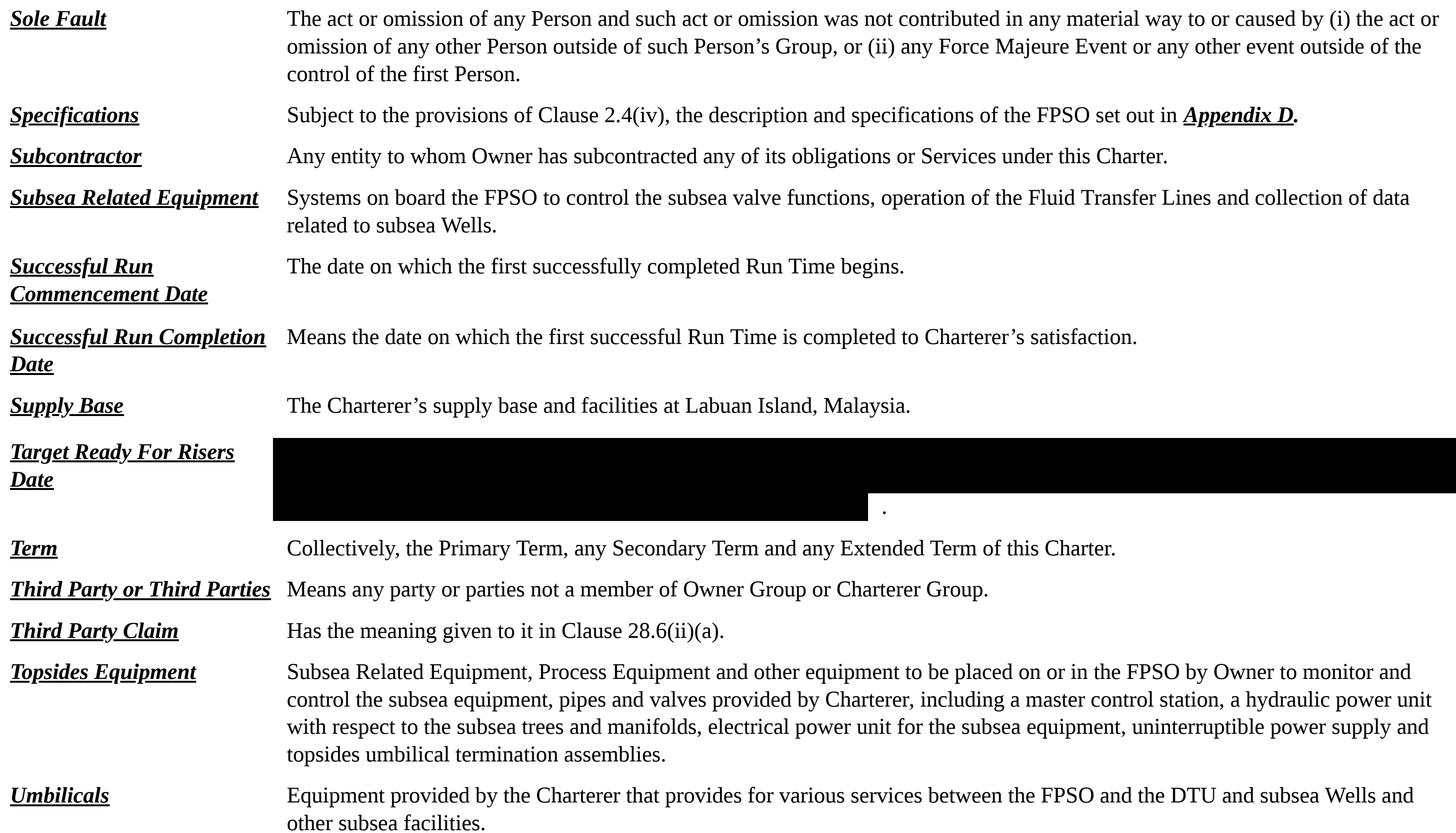
Indemnified Party	Has the meaning given to it in Clause 28.6(ii)(a).
Indemnifying Party	Has the meaning given to it in Clause 28.6(ii)(a).
Insurance Reimbursables	All reasonable costs and expenses of Owner incurred in connection with obtaining the insurance policies and coverages, including P&I coverage (excluding, however, any P&I Club membership fees of Owner for vessels other than for the FPSO and other than for other vessels used by Owner Group for the FPSO Work, the Services or the O&M Services but subject to exclusions set forth in Clause 9.4), which Owner is required to purchase pursuant to the provisions of Clause 9.4 and Article 29.
Key Personnel	Such Owner Personnel required for the FPSO Work and Services who are identified as Key Personnel in Owner's Project Execution Plan set forth in ***Appendix C***, ***Part A***.
Lender or Lenders	Owner's lender or lenders, if any, providing financing to Owner for the Services to be performed by Owner prior to the Delivery Date.
LIBOR	The one-month London Interbank Offered Rate as displayed on Reuters Screen Page LIBOR for United States dollar deposits at 11:00 a.m., London time, two Business Days prior to the first Day of the period for which such rate is required, or if not so displayed, then the rate per annum published by the Financial Times of London on such Day as the one month LIBOR for U.S. dollar deposits, failing which the rate shall be the rate quoted by Citibank N.A., London on such Day for such one-month period.
LOI	The letter of intent executed and dated by the Parties prior to the Contract Date, to be delivered to Petronas, with respect to the FPSO Work, the Services and FPSO Commercial Operations during the Term.
Malaysia	Malaysia and all of its states, territories and protectorates and including all of its and their territorial waters, continental shelf and exclusive economic zone.
Master	The Person in charge of the FPSO during the performance of the FPSO Work after Sailaway, which Person shall be appointed by the Owner or Contractor and shall be a member of Owner and Contractor Group.
Mooring System	The equipment to safely moor the FPSO, the design and specification of which is described in the Specifications.
Notice of Readiness – FPSO Commissioning	Written notification from Owner to Charterer, after the Ready for Risers Date has occurred, specifying that (i) all pre-commissioning activities listed in ***Appendix B***, ***Part C***, ***Section A*** hereto and in

	Clause 3.9(iii) of this Charter have been completed and (ii) Owner is ready to commence FPSO Commissioning, which written notification shall enclose a copy of the Classification Society's provisional certificate of FPSO Classification.
Novation Agreement	The Novation Agreement referenced in Article 24 hereof, a form of which is attached hereto as ***Appendix L***.
Offsite Repair Work	Has the meaning set forth in Clause 18.3(i).
O&M Compensation	The compensation structure for Contractor's provision of the O&M Services under the FPSO Operating and Maintenance Agreement.
O&M Services	Shall have the meaning ascribed to the term "Services" as set forth in the FPSO Operating and Maintenance Agreement.
Operating Area	Those areas offshore Sabah, Malaysia (including the Field) or elsewhere offshore Malaysia in which Co-Venturers may from time to time conduct operations.
Option	Charterer's option to purchase the FPSO as more particularly defined and described in Article 15.
Owner Group	Any or all of Owner, its Affiliates, Contractor, Owner's Personnel, representatives, or agents, the Builder and the Subcontractors of Owner and the subcontractors of its Affiliates, any contractors (including their subcontractors) of Owner's Subcontractors and the Personnel of any entity mentioned in this definition, other than Petronas or any other Government entity or instrumentality party to the PSC.
Owner Guarantee	The guarantee of Owner's performance under this Charter given by Owner Guarantor, the form of which guarantee is attached as ***Appendix G-1*** and referenced in Clause 4.7.
Owner Guarantor	
Owner Property	All equipment, property, facilities, consumables, materials (whether owned, leased or rented) of Owner Group, including, without limitation, the FPSO.
Owner Supplied Items	Such information, services, materials and equipment for which Owner shall have the responsibility to provide to Charterer as generally set forth in this Charter.
Party or Parties	Charterer or Owner or both, as the context requires and their assignees permitted under this Charter who have signed a Novation Agreement.
Performance Data	Has the meaning set forth in Clause 4.6.

Permitted Delay	Any delay: (a) to the extent due to the Sole Fault of any member of Charterer Group; (b) directly caused by Owner's consideration of Charterer's reasonable requests or suggestions for variations which do not result in an agreed Variation Order, but only if this directly and demonstrably negatively impacts the Schedule; (c) resulting from Force Majeure described in Article 26; (d) agreed as extended time in a Variation Order under Article 23; or (e) caused by the acts or omissions of both the Owner Group and Charterer Group; provided, however, in the case of any such delay caused in part by the acts or omissions of both the Owner Group and Charterer Group, the time allowed for such Permitted Delay shall be fifty percent (50%) of the actual time of such Permitted Delay.
Permitted Encumbrance	Any (i) Encumbrance for liens or Claims arising by law in the ordinary course of business for debts or maritime claims not yet due, or (ii) any Encumbrance in favor of Owner's lenders in connection with the financing of the FPSO or performance of Owner's obligations under the Charter as will be specifically set out in the QEL.
Person	Any individual, partnership, joint venture, legal entity, limited liability company, corporation, or unincorporated organization, including any Party.
Personnel	The officers, directors, employees, representatives, agents or invitees (as the case may be) of Owner or of Owner Group (including the Site Representative) or of Charterer or of Charterer Group (including Charterer's Representative) (as the case may be).
Petronas	Petroliam Nasional Berhad, the national oil company of Malaysia with its registered office at Tower 1, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.
Pollution Limit	Shall have the meaning given in Clause 29.3(vi).
Pollution Claims	Shall have the meaning given in Clause 28.3(i).
Pre-Payments	Has the meaning set forth in Clause 9.3.
Primary Term	The period commencing on the Delivery Date and ending on the date eight (8) years after the Delivery Date.

Process Equipment	All process equipment installed on board the FPSO to separate, treat and process the fluid stream (Crude Oil and other liquids) received by the FPSO into Processed Oil and liquid waste and gases and the compression of natural gas, as needed, the design and specification of which is described in the Specifications.
Processed Oil	Crude Oil that has been processed on board the FPSO and is suitable for storage and export in accordance with the Specifications.
Progress Reports	Has the meaning set forth in Clause 3.3.
Protocol of Delivery and Acceptance	A certificate in the form of ***Appendix I*** hereto, with all blank spaces appropriately completed, executed by Owner and Charterer certifying that the FPSO has been delivered to and accepted by Charterer on the Delivery Date.
PSC	The Production Sharing Contract, dated 27 January, 1999, for the exploration, development and production of hydrocarbons executed by Charterer, Petronas Carigali SDN BHD and Petronas, covering the Field; and any additional parties to the PSC as may be signatories from time to time and notified by Charterer to Owner.
QEL	Has the meaning set forth in Clause 4.9.
Rate Savings	The costs and expenses Owner certifies to Charterer that it will save by its reasonable endeavors as agreed between the Parties to reduce costs and expenses.
RCA	Has the meaning set forth in Clause 31.2.
Ready for Commissioning Date	The date Owner delivers its Notice of Readiness – FPSO Commissioning to Charterer.
Ready For Hydrocarbons Date	The date on which Charterer delivers to Owner Charterer's Notice of Readiness – Hydrocarbons.
Ready for Risers Date	The date on which the Owner delivers to Charterer written notice certifying that (i) the FPSO: (a) has arrived on the FPSO Site at least in compliance with the Specifications; and (b) is fully and safely moored in accordance with Charterer's notice identifying the FPSO Site, (ii) all activities listed in ***Appendix B***, ***Part C***, ***Section A*** hereto and in Clause 3.9(ii) of this Charter have been completed and all permits and certificates required therein have been provided, and (iii) (a) Owner is ready to hook into the Riser Facilities; (b) no further actions are required by Owner to connect the FPSO to the Riser Facilities; and (c) the FPSO is provisionally classified with the provisional certificate of FPSO Classification, which notice shall attach a true copy of the Classification Society's provisional certificate of FPSO Classification as required hereunder.

Riser Facilities	Umbilicals and risers extending from the Fluid Transfer Lines and subsea Wells to and connected with the FPSO, as described in ***Appendix E***.
Risk Zone	Has the meaning set forth in Clause 35.1.
Run Time	Subject to the provisions of Clause 3.1(ix), a period of seventy-two (72) consecutive hours during which continuous production, and water injection operations on the FPSO are successfully achieved in accordance with the Specifications at the FPSO Site without any Downtime, all to Charterer's reasonable satisfaction.
Sailaway Date	The date the FPSO sails from the Owner's conversion yard or other location where the FPSO is located at the time it commences its voyage to the FPSO Site.
Schedule	The target dates defined in this Article 1 and as further defined or supplemented by the provisions of the Owner's FPSO Level 3 Schedule contained in ***Appendix C***, ***Part B***.
Secondary Term	Any of the periods of three (3) years after the Primary Term that this Charter is extended pursuant to the provisions of Clauses 6.1 and 6.2, not to exceed a total of fifteen (15) years, in addition to the Primary Term.
Second Reduced Hire Rate Period	The period commencing on the Ready for Hydrocarbons Date and continuing until, and including, the Day immediately before the Successful Run Commencement Date.
Services	The FPSO Work and the other services to be provided, or caused to be provided, by Owner Group, at its own cost and expense, under this Charter and all Appendices hereto (including, but not limited to, all work itemized in the FPSO Work, ***Appendix A*** and the Specifications, the mobilization of the FPSO to the FPSO Site, the FPSO Commissioning, Services required pursuant to the provisions of Clauses 18.3 and 19.2 and the demobilization of the FPSO from the FPSO Site following the termination of this Charter).
Shutdown	Any time under the FPSO Operating and Maintenance Agreement commencing when there is a cessation of Crude Oil production or processing which is due to the default of, or breach of any obligations under this Charter or the FPSO Operating and Maintenance Agreement by, any of Owner Group.
Shutdown Period	Any period of time during the Term commencing when Shutdown first occurs and ending when the FPSO has recommenced processing Crude Oil.
Site Representative	The Person engaged by Owner to supervise and cause the FPSO Work and the Services to be satisfactorily performed prior to the Sailaway Date.



Sole Fault	The act or omission of any Person and such act or omission was not contributed in any material way to or caused by (i) the act or omission of any other Person outside of such Person's Group, or (ii) any Force Majeure Event or any other event outside of the control of the first Person.
Specifications	Subject to the provisions of Clause 2.4(iv), the description and specifications of the FPSO set out in ***Appendix D.***
Subcontractor	Any entity to whom Owner has subcontracted any of its obligations or Services under this Charter.
Subsea Related Equipment	Systems on board the FPSO to control the subsea valve functions, operation of the Fluid Transfer Lines and collection of data related to subsea Wells.
Successful Run Commencement Date	The date on which the first successfully completed Run Time begins.
Successful Run Completion Date	Means the date on which the first successful Run Time is completed to Charterer's satisfaction.
Supply Base	The Charterer's supply base and facilities at Labuan Island, Malaysia.
Target Ready For Risers Date	.
Term	Collectively, the Primary Term, any Secondary Term and any Extended Term of this Charter.
Third Party or Third Parties	Means any party or parties not a member of Owner Group or Charterer Group.
Third Party Claim	Has the meaning given to it in Clause 28.6(ii)(a).
Topsides Equipment	Subsea Related Equipment, Process Equipment and other equipment to be placed on or in the FPSO by Owner to monitor and control the subsea equipment, pipes and valves provided by Charterer, including a master control station, a hydraulic power unit with respect to the subsea trees and manifolds, electrical power unit for the subsea equipment, uninterruptible power supply and topsides umbilical termination assemblies.
Umbilicals	Equipment provided by the Charterer that provides for various services between the FPSO and the DTU and subsea Wells and other subsea facilities.

UNCITRAL	The United Nations Commission on International Trade Law.
Variation Order	A change in or revision to the Specifications, the FPSO Work, the other Services or any schedule in the Appendices attached hereto agreed in writing between the Parties and issued pursuant to Article 23.
Water Filtering Equipment	Elements used in the water filtration package as more fully described in ***Appendix D*****.**
Water Injection Module	The equipment on board the FPSO to lift, treat and inject seawater.
Well or Wells	Any crude oil, water or gas injection well or wells in the Field that Charterer may designate and connect to the FPSO in accordance with this Charter.
Willful Misconduct	An act or failure to act by any Person (including the supervisory personnel of a Party), which was intended to cause (or which was in reckless disregard of or wanton indifference to the possibility that the act or failure to act would cause) damage or harm giving rise to delay or suspension of the performance of the Services or this Charter, and "supervisory personnel" for the purposes of this definition shall mean any employee of a Party who functions at a management level or an officer or director.

The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.

Unless the context otherwise requires, in this Charter the singular shall include the plural and vice versa, and unless otherwise provided in this Charter, the use of the words "year" or "month" shall mean a calendar year or month, respectively and the term "contract year" shall mean the period remaining from either the Contract Date or any anniversary thereof until the next annual anniversary date; a "contract month" shall mean any thirty (30) Day period in any such contract year.

All provisions of and obligations, agreements, undertakings, indemnities, governing law and dispute provisions, representations and warranties of the Parties set forth in this Charter shall bind the Parties and be applicable for the full Term.

ARTICLE 2
FPSO TO BE CHARTERED

2.1 **Charter Period/Class.** Charterer agrees to lease and charter the FPSO for the Term and upon the terms and conditions stated herein at the FPSO Site. Owner warrants that the FPSO shall be provisionally classed by the Classification Society on the Delivery Date (with no requirements or recommendations which might impede, restrict or prevent the FPSO commencing and continuing Commercial Operations) in accordance with Clause 3.1, and that the FPSO, on the Delivery Date, will conform to the Specifications. Charterer, and not the Owner, shall have exclusive possession, control and command of the FPSO during the entire Term from and after the Delivery Date.

2.2 **<u>Owner's Services</u>.** Owner shall lease and charter the FPSO to Charterer for the Term and shall perform the Services under the terms and conditions of this Charter.

2.3 **<u>Compliance with Laws</u>.** In the performance of this Charter, Owner Group and its Personnel shall comply fully with all applicable laws and regulations and conventions binding on Malaysia and the Flag State. Any change of the Flag State requested by Owner must first be approved by Charterer in writing, approval of which shall not be unreasonably withheld. In addition to the laws governing this Charter as set forth in Article 31, Owner shall also comply with the applicable laws of all jurisdictions where the FPSO operates under the provisions of this Charter) in force during the Term. Owner shall in no circumstance be required to change the FPSO's Flag State against its wishes.

2.4 **<u>Work and Specifications/Sailaway Date</u>.**

(i) ***FPSO Work***. Owner shall in accordance with the Specifications, before the Delivery Date, perform or cause the performance of the FPSO Work and otherwise procure, design, construct, overhaul, modify, and install certain equipment (including the Additional Equipment), on the FPSO so that the FPSO shall comply with the work and specifications included in the Specifications (subject to the provisions of Clause 2.4(iv)), and all amendments thereto and Variation Orders in respect thereof, and the rules of the Classification Society. Except as otherwise expressly provided in this Charter, all costs, risks and expenses of the FPSO Work and to otherwise overhaul and modify the FPSO in compliance with the Specifications shall be borne and paid for by Owner. Any modification to the Specifications or the FPSO Work shall be mutually agreed in a Variation Order.

(ii) ***Additional Equipment***. Owner shall install all Additional Equipment onboard the FPSO. Owner shall pay for all costs and expenses of installing such Additional Equipment, which costs and expenses shall be included in the FPSO conversion cost. Charterer shall provide Owner with all Additional Equipment in a timely manner in a condition ready to be installed on board the FPSO, and Charterer shall be solely responsible for the conformity of Additional Equipment with the Specifications and any Downtime or Shutdown costs or expenses related to failure to deliver such equipment timely or in a condition conforming to the Specifications, unless otherwise set forth in this Charter, the Specifications or any other agreement in writing of the Parties. Owner, however, shall be responsible for the correct installation of the Additional Equipment in compliance with the Specifications and Charterer's directions.

(iii) ***FPSO Classification.*** Owner shall obtain the FPSO Classification in a manner which complies with the requirements of Clause 4.11 of this Charter.

(iv) ***Specifications***. Owner and Charterer each agree it has reviewed the Specifications and accepted them. However, the Parties agree that if there is any conflict or discrepancy between the provisions of ***<u>Part A</u>*** of

Appendix D (Charterer Specifications) and ***Part B*** of ***Appendix D*** (Owner Specifications), Charterer's Specifications in ***Part A*** of ***Appendix D*** shall prevail.

(v) ***Inspection and Supervision of FPSO Work***. Owner shall arrange for inspections and tests to be carried out by Owner Group to supervise the FPSO Work and other work specified in the Specifications. Charterer may, at its own cost and risk, have as many of Charterer Group Personnel as it deems reasonably necessary attend these inspections and tests on the FPSO (subject to availability of the accommodations on board the FPSO, if needed at the time of the inspection) or elsewhere. All such inspections and tests shall be performed in compliance with Clause 18.2 of this Charter.

(vi) ***Delivery Window***.

(a) Prior to the Sailaway Date, Owner shall provide Charterer with written notices of its final estimated Sailaway Date in accordance with the following notification schedule:

(1) one hundred and eighty (180) Days before the estimated Sailaway Date (incorporating all approved Variation Orders) – the estimated Sailaway Date +/- thirty (30) Days.

(2) ninety (90) Days before the estimated Sailaway Date (incorporating all approved Variation Orders) – the estimated Sailaway Date +/- ten (10) Days.

(3) sixty (60) Days before the estimated Sailaway Date (incorporating all approved Variation Orders) – estimated Sailaway Date +/- seven (7) Days.

(b) Not less than five (5) Days prior to the proposed Sailaway Date, Owner shall deliver to Charterer a list of the outstanding work or items on the FPSO, if any, that the Classification Society has accepted in writing will be completed on the voyage to the FPSO Site or at the FPSO Site or will remain as exceptions to the FPSO Classification until the next annual survey by the Classification Society. Charterer shall have the right to require that all or part of such outstanding work or items be completed prior to the Ready for Risers Date (except for minor punch list items), and the time required to perform such outstanding work or install such items shall not be a Permitted Delay.

(vii) ***Provisional FPSO Classification***. On completion of the inspections and tests in compliance with this Clause 2.4, Owner shall have received from the Classification Society, prior to the Sailaway Date, provisional classification certificate stating that the FPSO and Additional Equipment are or will be classed with the FPSO Classification (subject to any further inspection or tests to be carried out on location at the FPSO Site), and is safe and ready to sail or be towed to the FPSO Site all as, certified by a marine warranty surveyor in writing.

2.5 **Charterer's Personnel On Board.** Charterer shall have the right to have a reasonable amount of its Personnel acceptable to Owner on board the FPSO during the voyage from the shipyard location to the FPSO Site. Accommodations and meals for such persons shall be at Owner's cost and expense.

2.6 **FPSO Name**. Owner shall consult with Charterer as to the naming of the FPSO, which name shall be agreed in writing by the Parties and the cost of such naming shall be paid by Owner without reimbursement by Charterer.

2.7 **First Oil/Ownership.** All Crude Oil produced, loaded, processed, stored or off loaded during FPSO Commissioning prior to the Delivery Date shall belong to Charterer.

2.8 **Exclusive Use.** During the Term, Charterer shall have exclusive use of the FPSO for the sole purpose of operations as a FPSO pursuant to the provisions of this Charter.

2.9 **Owner Supplied Items.** Owner shall provide or pay for or provide and pay for (as the case may be) all items referred to as being its responsibility under this Charter and in ***Appendix B*.**

ARTICLE 3
DELIVERY

3.1 **FPSO Commissioning; Delivery Date.**

(i) ***Target Ready for Risers Date***. Owner shall cause the Ready for Risers Date to occur on or prior to the Target Ready for Risers Date.

(ii) ***Pre-Commissioning Activities***. On the Ready for Risers Date, Owner shall immediately commence FPSO Pre-Commissioning Activities and when the Owner and the FPSO are ready to commence FPSO Commissioning, Owner shall deliver to Charterer its Notice of Readiness – FPSO Commissioning.

(iii) ***Notice of Readiness-Hydrocarbons***. When Charterer is ready to commence FPSO Commissioning and all of its relevant production and Riser Facilities' equipment is in place, Charterer shall deliver to Owner its Charterer's Notice of Readiness – Hydrocarbons, and, upon Owner's receipt of such notice, the Ready for Hydrocarbons Date shall occur.

(iv) ***FPSO Commissioning***. As soon as possible after the Ready for Hydrocarbons Date, after successful hook up by the FPSO to all Riser Facilities and consultation with Charterer, Owner shall conduct FPSO Commissioning tests to demonstrate to Charterer that the FPSO is capable of receiving and processing Crude Oil and processing and injecting water in compliance with the Specifications, for a minimum period equal to the Run Time (referred to as ***"FPSO Commissioning"***).

(v) ***Delivery Date***. The Delivery Date ("***Delivery Date***") shall occur on the Successful Run Completion Date, provided the FPSO Commissioning and Run Time have been successfully completed to Charterer's satisfaction. On the Delivery Date, Owner shall deliver to Charterer a true copy of the Classification Society's provisional FPSO Classification certificate for the FPSO, and Owner and Charterer shall execute the Protocol of Delivery and Acceptance.

(vi) ***Delivery Free of Encumbrances***. Delivery of the FPSO shall be made by Owner to Charterer, free and clear of all Encumbrances except for Permitted Encumbrances, if any, on the Delivery Date. Delivery of the FPSO by Owner to Charterer shall be evidenced by execution by the Parties of the Protocol of Delivery and Acceptance on the Delivery Date. The Protocol of Delivery and Acceptance shall be executed in duplicate originals.

(vii) ***Gas Compression Testing***. Subject to the provisions of Clause 3.1(viii) below, on the Ready for Hydrocarbons Date, Owner shall commence Gas Compression Testing with a view to successfully completing such testing to demonstrate to Charterer that the gas handling and gas compression equipment on the FPSO is capable of processing, separating and compressing associated natural gas in compliance with the Specifications for a minimum period equal to the Gas Compression Run Time. Notwithstanding any other provision to the contrary contained in this Charter, if Owner does not achieve a successful Gas Compression Run Time on or before the last Day of the Gas Compression Testing Period, the Downtime and Shutdown provisions of Clause 9.2 and the other provisions of this Charter pertaining to termination shall apply.

(viii) ***Gas Flaring Approval***. Prior to the Ready for Hydrocarbons Date, Owner Group, on behalf of Charterer, shall obtain written approval from Petronas and any other Government entity or authority required by Malaysian law or regulation, permitting Owner Group and Charterer Group to flare all gas associated with Crude Oil production and processing from and by the FPSO for the Gas Compression Testing Period. If such written approval is not timely obtained or ceases to be effective at any time during the Gas Compression Testing Period, the Downtime and Shutdown provisions of Clause 9.2, and the termination provisions of this Charter shall also apply.

(ix) ***Interruption of Run Time***. Notwithstanding any provision to the contrary in Clauses 3.1(iv) or 3.1(vii) or elsewhere in this Charter, if either the Run Time or Gas Compression Run Time is interrupted or adversely affected for any reason due to the Sole Fault of Charterer Group, the period of time during which 72 hours of continuous Run Time or Gas Compression Run Time, as applicable, is interrupted due to such Sole Fault shall not count against the Run Time or Gas Compression Run Time, as applicable. It is the intention of the Parties that the Run Time or Gas Compression Run Time, as applicable, shall be deemed to be paused during any period when FPSO Commissioning or Gas Compression Testing, respectively, have been interrupted due to the Sole Fault of Charterer Group and the Run Time or Gas Compression Run Time, as applicable, shall be deemed to

continue unabated as of the point in time when (a) in the case of the Run Time, FPSO Commissioning is again resumed at the flow rates achieved prior to interruption, and (b) in the case of the Gas Compression Run Time, Gas Compression Testing is again resumed at compression rates achieved prior to the interruption.

(x) ***Certificate of Final Acceptance***. Within a reasonable period of time, after completion of both the FPSO Commissioning and the Gas Compression Testing, Owner shall issue and deliver to Charterer an executed Certificate of Final Acceptance, prepared in duplicate, which shall be subject to Charterer's written acceptance, which acceptance shall not be unreasonably withheld. Charterer's acceptance of the Certificate of Final Acceptance shall, however, be conditioned upon its satisfaction that (a) the FPSO materially complies with the terms and conditions of this Charter, the FPSO Work and the Specifications, (b) FPSO Commissioning has been successfully completed, (c) Gas Compression Testing has been completed in accordance with the Specifications to Charterer's reasonable satisfaction, and (d) the Classification Society has issued its final FPSO Classification certificate for the FPSO and its operation at the FPSO Site, as required by sub-clause (xi) below.

(xi) ***FPSO Classification***. Prior to execution of the Certificate of Final Acceptance by the Charterer, Owner shall cause the Classification Society to complete its FPSO Classification and certify that the FPSO conforms to the technical and safety standards required for final FPSO Classification. The Classification Society shall then issue its final FPSO Classification certificate to Owner and Owner shall deliver a true copy thereof to Charterer.

(xii) ***Charterer's Acceptance of Certificate of Final Acceptance***. Charterer shall, within five (5) Days from the date of its receipt of the Certificate of Final Acceptance, either accept or reject the Certificate of Final Acceptance, and if Charterer rejects the Certificate of Final Acceptance, it shall state its reasons in writing for withholding the acceptance of such certificate. In such event, Charterer shall commence discussions with the Owner in an effort to resolve Charterer's concerns.

(xiii) ***Charterer's Disputes***. If the Charterer is unable to resolve its concerns (as per sub-clause (xii))) with the Owner's Certificate of Final Acceptance within five (5) Days after it commences discussions with the Owner, Charterer may reduce or shut down production in which event the Downtime and Shutdown provisions of this Charter shall apply.

3.2 **<u>Commencement of Hire</u>.** Hire Rate shall begin to accrue on a day by day basis as of the Ready for Commissioning Date, in the manner set forth in Article 9 and shall begin to be payable on the dates and in the manner set forth in Article 10.

3.3 **<u>Progress Reports</u>.**

(i) ***Periodic Reports***. Owner shall provide Charterer with periodic written reports ("***Progress Reports***") advising of progress on the FPSO Work. All such Progress Reports shall be given in accordance with the provisions of this Clause 3.3 and the Specifications.

(ii) ***Progress Reports in Writing***. Each Progress Report shall be in writing in a form from time to time proposed by Owner and approved in writing by Charterer (such approval not to be unreasonably withheld) and shall include statements of any events or circumstances which may cause delivery of the FPSO to Charterer to be delayed and the estimated period of such delay. Owner shall also deliver to Charterer (within ten (10) Days after Owner's receipt thereof) copies of the reports submitted by any Subcontractor to Owner for any repairs, modifications and refurbishments. Progress Reports shall be in addition to the notices provided for under Clause 3.4.

(iii) ***Progress Deliverables***. In addition, Owner shall deliver to Charterer copies of the following documents received by Owner Group in relation to FPSO Work:

(a) promptly upon execution of this Charter, one copy of all Builder or engineering drawings previously received by Owner, and Charterer shall be provided reasonable access to all of the above project documentation in the possession of Owner;

(b) all additional drawings as submitted by Builder, including all design and construction drawings related to the FPSO modification;

(c) documentation of any specification modifications being considered between Owner and Charterer;

(d) periodic reports by Owner's Site Representative with all comments on status of the construction program, including photographs of the FPSO and components under construction;

(e) schedules of all key milestones, major tests, and trials;

(f) reports from all major tests and trials upon their conclusion;

(g) reports and documentation of any major incidents, unplanned events, or recurring deficiencies during modification and construction; and

(h) reports on any issues or problems among Owner, Builder, relevant governmental authorities, Crude Oil containment designer, Water Module and any other entities which may affect technical, performance, operational, or schedule provisions of the FPSO.

In addition to the foregoing submitted documentation, Charterer shall be afforded access at all reasonable times to all relevant project documentation at the home office and shipyard site office of the Owner and Builder.

3.4 **Permitted Delay.** Permitted Delays may delay the Schedule; however, Owner shall use Best Efforts to minimize the impact of Permitted Delays on the Schedule, and shall, by written notice, keep Charterer informed of such.

3.5 **Delayed Ready for Risers Date/Cancellation.**

(i) ***[Intentionally Left Blank]***

(ii) ***Liquidated Damages.***

(iii) ***Set-Off of Liquidated Damages***. Any liquidated damages due to Charterer under Clause 3.5(ii) shall be paid by Owner to Charterer on demand. If Owner fails to pay all or any portion of such liquidated damages within thirty (30) Days after Charterer’s written demand for payment, Charterer may offset any such liquidated amounts owed against any Hire Rate due to Owner as reflected in Owner’s monthly invoices, and such offsets shall continue until Charterer has been paid for all such liquidated damages in full by Owner.

(iv) ***Cancellation for Late Ready for Risers Date***. Charterer may cancel this Charter by giving notice thereof to Owner, without making any Early Termination Payment or payment of Demobilization Costs, if the Ready for Risers Date does not occur for any reason due to Owner’s or Builder’s default by a date which is one hundred-eighty (180) Days after the Target Ready for Risers Date.

(v) ***Cancellation for Slow Construction Schedule***. In addition to Charterer’s rights under Clause 3.5(iv), if, during the period of modification and refurbishment of the FPSO, Charterer reasonably determines on the basis of a Progress Report or other information available to it that, due to Owner’s or Builder’s default, the Ready for Risers Date will not take place prior to two hundred seventy (270) Days after the Target Ready for Risers Date (or such later date if Variation Orders which delay the Ready for Risers Date have been agreed under Article 23), then Charterer may cancel this Charter by giving written notice thereof to Owner. Prior to giving

such notice of cancellation, Charterer shall give Owner fourteen (14) Days' written notice of its proposed cancellation, during which period, Charterer shall consult with Owner to ascertain whether alternatives acceptable to Charterer (including an acceptable plan to accelerate the FPSO Work Schedule) can be implemented. If Charterer determines in its reasonable discretion that no such alternatives can be implemented or Owner fails to meet or cooperate with Charterer, Charterer shall be free to exercise its right to cancel.

(vi) ***[Intentionally Left Blank]***

(vii) ***Builder's Breach***. No breach or default of or by Builder shall relieve Owner from any obligation under this Charter, and Owner shall be responsible for any act, neglect, or omission of Builder as though such act, neglect, or omission were that of Owner under the provisions of this Charter. If the Owner cancels any contract with the Builder or any Subcontractor for the modification and refurbishment of the FPSO, Owner shall pay to Charterer any amounts, if any, which Owner is entitled to recover from such Builder or Subcontractor under any such contract as a result of said cancellation, minus: (i) amounts required to enable Owner to discharge its indebtedness to each mortgagee with respect to the FPSO; and (ii) Owner's fully documented equity expended on the FPSO Work to the date of such contract cancellation.

(viii) ***Owner's Refund of Pre-Payments***. In the event of termination of this Charter pursuant to Clauses 3.5(iv) or 3.5(v), in addition to payment of the liquidated damages amount set forth in Clause 3.5(ii) (with respect to termination under Clause 3.5(iv) only), Owner shall refund to Charterer, within thirty (30) Days after Charterer's written
demand,

the Pre-Payments previously paid by Charterer to Owner under Clause 9.3, up to a maximum of ten million dollars ($10,000,000) of such Pre-Payments paid to Owner."

3.6 **Adjustments to Ready for Risers Date**. If the circumstances that give Charterer the right to cancel this Charter under Clause 3.5(iv) arise, Owner may give written notice to Charterer requesting it to not to cancel this Charter and specifying a reasonable new date as the Target Ready for Risers Date if Charterer elects not to cancel this Charter. Within fifteen (15) Days after receiving such notice, Charterer shall give written notice to Owner advising Owner of Charterer's decision. Without prejudice to accrued liquidated damages under Clause 3.5(ii), if Charterer elects to continue this Charter, the new date so specified by Owner and agreed in writing by Charterer shall become the agreed new Target Ready for Risers Date. If the Target Ready for Risers Date hereunder is delayed by more than fifteen (15) Days after such agreed new Target Ready for Risers Date, Charterer shall again have the right to cancel this Charter.

3.7 **No Commercial Use Prior to Delivery.** In no event shall the FPSO perform any voyage (other than sea trials and the voyage to the FPSO Site) or perform any Commercial Operations (other than in connection with FPSO Commissioning and operations during the Run Time under the provisions of this Charter) prior to the Delivery Date without Charterer's prior written consent.

3.8 **FPSO Site**. Prior to the Sailaway Date, and in accordance with the Schedule, (i) Charterer shall perform and provide to Owner preliminary soil data relative to the FPSO Site, (ii) Owner shall perform and provide to Charterer a detailed report on soil borings tests and geological work at the FPSO Site, as well as selecting, marking and clearing the sea bottom at the FPSO Site in preparation for the FPSO mooring, (iii) Owner shall have obtained all necessary Malaysian and other applicable permits and licenses required under the provisions of Clause 4.14, or as otherwise required by applicable law or regulation, for the arrival and installation of the FPSO and Mooring System at the FPSO Site prior to the Ready for Risers Date, and (iv) Owner shall take responsibility for the risk of the FPSO Site conditions in respect of its obligations in relation to sub-clause 3.8.

3.9 **Deliverables**. In addition to the Owner deliverables otherwise required under this Article 3 or elsewhere in this Charter, Owner shall deliver the documents listed below to Charterer and Charterer shall deliver to Owner the documents listed under Charterer's name below:

(i) ***Prior to Contract Date or Reasonable Time Thereafter***. At or prior to the Contract Date, Owner shall deliver to Charterer a certified copy of corporate resolutions of Owner authorizing the execution, delivery and performance of this Charter, the LOI and all transactions contemplated hereby and thereby by Owner. In addition, at or prior to the Contract Date Owner shall have received a duplicate original of the FPSO Operating and Maintenance
Agreement duly executed by the Contractor. Within a reasonable time after the Contract Date,
Owner and Charterer shall have executed and delivered the QEL as required by Clause 3.9(x) hereof.

(ii) ***At or Prior to Ready for Risers Date***. At or prior to the Ready for Risers Date, Owner shall deliver to Charterer the documents and deliverables, and shall have completed the work set forth in ***Appendix B***, ***Part C***, ***Section A*** attached hereto. Also, on the Ready for Risers Date all deliverables, documents and actions required to have been delivered or taken, as the case may be, by either Party prior to such Ready for Risers Date, shall have been delivered or taken, as the case may be.

(iii) ***Prior to Ready for Commissioning Date***. Prior to the Ready for Commissioning Date, Owner shall deliver to Charterer the deliverables and documents, as appropriate, set forth in ***Appendix B***, ***Part C***, ***Section B*** attached hereto.

(iv) ***At or prior to Delivery Date - Documents***. At or prior to the Delivery Date, Owner shall deliver to Charterer the Classification Society's provisional FPSO Classification certificate. In addition, on the Delivery Date, Owner and Charterer shall execute and deliver to each other the Protocol of Delivery and Acceptance.

(v) ***At or Prior to Delivery Date - Actions and other Deliverables***. At or prior to the Delivery Date, Owner shall have performed the work and delivered the documents and deliverables, as appropriate, set forth in ***Appendix B***, ***Part C***, ***Section C***, attached hereto.

(vi) ***Prior to Certificate of Final Acceptance***. Prior to the date of execution of the Certificate of Final Acceptance by Charterer, Owner shall:

(a) complete the activities listed in ***Appendix B***, ***Part C***, ***Section D***, ***Part 1***, and

(b) deliver to Charterer the following documents and items:

(1) the Classification Society's final FPSO Classification certificate;

(2) the documents and deliverables listed in ***Appendix B***, ***Part C***, ***Section D, Part 2***.

(vii) ***Charterer's Deliverables*** - ***Contract Date***. At or prior to the Contract Date, Charterer shall deliver to Owner the following executed documents:

(a) a certified copy of corporate resolutions of Charterer authorizing the execution, delivery and performance of this Charter and all documents and transactions contemplated hereby by Charterer; and

(b) written notice from Charterer advising that Petronas has awarded Charterer the rights to proceed with the FPSO under the terms and conditions of this Charter.

(viii) ***Owner Guarantee; Charterer Guarantee***. Within the time periods set forth in Clauses 4.7 and 5.5, Owner and Charterer shall each deliver to the other Party the Owner Guarantee and the Charterer Guarantee, respectively.

(ix) ***Building Contract***. Within a reasonable time after their execution, Charterer shall have the right to request that Owner deliver to Charterer the Building Contract and all other contracts for the performance of the FPSO Work, and any agreements or change orders amending such Building Contract or other contracts, which contracts or amendments shall not include commercial pricing information, except as otherwise required by the provisions of Clause 8.4(ii) concerning reimbursable costs.

(x) QEL. Pursuant to the provisions and procedures set forth in Clause 4.9, on or before [redacted], Owner, Lender and Charterer shall execute and deliver a QEL, in form and substance satisfactory to each such Person.

Notwithstanding any provision to the contrary contained in this Charter, the actions required to be taken and deliverables and documents required to be delivered on or prior to the dates set forth above in this Clause 3.9 shall be conditions precedent to occurrence of the dates and milestone events listed therein and such dates and milestone events shall not be deemed to have occurred until the conditions precedent to the applicable date or milestone event have occurred.

3.10 **OCIMF**. Owner undertakes to ensure at the Delivery Date and throughout the Term that the FPSO will comply with the applicable Oil Companies International Marine Forum (OCIMF) standards and guidelines, including, but not limited to,

standards and guidelines for marine equipment, manifold compatibility, single point mooring and offloading arrangements and equipment, ship/shore emergency shut down system, loading and unloading operations and safety.

ARTICLE 4
OWNER'S OBLIGATIONS

4.1 **Timely Performance**. Owner shall timely perform or cause to be performed all FPSO Work, the other Services and other work required hereby and by the Specifications and in accordance with the time lines set forth in the Schedule and ***Appendix B***, ***Part C***.

4.2 **Performance of the Services**. Owner shall provide or perform all of the Services to be provided by Owner under this Charter and as set forth in Owner's Project Execution Plan in ***Appendix C***, ***Part A***. Unless otherwise expressly provided in this Charter, the Hire Rate, Pre-Payments and other compensation specifically agreed in this Charter covers and includes all the costs and expenses incurred by Owner to provide or perform all of the Services (including, without limitation, the FPSO Work and all procurement, design, modifying, refurbishing, repairing and FPSO Commissioning of the FPSO, transporting and mobilizing the FPSO to the FPSO Site mooring the FPSO to the Mooring System and hooking it up to the Fluid Transfer Lines and Riser Facilities and performing all tests necessary to accomplish the FPSO Commissioning and achieve the Delivery Date and demobilizing the FPSO following the termination of this Charter), contemplated in this Charter and there shall not be any other payments made by Charterer for Owner's provision or performance of the Services contemplated by this Charter. The performance of the Services shall always be under the supervision and control of Owner, provided that Charterer may inspect the performance of the Services from time to time and advise Owner of any substandard performance. Charterer, Government and the Classification Society shall have access at all reasonable times to the FPSO and all places where the Services are being performed for the purpose of inspecting the performance of the Services. The inspection of any aspect of the performance of the Services, which does not interfere with the Services, shall not excuse Owner from any obligation hereunder. The failure on the part of Charterer or others to inspect the Services, to witness, test, to discover defects or to fail to reject Services performed or provided by Owner that are not in accordance with this Charter shall not relieve Owner from liability or obligation under this Charter.

4.3 **Owner's Personnel**. Owner shall provide or shall cause to be provided all Personnel listed or referred to in Owner's Project Execution Plan contained in ***Appendix C***, ***Part A*** with respect to the performance of the Services to be provided by Owner under this Charter. Owner represents and warrants that such Personnel are and shall at all times be competent and qualified to perform the Services as contemplated by this Charter and will meet and comply with all applicable Malaysian and other applicable laws and regulations regarding such Personnel. Owner shall not reassign or permit reassignment of Key Personnel without the prior written consent of Charterer, which consent shall not be unreasonably withheld; provided however, Charterer shall have the continuing right to request upon reasonable cause shown that Owner remove or substitute or cause to be removed or substituted any or all such Key Personnel and other non-Key Personnel, and upon such request, Owner shall promptly substitute or cause to be substituted such Personnel. All costs of any such removal or substitution

prior to the Delivery Date shall be paid by Owner. Key Personnel shall be fluent in both written and spoken English. The Master and all officers and crew working on board the FPSO shall be trained in accordance with the relevant provisions of the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 ("***STCW***"), as amended in 1995, and the STCW Code, including any future amendments, supplements or replacements of such convention or code, and shall hold valid certificates of competence in accordance with the requirements of the law of the Flag State, and all production personnel shall hold valid certificates of competence in accordance with the requirements of the relevant Classification Society. Such personnel shall be trained in accordance with, and otherwise comply and have all of the rights and benefits of all applicable Malaysian labor and safety laws.

4.4 **Safety of Owner's and Charterer's Personnel**. To the extent of Owner's performance of the FPSO Work and the other Services required under this Charter, Owner, at its expense, shall provide or shall ensure that all Owner Group Personnel and Charterer Group Personnel are provided with all necessary protective clothing; including, at a minimum, hardhat, gloves, non-slip, steel-toed safety boots, overalls, and ear and eye protection. In the event any Owner Group Personnel or Charterer Group Personnel are incapacitated through injury or illness, Owner shall, subject to the terms of Article 28, be responsible for providing medical treatment and for such Personnel's replacement without undue delay and shall immediately notify Charterer of same. Charterer shall reimburse Owner at cost for all costs and expenses of medical treatment of Charterer's Personnel.

4.5 **English Communications**. All reports and all communications sent to Charterer shall be in writing and shall be in the English language or, if not in English, shall be accompanied by a quality translation (at Owner's expense) in English, unless otherwise agreed by Charterer Representative.

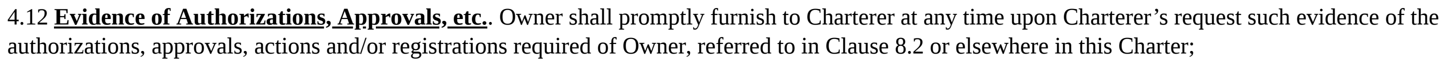
4.6 **Performance Data**. Owner shall ensure that the FPSO and all Owner Property and Charterer Property will function without error or interruption relating to the manner in which it captures, stores, uses, manipulates or reports data which includes an indication of or a reference to a Day, month or year or any component thereof ("***Performance Data***"). Without limiting the generality of the foregoing, such equipment shall be capable of processing century performance data and leap year performance data.

4.8 **[Intentionally Left Blank]**

4.9 **Quiet Enjoyment Letter and Estoppel**. Within the time period set forth in Clause 3.9(x), Owner and Charterer shall negotiate and agree to the terms of and shall execute and deliver, the Quiet Enjoyment Letter and Estoppel ("***QEL***"), which QEL shall recognize and protect the interests of both the Lender (under any mortgage or

other financing instrument in connection with the financing of the FPSO) and the Charterer's rights under the Charter (provided that Charterer continues to pay Hire Rate as required by the terms of the Charter). Irrespective of anything else in this Charter, each Party agrees Lenders shall be entitled to enforce their security in respect of the FPSO if a default occurs under Owner's loan arrangements, in respect of which Charterer has been given written notice by Owner or Lenders, and Lenders and Charterer do not agree upon a mutually acceptable way to proceed within 180 days of such default.

4.10 **FPSO Documentation on Board at Delivery**. Owner undertakes that on the Delivery Date, in addition to any actions or deliverables required in Clauses 3.9(iv) and 3.9(v) of this Charter, the FPSO shall have on board such valid vessel and FPSO documentation and classification certificates as may be required to enable the FPSO to carry out all required operations as an FPSO under this Charter without delay, let, or hindrance. Owner further undertakes that it shall be responsible for any loss, damage, delay or expense arising from its failure to fulfill its obligations under this Clause 4.10.



4.12 **Evidence of Authorizations, Approvals, etc.**. Owner shall promptly furnish to Charterer at any time upon Charterer's request such evidence of the authorizations, approvals, actions and/or registrations required of Owner, referred to in Clause 8.2 or elsewhere in this Charter;

4.13 **Insurance**. From and after the Contract Date, Owner shall at the times required during this Charter, be responsible for obtaining all required insurance coverages required pursuant to the provisions of Article 29 or as required by applicable law.

4.14 **Operating Area Permits**. Owner at Owner's expense shall, in connection with the performance of the Services, obtain any and all required Classification Society certificates and Malaysian Ministry of Transport Marine Department and other authorizations and permits required for the FPSO to enter, proceed to, and remain and operate in the Operating Area, to depart from the Operating Area and leave Malaysia and all other agreed areas of FPSO operation after the Delivery Date.

ARTICLE 5
CHARTERER’S OBLIGATIONS

5.1 **Charterer’s Instructions**. The instructions of Charterer shall be consistent with the provisions of this Charter. Such instructions shall be confirmed in writing by Charterer Representative prior to implementation.

5.2 **Government Approvals**. Subject to the provisions of Clauses 3.8 and 4.14 concerning Owner’s obligations to obtain certain permits and licenses), Charterer shall obtain and maintain such consents, authorizations, approvals, permits and licenses, including those required under the PSC (“***Government Approvals***”), to enable Charterer to perform its obligations under this Charter ***and Charterer shall save, indemnify, defend, protect and hold harmless Owner Group from and against any cost, expense, Claim, demand or liability suffered or incurred by Owner as a result of Charterer’s failure to comply with this Clause 5.2.*** Owner agrees to provide all reasonable assistance and co-operation as may be required to assist Charterer in obtaining and maintaining the Government Approvals.

5.3 **[Intentionally Left Blank]**

5.4 **Charterer Supplied Items**. Charterer undertakes to provide and/or pay for (as the case may be) all items referred to as being Charterer’s responsibility under ***Appendix B***, ***Part B*** and ***Appendix E*** and as set forth elsewhere in this Charter.

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ARTICLE 6
TERM OF CHARTER

6.1 **Early Termination**. With effect from the Delivery Date, the period of this Charter shall be not less than the Primary Term except where this Charter is cancelled or terminated earlier in accordance with the terms hereof.

6.2 **Renewal Option**. This Charter shall, at the sole option of Charterer by notice in writing to Owner provided at least nine (9) months prior to the expiration of the then current term, continue for one or more Secondary Terms of three (3) years each up to a maximum of fifteen (15) additional years beyond the Primary Term, unless otherwise earlier terminated in accordance with the provisions of this Charter. Charterer’s failure to notify Owner within the time period set forth above shall be deemed to be Charterer’s election not to extend this Charter for a Secondary Term.

6.3 **Extended Term**. On expiration of the Primary Term and any Secondary Term, the applicable term then ending (whether the Primary Term or any Secondary Term) shall be automatically extended for an additional period which shall equal the number of Days of Shutdown recorded by the Parties during the respective term of this Charter (*i.e*., the Primary Term or Secondary Term in question); subject, however, to a maximum extended period of thirty (30) Days of Shutdown for the Primary Term and a maximum of ten (10) Days of Shutdown for each Secondary Term.

6.4 **Lay Up**. Charterer shall have the option of laying up the FPSO at an agreed safe port or place for all or any part of the Term, in which case the Hire Rate will continue to be paid less all Rate Savings. Charterer shall reimburse Owner for any direct costs and expenses incurred by it as a result of such lay-up, or in breaking lay-up upon resumption of Services (including but not limited to all reasonable demobilization, towing and remobilization costs and all other documented costs of Owner incurred as a direct result of such lay up). The lay-up option granted to Charterer may be exercised one or more times during the Term of this Charter.

6.5 **Relocation of FPSO**. Charterer shall have the right to relocate the FPSO at any time to any other location within the territorial waters of Malaysia; provided that such relocation shall not impose additional risk on the FPSO. Such right of relocation shall be subject to Owner's approval with regard to the technical and operational limits of the FPSO and the Owner being fully compensated for all documented costs and overheads related to or arising from such relocation, including demobilization, moving, transportation and remobilization costs, and any required repair, dry dock, insurance, increased maintenance or FPSO upgrade costs agreed in writing by the Parties to be necessary in connection with such relocation. During any relocation, Charterer shall continue to pay the Hire Rate, unless otherwise agreed by the Parties in a Variation Order.

6.6 **Third Party Crude Oil**. Subject to the Variation Order provisions of Article 23, Charterer shall have the right to have the FPSO receive and process Crude Oil, water, or gas and to store and offload Processed Oil produced by or belonging to Third Parties without any increase in the Hire Rate; provided Charterer shall meet any additional obligations, costs and expenses, if any, required to receive, process, store, or offload such Third Party Crude Oil, water or gas.

ARTICLE 7
RELATIONSHIP OF THE PARTIES

7.1 **Owner Group Personnel**. In the performance of this Charter, Owner shall maintain, or cause to be maintained, complete and exclusive control over Owner Group Personnel. Owner Personnel shall at all times remain in the employment of Owner or other members of Owner Group. ***Without prejudice to Article 28 of this Charter, Owner shall assume all responsibilities and obligations and shall save, indemnify, defend, protect and hold harmless Charterer Group from all Claims with regard to such Personnel that may be imposed by virtue of any applicable laws and regulations imposed by any authority having jurisdiction including, but not limited to visas, permits, wages, benefits or other amounts due to such Personnel.***

7.2 **Neither Party May Bind Other Party**. Nothing in this Charter shall be construed to appoint or constitute one Party as a representative or agent of the other, and the Parties shall have no authority to commit or bind the other or any of their respective Affiliates.

7.3 **No Claims Against Co-Venturers**. Charterer enters into this Charter on its own behalf and for its own benefit. Accordingly, Owner shall look only to Charterer

for the performance of this Charter (Charterer being in all respects fully responsible for such performance, except to the extent any operations or performance are being performed by the Contractor under the FPSO Operating and Maintenance Agreement), and waives any and all rights to make or pursue any claim against the Co-Venturers with respect to operations under the Charter or the PSC.

7.4 **Control of FPSO**. Subject to the provisions of Article 28, the Master shall during any period when the Services are being performed, be in charge of the FPSO and shall be responsible for, and have ultimate authority in relation to the safe operation of the FPSO, and the safety and discipline of all persons on board the FPSO.

7.5 **Owner Group Personnel's Wages**. ***Subject to the provisions of Article 28, Owner shall be responsible for and shall save, indemnify, defend, protect and hold harmless Charterer Group from any liability or Claim for payment of all wages, salaries, benefits and other remuneration and for payment of all taxes and contributions required by governmental authorities (including any political subdivision thereof), applicable to Owner Group Personnel, including, without limitation, payment in compensation for an accident, injury or occupational disease.***

7.6 **Charterer's Inspection Rights**. Charterer may inspect the FPSO, including engineering work, at any time during performance of the Services (including, without limitation, construction, modification or conversion, transporting, testing, and FPSO Commissioning and Run Time). Charterer and the Government shall have access at all reasonable times to the FPSO provided that such access shall not interfere with Owner Group's performance of the Services. The inspection of any aspect of the FPSO shall not excuse Owner from any obligation hereunder. The failure on the part of Charterer or others to inspect the FPSO, to witness, test, to discover defects or to fail to reject equipment not in compliance with this Charter shall not relieve Owner from liability or obligation under this Charter.

7.7 **Hydrocarbon Deposits**. Owner and any other members of Owner Group, and their respective officers, directors, employees, agents, subcontractors, successors and assigns shall have no equitable, legal or other interests in any mineral and hydrocarbon deposits which are known or which might be discovered in the Operating Area or by Charterer Group. If any such Persons assert or attempt to establish or establish any interest in the mineral or hydrocarbon deposits, ***Owner shall save, indemnify, defend, protect and hold harmless Charterer Group from and against all claims, losses, damages, costs and expenses (including reasonable attorneys' fees and other legal costs and expenses) resulting therefrom.***

7.8 **Environmental Laws' Waiver**. Owner shall not, without the express written consent of Charterer (which consent shall not be unreasonably withheld), apply to or petition, or enter into negotiations with, or agree with the Government or any Government representative for a variation of or exemption from laws and regulations concerning safety, health, pollution (air, water, noise) and environmental protection relating to this Charter.

7.9 **Control of Crude Oil Production**. At all times during the Term, Charterer, through the Charterer Representative, shall have control of and authority to direct all operations with respect to Crude Oil production from the Wells.

ARTICLE 8
UNDERTAKINGS, REPRESENTATIONS AND WARRANTIES

8.1 **Owner**. Owner represents and warrants that, as of the Contract Date: (i) it has fully acquainted itself with the information contained in this Charter and the Appendices and knows of no reason why any physical or material aspects would interrupt or delay the diligent performance of its obligations in accordance with this Charter; and (ii) it is fully acquainted with the nature of the duties it undertakes to perform in this Charter and knows of no reason and anticipates no interruptions, whether by labor disputes or otherwise, which would prevent it from diligently performing its obligations in accordance with this Charter.

8.2 **Other Representations and Undertakings of Owner**. Owner represents, warrants, covenants and undertakes that the following is or will be (as appropriate) true and correct:

(i) ***Contract Date***. As of the Contract Date (unless otherwise stated below),

(a) it is duly organized and validly existing under the laws of Malaysia;

(b) it has the full power and authority to execute, deliver and perform its obligations under this Charter and to enter into and carry out the transactions contemplated herein and, except for Permitted Encumbrances, there are no Encumbrances on, over or relating to the FPSO;

(c) the execution, delivery and performance of this Charter has been duly authorized, executed and delivered, this Charter constitutes a valid and binding obligation of Owner, enforceable according to its terms, and such execution, delivery and performance is not in breach, conflict with or in contravention of applicable law, rule or regulation or court order or decree or of Owner’s corporate organizational documents or any mortgage, indenture, agreement or undertaking to which Owner is a party or by which it is bound or which otherwise affects or covers the FPSO, nor does such execution, delivery or performance require consents under any other agreement to which Owner is party or is bound;

(d) [***Intentionally Left Blank***]

(e) there are no Third Party rights that limit or restrict the ability of Owner to perform its obligations under this Charter and all permits, licenses, and other rights that are the obligation of Owner in connection with this Charter have been obtained;

(f) there are no material actions, suits or proceedings pending, or to the knowledge of Owner, threatened against or affecting it or the FPSO that would, if determined adversely thereto, impair the ability of Owner to perform its obligations under this Charter;

(g) there are no petitions filed or threatened to be filed, orders entered or resolutions passed for the winding up, receivership, bankruptcy or reorganization of Owner, Owner has not made an assignment for the benefit of creditors, nor has a receiver or administrator been, about to be or threatened to be, appointed to its assets;

(h) there are no defaults or events of default existing or potentially likely to exist by Owner with regard to this Charter;

(i) there is no information known to Owner which would cause the information disclosed by Owner pursuant to this Charter in any provided documents to be materially incorrect or misleading;

(j) Owner is, the owner of all right, title and interest in and to the FPSO, free and clear of all Encumbrances other than Permitted Encumbrances;

(k) Owner has and will have the necessary expertise and is ready and able to perform its obligations hereunder in accordance with the terms of this Charter;

(l) the use of the FPSO as contemplated hereunder will comply with all applicable safety, health and environmental laws and regulations; and

(m) the Specifications, the FPSO Work and the other Services to be performed by Owner hereunder comply with all applicable safety, health and environmental laws and regulations;

(ii) ***Delivery Date Certifications***. On the Delivery Date, by delivering possession and use of the FPSO to the Charterer, Owner will be deemed to have been restated and certified to the Charterer that:

(a) the FPSO is (a) classed by the Classification Society in compliance with its FPSO Classification, (b) designed, constructed, converted and engineered in accordance with the Specifications [redacted] (c) tight, staunch, strong and in all respects seaworthy with Crude Oil production, processing, storage and offloading systems necessary for the safe and efficient operation of the FPSO, with its machinery, boilers and hull in such a state as to permit at all times the safe and efficient use of the FPSO at the FPSO Site, and (d) has a provisional FPSO Classification from the Classification Society;

(b) the FPSO has all required certificates of financial responsibility and other certificates concerning pollution required by applicable law; and

(c) all representations, warranties, covenants and undertakings set forth in Clause 8.2(i) above are true and correct and will be performed, as appropriate, as of such Delivery Date.

(iii) ***Delivery Date Representations***. Prior to the Delivery Date and throughout the term of the Charter,

(a) this Charter, will remain, duly authorized, executed and delivered by Owner and will constitute a valid and binding obligation of Owner, enforceable against it in accordance with its terms;

(b) (1) except as otherwise permitted by this Charter, Owner agrees (by way of an undertaking and not by representation of a fact) that it will not transfer, sell or otherwise dispose of the FPSO or any parts or portion thereof or assign the Building Contract, (2) will not change the Flag State without Charterer's prior written consent, and (3) will not change its jurisdiction of incorporation or organization, merge or otherwise combine with another entity or transfer its title or rights in the FPSO or all or substantially all of its assets to another entity without Charterer's prior written consent; provided however that notwithstanding anything to the contrary contained in this Charter, Charterer shall not withhold consent to a proposed transfer of the FPSO or assignment of this Charter and/or the Building Contract, and any rights hereunder or thereunder, by Owner if: (A) such transfer or assignment is to (x) a Lender or is required as security to a mortgagee and in connection with the financing of the FPSO or (y) an Affiliate of Owner financially and technically capable of performing the Services and satisfactory to Charterer; (B) the Owner Guarantee remains in full force and effect in accordance with its terms, such that the guarantee of Owner's obligations under this Charter in favor of Charterer is not adversely affected by such transfer or assignment; and (C) the Charterer, Owner, any acceptable Owner Affiliate, and Lender (if any) have executed a Novation agreement satisfactory to Charterer, pursuant to the provisions of Article 24 of this Charter, whereby such permitted transferee takes assignment and novation of this Charter and/or Building Contract; provided however that Owner shall ensure no assignment or transfer to any Lender, Affiliate or other permitted transferee shall negatively impact the accounting treatment of this Charter as an "operating lease" pursuant to applicable accounting principles governing such Lender, Affiliate or other permitted transferee hereto; and

(c) Owner shall continue to have full power and authority to perform all of its obligations under this Charter and to carry out all of the transactions contemplated below.

8.3 **Charterer Representations and Warranties**. Charterer represents and warrants that the following is and will be, as appropriate, be true and correct:

(i) ***Contract Date***. As of the Contract Date:

(a) it is a corporation duly organized and validly existing under the laws of The Bahamas with a branch office in Malaysia;

(b) it has, the full power and authority to execute, deliver and perform its obligations under this Charter and to enter into and carry out the transactions contemplated herein;

(c) the execution, delivery and performance of this Charter is not be in breach, conflict or contravention of applicable law, rule or regulation or court order or decree or Charterer's Memorandum and Articles of Association, or any mortgage, indenture, agreement or undertaking to which Charterer is a party or by which it is bound, nor does it require consents (that have not been obtained) under any other agreement to which Charterer is party or bound and this Charter has, by proper corporate action, been duly authorized, executed and delivered by Charterer and all steps necessary have been taken to constitute this Charter a valid and binding obligation of Charterer;

(d) the Charterer Group is entitled to develop, produce and process Crude Oil, inject water and export Processed Oil from the FPSO Site by use of the FPSO;

(e) there are no material actions, suits or proceedings pending, or to the knowledge of Charterer threatened, against or affecting it that would, if determined adversely thereto, substantially impair the ability of Charterer to perform its obligations under this Charter;

(f) subject to the provisions of the PSC, there are no Third Party rights that limit or restrict the ability of Charterer to perform its obligations under this Charter and all permits, licenses, and other rights that are obligation of Charterer in connection with this Charter have been or will be obtained;

(g) there are no petitions filed or threatened to be filed, orders entered or resolutions passed for the winding up or bankruptcy of Charterer, Charterer has not made an assignment for the benefit of creditors, nor, to its knowledge, has a receiver or administrator been, about to be or threatened to be, appointed to its assets;

(h) there are no material defaults or events of default by Charterer existing or potentially likely to exist with regard to this Charter; and

(i) there is no information known to Charterer which would cause the information disclosed by Charterer pursuant to this Charter in any provided documents to be materially incorrect or misleading.

(ii) ***Delivery Date***. On the Delivery Date, by taking delivery of use and possession of the FPSO, Charterer will be deemed to have restated and certified to Owner that all of its representations and warranties in Clause 8.3(i) above are true and correct.

8.4 **FPSO Building, Refurbishment and Conversion Contract**.

(i) ***Charterer's Right to Review Documents***. Charterer shall have the right at any time, and from time to time, at its election, to review all specifications, diagrams, charts, plans and drawings for the FPSO. Charterer shall also have the right to participate as an observer in all meetings between Owner (and its Affiliates) and Builder, or other representative, of the FPSO and subcontractors and suppliers of Owner and Builder related to technical issues and changes to the Specifications. In addition, Charterer shall have the right to receive promptly copies of drafts of the proposed Variation Orders and any correspondence relating thereto and to the technical issues.

(ii) ***Owner to Provide Drawings, Etc.*** Owner shall provide Charterer with all design drawings and the Builder's Documents Register, if requested by Charterer. Charterer agrees that (except with respect to policies, contracts, purchase orders and documents relating to Insurance Reimbursables, Demobilization Costs, Variation Orders, upfront start-up costs in Clause 9.3(i)(b), upfront budgeted estimated costs in Clause 9.3(i)(c), chemicals, lubes and first fill reimbursables under Clause 9.3(i)(f) and any other reimbursable costs under this Charter), copies of any documents or contracts it receives from Owner under the Charter shall have all Subcontractor price information deleted. Such design drawings and Builder's Documents Register, once delivered to and approved in writing by Charterer, shall become part of the Specifications and the Building Contract. Charterer shall have fourteen (14) calendar Days after receipt from Owner of the drawings and Builder's Documents Register to notify Owner in writing as to whether Charterer approves or rejects the drawings and Builder's Documents Register or needs reasonable additional time to review and comment on same. Charterer shall include with its notice of rejection detailed comments explaining the basis for rejection, whereupon Owner shall cause Builder to consult with Charterer and resolve the issues leading to rejection of the design drawings and/or the Builder's Documents Register. Charterer's approval of the design drawings and Builder's Documents Register will be deemed to be given if Charterer does not notify Owner in writing within the fourteen (14) calendar Day period described above.

(iii) ***FPSO Design and Construction***. Owner represents and warrants that the FPSO shall be designed, constructed, converted and engineered in accordance with the Specifications, and maintained by Contractor in such a manner which shall enable the FPSO to remain on station fully classified by the Classification Society and capable of conducting Commercial Operations at the FPSO Site for twenty (20) years without any need for drydocking or Offsite Repair Work.

(iv) ***Affiliate Novation***. If any of the FPSO Work, Services or Building Contract and this Charter have been novated to an Affiliate in connection with a permitted transfer under Clause 8.2(iii)(b):

(a) Owner shall procure that no material right of the Charterer under the Building Contract or any contract or subcontract for the FPSO Work or Services is waived; and

(b) unless this Charter has been terminated, Owner shall procure that the Building Contract is not, and no contracts or subcontracts for the FPSO Work or Services are, by reason of this novation, terminated.

ARTICLE 9
COMPENSATION

9.1 **<u>Hire Rate Accrual</u>**.

(i) ***Accrual Commencement***. Subject to Clauses 9.2 and 10.1, the Hire Rate (at the applicable rate) and all other compensation due under this Charter, pursuant to and in the amounts set forth in ***<u>Appendix B</u>, <u>Part A</u>, <u>Section 1</u>,*** shall commence accruing, in the manner set forth in this Clause 9.1, each Day on and from the Ready for Commissioning Date to the end of the Term, except as otherwise provided in this Charter, and shall be payable on the dates and in the manner set forth in Article 10.

(ii) ***Daily Accrued Reduced Hire Rate***. Commencing on the Ready for Commissioning Date and daily thereafter during the First Reduced Hire Rate Period, Hire Rate shall accrue (but not be paid) at the Daily Accrued Reduced Hire Rate.

(iii) ***Daily Accrued Full Hire Rate***. Commencing on the Full Hire Rate Accrual Date and daily thereafter during the Full Hire Rate Accrual Period, Hire Rate shall accrue (but not be paid) at the Daily Accrued Full Hire Rate.

(iv) ***Accrued Hire Rate***. All of the above Accrued Hire Rate shall commence being paid by Charterer on the Hire Rate Payment Commencement Date, pursuant to the provisions of Clause 10.1.

(v) ***Second Reduced Hire Rate Period***. Commencing on the Ready for Hydrocarbons Date and daily thereafter during the Second Reduced Hire Rate Period, Hire Rate shall again accrue (but not be paid) at the Daily Accrued Reduced Hire Rate. During the Second Reduced Hire Rate Period no Hire Rate or Accrued Hire Rate shall be paid pursuant to the provisions of Clause 10.1(i)(b).

9.2 **Hire Rate Adjustment; Downtime/Shutdown; Annual Maintenance Allowance**.

(i) Downtime Calculation. After the Delivery Date and throughout the Term of this Charter, the Hire Rate shall be subject to adjustment for all Downtime (up or down) as follows:

(b) Whenever a Downtime event occurs outside of the Annual Maintenance Allowance, Monthly Downtime Percentage shall be calculated as the sum of the actual hours (or part thereof) recorded in each preceding calendar month during which there was Downtime as follows:

(1) **Daily Downtime (hours)** =

$$\frac{\text{(Full Flow Rate – Actual Flow Rate)}}{\text{Full Flow Rate}} \times 24\text{(hours)}$$

where

"Full Flow Rate" and "Actual Flow Rate" have the meanings given to them in Clause 9.2(ii) below.

(2) **Monthly Downtime Percentage shall equal the sum of daily Downtime (hours), calculated as per (1) above, during the month in question, divided by the total number of hours in the month in question.**

(c) The above formula will also apply for any period of time following a Shutdown Period during which the Wells are being brought back on stream until Full Flow Rate has once more been achieved.

(ii) ***Full Flow Rate.*** For the purposes of this Charter, ***"Full Flow Rate"*** means the average of the oil production flow rate for the most recent three (3) Days where no Downtime has been recorded and ***"Actual Flow Rate"*** means the actual oil production flow rate recorded during the Day on which Downtime occurred.

(iii) ***Water Injection or Gas Compression Reduction***. Any time period during which water injection or gas compression is reduced, restricted or is not possible for any reason, and such reduction, restriction or failure causes Charterer (at its option) to reduce or restrict Crude Oil production, shall be counted as Downtime.

(iv) ***Shutdown***. Any Shutdown shall not count as Downtime for the purpose of compensation under this Clause 9.2 or for any other purpose under this Charter but shall give rise to the Hire Rate Reductions set forth in Clause 9.2(xi).

(v) ***Ability to Offload Oil***. If the ability of the FPSO to offload Processed Oil shall be reduced or restricted, such inability to offload shall not be deemed to constitute Downtime hereunder except to the extent that such inability to offload shall reduce, restrict, or suspend Crude Oil production flow to the FPSO.

(vi) ***Daily Production Report***. All Downtime shall be reported by the FPSO's operation manager in the daily production report, which shall be co-signed by each of the Master under the FPSO Operating and Maintenance Agreement and the Charterer Representative onboard the FPSO.

(vii) ***Cessation of O&M Services***. If Charterer requires cessation of all or part of the O&M Services in accordance with the terms of Clause 4.16 of the FPSO Operating and Maintenance Agreement (including those of Attachment F thereof), and such cessation causes the reduction, restriction or suspension of Crude Oil production, such cessation of O&M Services shall count as Downtime hereunder.

(viii) ***Prohibited Gas Flaring***. If Charterer is unable to compress associated gas and is forced to flare associated gas in excess of guidelines established by Petronas and such inability causes a cessation of production, the Shutdown provisions of this Charter shall apply.

(ix) ***[Intentionally Left Blank]***

(x) ***Resumption of Production***. All time required to resume Full Flow Rate after a Shutdown shall be considered Downtime.

(xi) ***Shutdown Period Hire Rate***.

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(xii) ***Annual Maintenance Allowance***. For the purposes of this Charter, all Annual Maintenance Allowance hours not utilized by Owner in any contract year may be carried over by Owner to any following contract year of the Primary Term or any Secondary Term (but not beyond the applicable Term for which such hours were allocated) for use as Annual Maintenance Allowance or Downtime and Shutdown calculations during the applicable Term, all in a manner provided for in Clause 5.4(v) of the FPSO Operating and Maintenance Agreement. The Owner may allocate the Annual Maintenance Allowance over the course of the Primary Term and any Secondary Term in any manner it reasonably determines, subject to Owner's and Contractor' s obligations to maintain and operate the FPSO and its equipment in a manner and condition set forth under Owner's warranties and obligations under this Charter and Contractor's obligations under the FPSO Operating and Maintenance Agreement. With respect to Owner's allocation of Annual Maintenance Allowance hours, Owner shall present to Charterer for its approval an Annual Maintenance Allowance Schedule with respect to the immediately following contract year at the times and in the manner set forth in the FPSO Operating and Maintenance Agreement. Each Annual Maintenance Allowance Schedule is subject to approval by Charterer in accordance with the provisions of Clause 5.4(ii) of the FPSO Operating and Maintenance Agreement.

(xiii) ***Annual Maintenance Allowance Hours Cash Out***. At the end of the Primary Term or any Secondary Term, Owner may, at its option, upon written notice delivered to Charterer at least thirty (30) Business Days prior to the end of any such Term, request Charterer to pay Owner in cash, for all or any part of Annual Maintenance Allowance accumulated but unused by Owner during such Term. Such cash amount shall be equal to the quotient obtained by applying the following formula:

Provided Owner has timely elected the above cash in option, such cash payment amount shall be invoiced to Charterer by Owner on the last Business Day of the Primary Term or any Secondary Term, as applicable, and shall be paid by Charterer within thirty (30) Days after receipt by Charterer of Owner's invoice.

The actual costs of all such budgeted amounts will also be billed to and paid by Charterer on a monthly in arrears basis against presentation by Owner of detailed invoices and back up documents for such costs and shall be certified as due by Charterer Representative. Although such reimbursable costs are estimates only, Owner agrees to use reasonable efforts to ensure that it does not exceed the above total agreed budgeted amounts.

(d) *Payments*. All payments for any of the above stated amounts shall be paid by Charterer within thirty (30) Days after receipt by Charterer of Owner's detailed invoice together with a certificate executed by Owner's Site Representative and Charterer Representative that such amounts are due.

(e) *Soil Investigations*. [redacted] :

(1) Charterer has exercised this option by notice in writing to Owner within forty-five (45) days after the effective date of the LOI;

(2) The soil investigation is based on the Owner's required specifications;

(3) The Owner (A) reviews and agrees the field survey scope of work, (B) participates in and oversees the soil field survey scope of work; and (C) Owner is responsible for ensuring that the data required to adequately design and install the mooring system is obtained, provided that Charterer complies with this sub-clause 9.3(i)(e) and causes any contractor hired under this Section to follow the reasonable requests of Owner in relation to the performance of the work; and

(4) The soil investigation is executed in time to support the FPSO Schedule.

(f) *Reimbursement of Chemicals, Lubes, First Fill*. Owner will reimburse Charterer for all first fill items paid for by Charterer in sub-clause (c) above which remain unused by Owner on the Successful Run Commencement Date.

(g) *Fixed Maximum Amounts*. Owner and Charterer agree that the Pre-Payments in Clause 9.3(i)(a) above and the upfront start-up costs in Clause 9.3(i)(b) above are fixed maximum amounts to be paid by Charterer with respect to items set forth in said sub-clauses (a) and (b). Absent an agreed Variation Order, no further payments by Charterer to Owner will be made with respect to Pre-Payments and start-up cost needs of Owner apart from the Reimbursable Costs referred to in Clause 9.3 (i) (c), and any applicable mark-up in accordance with Appendix B.

(ii) ***Intentionally Left Blank***

9.4 **Insurance Costs and Reimbursables**. Prior to the Delivery Date, Owner shall be responsible, at its own non-reimbursable cost and expense, for obtaining and maintaining in place all insurance policies and coverages required pursuant to the provisions of Article 29 of this Charter. On and after the Delivery Date, Owner shall also be required to obtain and maintain in place all insurance policies and coverages required pursuant to Article 29, but Charterer shall reimburse Owner, at documented cost, for the cost of Insurance Reimbursables in connection with all insurance policies or coverages Owner purchases or obtains after the Delivery Date pursuant to the provisions of Article 29 of this Charter. Except as set forth below, in no event will Charterer reimburse Owner for any of the following insurances:

(c) .

ARTICLE 10
MANNER OF PAYMENT/SHUTDOWN

10.1 **Date and Manner; Accrued Hire Rate; Shutdown**.

(i) ***Payment of Hire Rate and Accrued Hire Rate***. Charterer shall commence paying Hire Rate and Accrued Hire Rate on the Hire Rate Payment Commencement Date in the following manner:

(a) ***Early Payment Commencement Date***.

(1) If, due to the Sole Fault of Charterer, the Ready for Hydrocarbons Date does not occur on or prior to the sixtieth (60th) Day after the Full Hire Rate Accrual Date, Charterer shall commence paying the Hire Rate and Accrued Hire Rate on the Early Payment Commencement Date. Otherwise, Hire Rate and Accrued Hire Rate shall commence being paid on the Delivery Date.

(2) If the Hire Rate Payment Commencement Date begins on the Early Payment Commencement Date, Owner and Charterer shall calculate the number of Days during each of the First Reduced Hire Rate Period and the Full Hire Rate Accrual Period for the purpose of determining the number of Days for which the Accrued Hire Rate is payable. Then, on the Hire Rate Payment Commencement Date, Owner shall invoice, and Charterer shall pay within the time period provided in this Charter, the following:

(A) The per Day U.S. dollar amount of Daily Accrued Reduced Hire Rate multiplied by the number of Days from the Early Payment Commencement Date to the last Day of the calendar month in which the Early Payment Commencement Date occurs;

(B) The per Day U.S. dollar amount of the Daily Accrued Full Hire Rate multiplied by the number of Days from the Early Payment Commencement Date to the last Day of the calendar month in which the Early Payment Commencement Date occurs; and

(C) All daily Hire Rate which shall be payable in advance by Charterer from the Early Payment Commencement Date to the last Day of the calendar month during which the Early Payment Commencement Date occurs.

(3) Subject to the provisions of Clause 10.1(i)(b) below, on the first (1st) Business Day of each calendar month following the Early Payment Commencement Date, the Owner shall invoice Charterer, and Charterer shall pay, within the time period provided in this Charter, the following:

(A) The per Day U.S. dollar amount of all Daily Accrued Reduced Hire Rate, which remains unpaid on such Day, multiplied by the number of Days which will occur in such calendar month.

(B) The per Day U.S. dollar amount of all Daily Accrued Full Hire Rate, which remains unpaid on such Day, multiplied by the number of Days which will occur in such calendar month.

(C) All daily Hire Rate due in advance by Charterer for such calendar month.

(b) ***Pause in Payments***. If the Hire Rate Payment Commencement Date occurs on the Early Payment Commencement Date, on the Ready for Hydrocarbons Date, Charterer shall cease paying all Accrued Hire Rate and shall, instead, once more commence accruing Reduced Accrued Hire Rate for each Day during the Second Reduced Hire Rate Period. Charterer shall thereafter only commence paying Hire Rate once more on the Delivery Date.

(c) ***Delivery Date Payments***.

(1) On the Delivery Date, Charterer shall commence paying (or if the Early Payment Commencement Date has occurred, shall recommence paying, if applicable) full Hire Rate and all unpaid Accrued Hire Rate retroactively with effect from the Successful Run Commencement Date. Thereafter, Charterer shall, subject to the Downtime and Shutdown and the provisions of Clause 10.1(ii) of this Charter, continue to pay the full Hire Rate, monthly in advance, throughout the remainder of the Term. On the Delivery Date, Owner shall invoice, and Charterer shall pay, within the time period set forth in this Charter, on a per Day basis the following:

(A) The U.S. dollar amount obtained by multiplying (I) the sum of (x) Daily Accrued Reduced Hire Rate which accrued on a Day by Day basis during both the First Reduced Hire Rate Period (if any daily amounts for such period remain unpaid), and the Second Reduced Hire Rate Period plus (y) Daily Accrued Full Hire Rate (if any such daily amounts for such period remain unpaid), by (II) the number of Days from the Delivery Date to the last Day of the calendar month in which the Delivery Date occurs; and

(B) All daily Hire Rate due in advance by Charterer for such immediately following calendar month.

(d) ***Post-Delivery Date Payments***. Thereafter, Charterer shall continue to pay each month (A) on a Day by Day basis all Accrued Hire Rate which remains unpaid until the total amount of such all Accrued Hire Rate has been paid in full and (B) all Hire Rate due on a monthly basis for the rest of the Term.

(e) ***Invoicing***. On or prior to the first (1st) Business Day of each month following the Hire Rate Payment Commencement Date, Owner shall deliver to Charterer an invoice for all Hire Rate due in advance for such month. Charterer shall, unless otherwise provided in this Charter, pay all of Owner's invoices for Hire Rate (at the applicable rate) on or prior to the tenth (10th) Day of each month, provided that if Owner's invoice is not received by Charterer on or before the first (1st) Business Day of any month,

then Charterer shall make payment within ten (10) Days after its receipt of such invoice. For all other payments and reimbursables, if any, due by Charterer to Owner under this Charter, Owner shall at the end of each month prepare and send to Charterer an invoice for the amounts payable (or credits due to Downtime reduction or Shutdown) by Charterer for such month. Charterer shall make payment with regard to all such other payments, in arrears, within ten (10) Days after receipt of the appropriate invoice (subject to Clause 10.1(ii), (iii) and (iv) below). Charterer shall have the right to withhold from payments to be made to Owner all amounts that it in good faith disputes, provided that Charterer, no later than five (5) Days prior to withholding any amounts due to Owner, shall notify Owner that it is disputing an invoice and shall give detailed reasons for its dispute. Prior to Owner submitting its first invoice for payment hereunder, Owner shall furnish documentary evidence to Charterer that Owner is duly authorized by Bank Negara Malaysia in Kuala Lumpur to accept payment in U.S. dollars. All payments hereunder shall be made in immediately available freely transferable U.S. dollars, without discount, setoff or deduction of any kind, except as expressly permitted by this Charter, by inter-bank transfer, free of bank charges, to such bank or financial institution as Owner shall designate, in writing, for credit to the account of Owner.

(f) ***Incomplete Gas Compression Testing***. Notwithstanding anything to the contrary contained in this Clause 10.1 or elsewhere in this Charter, if Owner has not successfully completed Gas Compression Testing and achieved the Gas Compression Run Time, pursuant to the provisions of Clause 3.1(vii), on or before the last Day of the Gas Compression Testing Period, the Downtime and Shutdown provisions of Clause 9.2 shall immediately apply.

(g) ***No Duplicate Payments.*** Notwithstanding any other provision of this Clause 10.1 or any other provision of this Charter to the contrary, in no event shall the payment provisions of this Clause 10.1 (or the payment provisions of any other Clause of this Charter) require or obligate Charterer to pay to Owner duplicate payments of Accrued Hire Rate, Hire Rate or any other amounts due Owner by Charterer hereunder.

(ii) ***Downtime and Shutdown Adjustments***. All adjustments or deductions due to Downtime, Shutdown or other causes as provided for in Clause 9.2 or elsewhere in this Charter shall be charged or credited by Owner to Charterer on the invoice for the first (1st) month which occurs following the month in which the Downtime or Shutdown occurred. All such invoices shall state, in reasonable detail, the cause and duration of all such Downtime or Shutdown. Charterer may offset against any Hire Rate due, any and all (a) liquidated damages due under Clause 3.5(ii), subject to the provisions of Clause 3.5(iii), (b) disputed compensation amounts (provided it complies with the 5-Day notice provision in Clause 10.1(i)(e) above), (c)

Downtime, Shutdown or Force Majeure deductions, and (d) amounts, if any, due by Owner to Charterer under the terms of this Charter and not paid by Owner to Charterer within thirty (30) Days after their due date, unless such reduced amounts in (c) and (d) above of this sub-clause (ii) are already reflected as a discount on Owner's invoices.

(iii) ***Payments in U.S. Dollars; Conversion***. The Hire Rate and all other payments due under this Charter are stated in US dollars and in the event that Owner is not authorized to accept U.S. dollars, or Charterer cannot for any period of time make any such payment in U.S. dollars (by Government intervention or law, rule or regulation or order of any court or tribunal of competent jurisdiction), then payment shall be made in Malaysia Ringgits. For the purpose of converting U.S. dollars to enable payment to be made in Malaysia Ringgit, during the Primary Term the rate of exchange to be used shall be the average of the selling and buying rates of Telegraphic Transfer published in the opening of business rate sheet by Malayan Banking Berhad Kuala Lumpur on the due date for payment. If such Day falls on a Day where the rate is not available, the rate quoted immediately before such Day shall be used. During any Secondary Term, the exchange rate shall be the Malaysian Ringgit amount equal to the selling rate in Malaysia of the U.S. Dollar, as published in said business rate sheet on the due date, discounted by the lesser of (a) the average of the difference between the buying and selling rates at the date of exchange, or (b) the average of the difference between the buying and selling rates on December 1, 2004 as reported by Bank Negara.

Excess Shutdown; Reduced Hire Rate.

10.2 **Payment Period**. Except as otherwise provided herein, the Hire Rate shall become payable as of the Delivery Date and cease to be payable as of the Demobilization Date or date of termination, as applicable, pursuant to the express provisions of this Charter, or as otherwise provided herein. Any Hire Rate paid in advance by Charterer representing compensation for a period beyond the Demobilization Date or date of termination shall be refunded by Owner within thirty (30) Days after the Demobilization Date or effective date of termination, as applicable.

10.3 **Late Payments**. Without prejudice to Owner's rights under Clause 17.4, if Charterer fails to make payment of any undisputed amount owing within thirty (30)

Days of Charterer's receipt of an invoice, then all money due to Owner shall accrue interest, at the Agreed Interest Rate, from the due date of payment to the date of receipt by Owner. If Charterer fails to pay any such undisputed amount by the end of such thirty (30) Day period, Owner may give Charterer thirty (30) Days written notice to pay such undisputed amount. If Charterer still fails to pay same within such further thirty (30) Day period, Owner shall thereafter have the right terminate this Charter pursuant to the provisions of Clause 17.4(i) and pursue any remedies to which it is entitled under applicable law or under the provisions of this Charter.

10.4 **No Waiver as to Payments**. Payment by Charterer shall not prejudice its rights in the future to dispute any part of any invoice including any invoice previously paid. In the event of a dispute over any part of an invoice, Charterer shall nevertheless pay the undisputed portion and shall not delay payment of any such undisputed portion of the invoice.

10.5 **Invoice Disputes**. Any unresolved dispute concerning an amount contained within an invoice shall be resolved between the Parties as set out in Article 31. Following resolution of the dispute or issuance of an arbitration award, any amount agreed or found to be payable by one Party to the other Party shall be paid within ten (10) Days after the date of such resolution or award (unless such award otherwise provides), together with interest at the Agreed Interest Rate calculated for the period between the final date of payment and the date the amount was initially due for payment; provided, however, if any delay is the justifiable result of the Party concerned failing to provide material information, interest will be payable from thirty (30) Days following receipt of such information.

10.6 **Invoice Contents**. All invoices submitted by Owner shall:

(i) refer to this Charter and if applicable, quote Charterer's purchase order number (which Charterer will furnish to Owner);

(ii) be submitted with sufficient documentation to support such invoices and permit verification by Charterer; and

(iii) be submitted to and received by Charterer for the purposes of this Charter at Charterer's nominated address in Article 30 (or such other place as may be agreed for this purpose in writing).

10.7 **Change of Owner Bank Account**. Should Owner wish to change any bank or other financial institution to which payment is to be made, at least thirty (30) Days prior written notice shall be given to Charterer of the new bank or financial institution and account details where such payment is to be made.

ARTICLE 11
LIENS

11.1 **No Liens**. Except for Permitted Encumbrances and Charterer's lien for any unperformed Owner obligations as provided below, subject to the Lender's rights in the QEL referenced in Clause 4.9, neither Charterer nor Owner shall have the right, power or authority to create, incur, or permit to be imposed upon the FPSO any Encumbrance whatsoever.

11.2 **Liens Arising by Operation of Law**. Certain liens or Encumbrances may attach to the FPSO from time to time by operation of law. If any action is taken to enforce any Encumbrance on the FPSO (whether a Permitted Encumbrance or not), Owner shall immediately notify Charterer thereof and take such steps as are necessary to prevent any such action from adversely affecting Charterer's rights under this Charter. In the event that: (i) without the prior written consent of Charterer, Owner grants or suffers to exist a mortgage or other form of consensual security interest in respect of the FPSO other than a Permitted Encumbrance, or (ii) if an Encumbrance arising by operation of law attaches to the FPSO and Owner fails to remove such lien or Encumbrance within the time period set forth in Clause 17.3(v), then in addition to any other rights Charterer may have under this Charter, Charterer may terminate this Charter pursuant to the provisions of Clause 17.3(v) provided the termination conditions in such Clause 17.3(v) are met, whereupon: (a) Owner shall immediately reimburse Charterer for any sums paid and not earned and any other sums to which Charterer is entitled under this Charter; and (b) Charterer shall not be obligated to pay the Early Termination Payment.

11.3 **Charterer's Quiet Enjoyment**. Owner shall promptly comply with the terms and conditions of all Permitted Encumbrances and in no event shall Owner permit the existence of any such Permitted Encumbrance or its compliance with the conditions thereof to interfere with or in any way delay the timely performance of Owner's obligations under this Charter. Except as may be otherwise agreed in the QEL between Owner, Lender and Charterer, and subject to the provisions of Article 4.9 herein, the existence of any Permitted Encumbrance shall in no way limit or restrict Charterer's rights or obligations under this Charter and the holder or owner of any such Permitted Encumbrance shall be subject to Charterer's rights under this Charter.

ARTICLE 12
HEALTH, SAFETY AND ENVIRONMENTAL OBLIGATIONS

12.1 **Environmental Laws**. Owner represents that it is fully capable of performing the Services in compliance with all applicable Malaysian and other applicable federal, state, and local safety, health and environmental laws, guidelines and regulations and good maritime operating practice and procedures as well as international protocols and treaties binding upon the FPSO or Owner in the performance of the Services and Owner shall also comply with the HSE policies and rules set forth in ***Appendix M***.

12.2 **Safety Laws**. With respect to the Services, Owner is responsible for providing and maintaining a safe and healthy work environment at the FPSO for Owner Group Personnel, Charterer Group Personnel and all Third Parties. All such people at the FPSO are required to comply with Owner's efforts to provide and maintain a safe and healthy work environment.

12.3 **Helicopters/Supply Boats**. The Master may, in connection with the performance of the Services, regulate the landing and taking off of helicopters and handling of supply boats, shuttle tankers, launches and small boats employed by the Charterer whilst alongside the FPSO and may defer offloading during the FPSO Commissioning if the Master sees fit, in each case for safety purposes.

ARTICLE 13
TAXES/DUTIES

13.1 **Taxes and Duties.**

(i) ***Malaysian Tax Laws***. This Charter has been entered into under the current tax laws and regulations of Malaysia, including, but not limited to, turnover and sales taxes, taxes on or deductible from payments, consumption taxes, value added taxes, business taxes and customs duties, the Malaysian Income Tax Act 1967, as amended, and taxes on gains or net income.

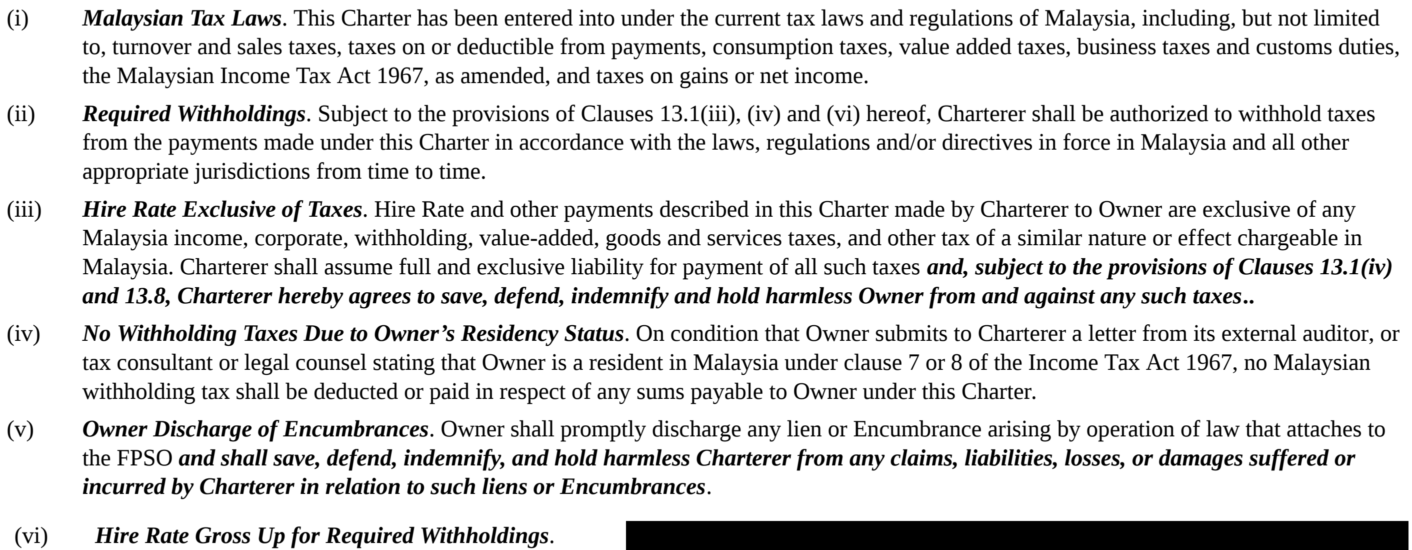
(ii) ***Required Withholdings***. Subject to the provisions of Clauses 13.1(iii), (iv) and (vi) hereof, Charterer shall be authorized to withhold taxes from the payments made under this Charter in accordance with the laws, regulations and/or directives in force in Malaysia and all other appropriate jurisdictions from time to time.

(iii) ***Hire Rate Exclusive of Taxes***. Hire Rate and other payments described in this Charter made by Charterer to Owner are exclusive of any Malaysia income, corporate, withholding, value-added, goods and services taxes, and other tax of a similar nature or effect chargeable in Malaysia. Charterer shall assume full and exclusive liability for payment of all such taxes ***and, subject to the provisions of Clauses 13.1(iv) and 13.8, Charterer hereby agrees to save, defend, indemnify and hold harmless Owner from and against any such taxes..***

(iv) ***No Withholding Taxes Due to Owner's Residency Status***. On condition that Owner submits to Charterer a letter from its external auditor, or tax consultant or legal counsel stating that Owner is a resident in Malaysia under clause 7 or 8 of the Income Tax Act 1967, no Malaysian withholding tax shall be deducted or paid in respect of any sums payable to Owner under this Charter.

(v) ***Owner Discharge of Encumbrances***. Owner shall promptly discharge any lien or Encumbrance arising by operation of law that attaches to the FPSO ***and shall save, defend, indemnify, and hold harmless Charterer from any claims, liabilities, losses, or damages suffered or incurred by Charterer in relation to such liens or Encumbrances***.

(vi) ***Hire Rate Gross Up for Required Withholdings***.



(vii) ***Owner's Reimbursement of Taxes***. If Charterer pays any withholding or other taxes or duties to any Malaysian authority on behalf of Owner under the provisions of this Article 13 and Owner recovers any such taxes or duties which Charterer has overpaid, or Owner is not required to pay as a result of an exemption, preferential tax treatment or otherwise, Owner shall, on demand by Charterer, repay to Charterer all such taxes or duties paid by Charterer and refunded to Owner. If Owner is required to pay any taxes to any Malaysian authority for which it claims Charterer is responsible under the provisions of this Article 13, Owner shall provide evidence to Charterer of all such taxes paid to and official tax receipts from the relevant taxing authority.

13.2 **Statutory Exemptions**. If Owner claims to be exempted from any statutory withholding tax or deduction, it shall inform Charterer in writing and promptly provide any necessary documentation to support such exemptions, including a certificate of exemption or preferential tax treatment from the relevant taxing authority.

13.3 **Charterer's Tax Indemnity**. ***If any Claim or demand for payment of taxes in Malaysia related to this Charter is made on Owner, which is not required by law or by this Charter, then Charterer shall save, indemnify, defend, protect and hold harmless Owner Group with regard to such Claim or demand.***

13.4 **Owner's Tax Indemnities**. ***Except as otherwise provided in this Charter, while performing the Services, Owner shall be responsible for, shall pay at its own expense when due and payable, and shall save, indemnify, defend, protect and hold harmless Charterer Group in respect of, all taxes and duties payable by Owner or any member of the Owner Group in Malaysia or any other country in relation to the Owner's general corporate or other business taxes on its earnings and profits (other than the Hire Rate or other compensation due to Owner under this Charter) and with respect to the Services (whether performed by Owner or any of its Affiliates or the Subcontractors of either), including without limitation with respect to Owner Property:***

(i) ***Sales, Excise, Use Taxes, Etc. All sales, excise, storage, consumption and use taxes, licenses, permit and registration fees, income, profit, excess profit, franchise, and personal property taxes; and***

(ii) ***Employment Taxes. All employment taxes and contributions imposed or that may be imposed by law, trade union contracts, or regulations with respect to or measured by the compensation (wages, salaries or other) paid to employees of Owner including, without limitation, taxes and contribution for unemployment and compensation insurance, old age benefits, welfare funds, pensions and annuities, and disability insurance and similar items;***

(iii) ***Customs Duties. Subject to the provisions of Clause 13.6(iii), all Duties applicable on the import into and export from Malaysia of Owner Property, Owner's goods, equipment and materials for the FPSO and its related equipment in connection with the FPSO Work and Services prior to the Delivery Date (but not afterwards), including items imported in Charterer's name and which are on the prevailing "Master List of Materials and Equipment for Upstream Petroleum Operations Exempted from Customs Duties and Sales Taxes" (referred to below as the "Master Exemption List" ; and***

(iv) ***Owner's Failure to Comply with Exemptions. Any tax liability in excess of the maximum set forth in Clause 13.1(vi) above and any taxes on Hire Rate or other compensation due Owner under this Charter for which Charterer becomes liable due to any loss of exemption or preferential treatment in relation to any Customs Duties or taxes due to Owner's failure to comply with any requirements associated with such exemptions or preferential treatment.***

13.5 **Certain Malaysian Tax and Customs Duties Requirements**. In relation to the importation of Owner's equipment and materials into Malaysia for purposes of performing the Services hereunder:

(i) ***Imported Goods***. Any goods, equipment or materials imported overland into Malaysia for performance of the Services shall be delivered under bond to the Supply Base.

(ii) ***Master Exemption List***. If Owner's goods, equipment or materials which fall within the Master Exemption List are to be imported in the name of Charterer by a route other than via the Supply Base, Owner shall be required to move such equipment under bond to the Supply Base. Owner shall obtain Charterer's prior written approval and shall provide sufficient notice to Charterer for customs clearance.

(iii) ***Goods to be Imported Under Owner's Name***. Importation of such goods, equipment and materials shall be made in the name of Owner if Owner has a warehouse at the Supply Base; otherwise, such imports shall be made in the name of Charterer.

(iv) ***Temporary Imports***. If any of Owner's goods, equipment or materials which are not listed on the Master Exemption List will not be consumed in the performance of the Services, but will be utilized for a period of less than six (6) months, Owner shall import such goods, equipment or materials on the basis of temporary import for re-export; and Charterer shall, if requested, provide reasonable help to enable Owner to obtain such exemption, at Owner's expense.

(v) ***Import/Export Documentation***. Owner shall be responsible for the preparation of all documents required by governmental authorities in connection with the import and export of Owner Property and Owner's goods, equipment and materials and other products for which it is responsible under the provisions of this Charter to and from Malaysia. Charterer agrees to use reasonable efforts to assist Owner with respect to the documents and approvals required by Owner under this sub-clause (v).

(vi) ***Responsibility for Owner Property***. Owner shall be responsible for its Owner Property and Owner's goods, equipment and materials imported into Malaysia while such items are in Owner's custody. ***Owner shall defend, indemnify, and hold harmless Charterer Group from and against any Claims, demands and causes of action which may arise as a result of damage to, shortages, or overages in inventory of such equipment.***

(vii) ***Removal of Owner's Goods and Equipment***. Upon termination of this Charter, Owner shall take immediate steps to remove such Owner's goods, equipment and materials from Malaysia (unless such goods, equipment or materials have been used, lawfully abandoned or consumed in the performance of the Services or lawfully transferred to Charterer). Unless Charterer agrees otherwise in writing, Owner shall comply with all reasonable and lawful directions and procedures as required by Charterer to cause such equipment to be removed as aforesaid as expeditiously as possible.

(viii) ***Sale of Owner's Goods*** - ***Notice to Charterer***. If any of Owner Property and Owner's goods, equipment or materials listed in the Master Exemption List and imported in Charterer's name into Malaysia are to be sold, transferred, disposed of or otherwise dealt with prior to their removal from Malaysia, Owner shall give reasonable notice to Charterer of its intention and such action shall only be taken after written consent from Charterer. Charterer shall attempt to obtain the necessary approvals from the relevant governmental authorities for such action.

(ix) ***Owner's Tax Indemnity. Owner shall save, indemnify, defend, protect and hold harmless Charterer Group from and against any and all taxes, duties, surcharges, fines, or penalties of whatsoever nature for which Charterer shall be or become liable as a result of Owner's failure to comply with the reasonable and lawful directions and procedural requirements notified to it by Charterer with respect to the removal from Malaysia of Owner Property and Owner's goods, equipment or materials imported in Charterer's Name, or as a result of Owner's unauthorized act in selling, transferring, or disposing of such items prior to their removal from Malaysia, or as a result of Owner's failure to furnish proper and accurate information for the import into Malaysia of such goods, equipment and materials.***

13.6 **Charterer's Tax Indemnities**. ***Charterer shall be responsible for, shall pay at its own expense when due and payable, and shall save, defend, indemnify, protect and hold harmless Owner Group in respect of, all taxes and duties payable by Charterer or any member of Charterer Group in Malaysia or any other country in relation to Charterer's performance of any of its obligations under this Charter, or (to the extent permitted by this Charter) its assigning or conferring the benefits of this Charter or the Services performed hereunder on any Person, including without limitation with respect to Charterer Property:***

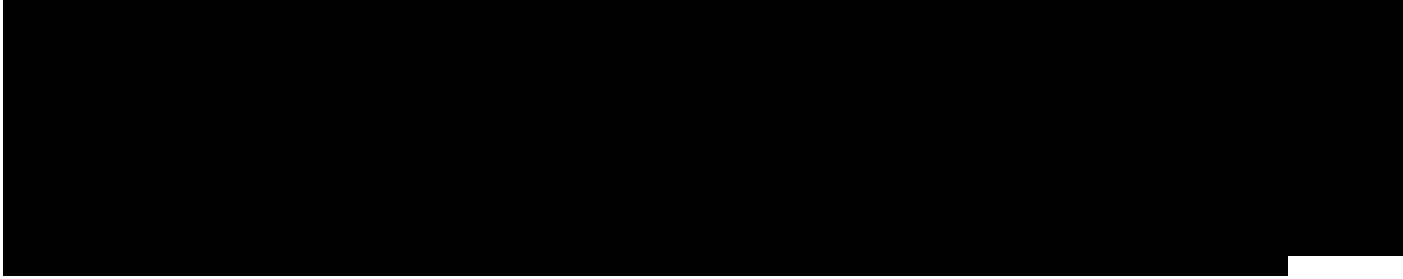
(i) ***Sales, Use Taxes, Etc. All sales, excise, storage, consumption and use taxes, licenses, permit and registration fees, income, profit, excess profit, franchise, and personal property taxes assessed against Charterer's Property;***

(ii) ***Employment Taxes. All employment taxes and contributions imposed or that may be imposed by law, trade union contracts, or regulations with respect to or measured by the compensation (wages, salaries or other) paid to employees of Charterer including, without limitation, taxes and contribution for unemployment and compensation insurance, old age benefits, welfare funds, pensions and annuities, and disability insurance and similar items; and***

(iii) ***Customs Duties.***

(a) ***Charter Supplied Items***. All Customs Duties which apply in Malaysia to the import into or export from Malaysia of Charterer Supplied Items.

13.6.1 ***Export Duties on Owner Property, Goods, Equipment, Etc.***



13.7 **Other Tax Indemnities.**

(i) ***Parties' Cross Indemnities. Each of the Parties shall save, indemnify, defend, protect and hold harmless the other and its respective Group against all Claims, demands and causes of action based on any failure by the first party to make timely payment of any taxes or duties for which it is liable or to comply with applicable reporting, return, or other procedural requirements with respect to their payment. This indemnity shall include, without limitation, all penalties, awards and judgments, court and arbitration costs, attorneys' fees, and other reasonable expenses associated with such Claims, demands, and causes of action.***

(ii) ***Notices of Non-Payment, Etc.*** Each Party shall give prompt notice to the other of all matters pertaining to non-payment, payment under protest,

claims of immunity, or exemption from any taxes or duties, to the extent that such action or omission could impact on the tax position of the other Party.

13.8 **Tax Savings**. Notwithstanding any provision to the contrary contained in this Article 13 or elsewhere in this Charter, Owner shall use Best Efforts to obtain preferential tax free treatment or exemptions under Labuan law for its operations under this Charter, within one hundred-twenty (120) Days after the Contract Date. In addition, Owner shall use Best Efforts to ensure that any permitted assignee of Owner's rights, benefits and obligations under this Charter also obtains such Labuan preferential tax free treatment or exemptions. Owner agrees that any and all savings, exemptions or incentives obtained by Owner with respect to income or corporate taxes or duties, imposts or other taxes of any kind (including but not limited to those set forth in Clause 13.1(i)) from or with respect to any applicable taxing jurisdiction or authority as a result of Owner's, the Charterer's and/or any co-venturer's structuring, whether or not involving Subcontractors and/or Contractor, of the ownership or chartering of the FPSO or the performance of the Services shall be refunded to Charterer to the extent Owner has been compensated by Charterer for such amounts.

ARTICLE 14
CONFLICTS OF INTEREST; FEES; GOVERNMENT PAYMENTS

14.1 **Commissions/Fees**. No member of Owner Group shall pay any commissions or fees or grant any rebates or other remuneration or gratuity to any member of Charterer Group. No member of Owner Group shall grant any secret rebates, one to the other, nor pay any commissions or fees to the employees or officers of the other.

14.2 **Corrupt Payments**. Owner warrants that neither it nor any other member of Owner Group has made, will make, or will permit to be made, with respect to the Services or other matters provided for under this Charter, any offer, payment, promise to pay or authorization of the payment of any money, or any offer or gift, or give or promise to give or authorize the giving of anything of value, directly or indirectly, to or for the use or benefit of any official or employee of the Government or to or for the use or benefit of any Malaysian or other Government political party, official, governmental department, agency or instrumentality thereof or any Government controlled entity or candidate for the purpose of: (i) influencing an official act or decision of that Person; (ii) inducing that Person to do or omit to do any act in violation of his, her or its lawful duty; or (iii) inducing that Person to use his, her or its influence within the Government to affect any Government decision or secure any improper advantage. Owner further warrants that neither it nor any member of Owner Group has made or will make any such offer, payment, gift, promise or authorization to or for the use or benefit of any other Person if Owner or any other member of Owner Group knows, has a firm belief, or is aware that there is a high probability that the other Person would use such offer, payment, gift, promise or authorization for any of the purposes described in the preceding sentence. The foregoing warranties do not apply to any facilitating or expediting payment to secure the performance of routine Government action. Routine Government action, for purposes of this Clause 14.2, shall not include, among other things, Government action regarding the terms, award, amendment, or continuation of this Charter. Owner shall respond promptly, and in reasonable detail, to any notice from Charterer or its auditors pertaining to the above stated warranty and representation and shall furnish documentary support for such response upon request from Charterer.

14.3 **<u>Article 14 Claims</u>**. ***Owner shall and hereby agrees to save, indemnify, defend, protect and hold harmless Charterer Group from and against all Claims in connection with the warranties and agreements contained in this Article 14.***

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ARTICLE 16
PARTY REPRESENTATIVES

16.1 **Owner Representative**. Owner shall nominate by notice in writing to Charterer one of Owner's Personnel as Owner Representative for the purpose of monitoring the performance of Charterer's obligations under this Charter.

16.2 **Charterer Representative**. Charterer shall nominate by notice in writing to Owner one of its Personnel as Charterer Representative for the purpose of monitoring the performance of Owner's obligations under this Charter.

ARTICLE 17
TERMINATION

17.1 **Termination by Charterer.**

(i) ***Before the Delivery Date.*** Charterer may terminate this Charter at any time prior to the Delivery Date by giving Owner no less than ninety (90) Days prior written notice of termination.

(ii) ***After the Delivery Date***. Charterer may, by written notice to Owner, terminate this Charter at any time after the Delivery Date and before the expiration of the Primary Term or any Secondary Term; provided, if this Charter is in the Primary Term, Charterer shall give Owner at least six (6) months prior written notice and if this Charter is in a Secondary Term, Charterer shall give Owner at least three (3) months prior notice. If either of such events occurs, the termination date of this Charter shall be the Day six (6) months (if in the Primary Term) or three (3) months (if in the Secondary Term), as the case may be, after the Day on which Owner receives Charterer's notice of termination.

17.2 **Early Termination Payment and Expenses**. A termination of this Charter by Charterer under Clause 17.1, 17.9 (if such termination would qualify for an Early Termination Payment under the provisions of the last sentence of this Clause 17.2),

Clause 18.3(ii)(a) (but only if such termination is for drydocking or Offsite Repair Work for reasons under Clause 18.3(i)(b)), Clause 26.3, or Clause 35.2 or by Owner under Clause 17.4 or Clause 26.4 shall be subject to the applicable Early Termination Payment but in no other case shall an Early Termination Payment be due to Owner by Charterer. In addition, to the Early Termination Payment, Charterer shall pay Owner's Demobilization Costs in accordance with the provisions of Clause 25.2, except that Charterer shall only pay Owner's Demobilization Costs under Clause 17.1(i) if the FPSO has left the Owner's conversion yard or other shore-side location (where the FPSO Work was being carried out) for the FPSO Site, or is actually on location at the FPSO Site, after the Sailaway Date. The Parties also agree that, in connection with any termination under Clause 17.9, Charterer shall be required to pay an Early Termination Payment and/or Demobilization Costs if such termination of the FPSO Operating and Maintenance Agreement is for reasons which under the provisions of this Charter would require Charterer to pay an Early Termination Payment and/or Demobilization Costs (provided that Charterer shall never be required to make duplicate payments of such amounts).

17.3 **Charterer's Other General Termination Rights**. In the event:

(i) ***Owner's Breach***. Owner is in breach of any of its material obligations under this Charter and fails to resolve such breach to Charterer's satisfaction pursuant to the procedures and within the time limits set forth in Clause 17.6;

(ii) ***Owner's Insolvency***. Owner suspends payment of its debts or is unable to pay its debts as they become due, a petition is filed or an order is made or entered (and is not stayed within thirty (30) Days of service thereof) or a resolution is passed or an involuntary petition is filed for the winding up, receivership, bankruptcy or reorganization of Owner, or Owner makes an assignment for benefit of all or substantially all of its creditors, or a receiver or administrator is appointed to all or substantially all of its assets;

(iii) ***Owner's FPSO Title Failure***. Except as otherwise expressly permitted in this Charter, Owner ceases to own the whole (100% or, if under British registry or equivalent, 64/64th) of the FPSO (unless the FPSO is assigned to a Lender for financing purposes) or fifty percent (50%) or more of the voting shares or stock of Owner is sold or voting control or control of the board of directors of Owner is transferred to any other Person;

(iv) ***Insurance Lapse***. Any insurance required of Owner under this Charter is not obtained or lapses (provided, however, that, in the case of any insurance renewal, if Owner demonstrates to Charterer's reasonable satisfaction prior to any such renewal that insurance coverages in any specified amount or for any specified risk listed in Article 29 is not available in the marketplace or from Owner's P&I Club at the time of any renewal and Charterer and Owner agree in writing to alternative amounts or coverages prior to any such renewal, then Owner shall not be in breach under this Clause 17.3(iv), as long as no agreed insurance lapses or ceases to be in effect at any time);

(v) ***Encumbrances which Interfere with Charterer's Operations***. Owner permits or suffers to exist any Encumbrance or other consensual or non-consensual security interest in respect of the FPSO (other than a Permitted Encumbrance) and such encumbrance or other security interest interferes with Charterer's operations at the FPSO Site or its other operations in the Kikeh Field and such Encumbrance or other security interest has not been removed by Owner within forty (40) Days after written notice requesting its removal has been given by Charterer to Owner.

(vii) ***Owner's Corporate Status***. The corporate status of Owner terminates;

(viii) ***False Representations***. Any representation or warranty of Owner under this Charter:

(a) shall prove to be untrue, false or materially misleading when made or for the time covered; and

(b) as a consequence shall materially and adversely affect Charterer's rights or benefits under this Charter; and

(c) which Owner has failed to remedy to Charterer's satisfaction within thirty (30) Days after written notice from Charterer;

(ix) ***Certain Changes without Charterer's Consent***. Without Charterer's prior written consent or as otherwise specifically provided in this Charter:

(a) the FPSO shall cease to be registered under the laws of the Flag State;

(b) the Classification Society shall remove the FPSO classification;

(c) the FPSO shall be arrested as a consequence of any Claim or event other than a Claim arising by, through or under Charterer and is not released from such arrest within twenty (20) Days after being arrested; and

(d) Owner shall make any assignment prohibited by Clause 24.3 of Owner's rights or obligations under this Charter;

(x) ***Owner Guarantor Events***. The Owner Guarantor:

(a) suspends payment of its all or substantially all of debts or is generally unable to pay its debts in the ordinary course of its business;

(b) passes a resolution, commences proceedings or has proceedings commenced against it (which are not stayed within twenty-one (21) Days of service thereof on the Owner Guarantor) in the nature of bankruptcy or reorganization resulting from insolvency or for its liquidation or for the appointment of a receiver, trustee in bankruptcy or liquidator of its undertaking or assets; or

(c) enters into any composition or scheme or arrangement with its creditors;

(xi) ***Owner Guarantee Failure***. The Owner Guarantee ceases to be in full force and effect before the expiry of its agreed term (as agreed in writing by Charterer) (unless, within ten (10) Business Days thereafter, a replacement Owner Guarantee, by an entity and a form satisfactory to Charterer, is executed and delivered to Charterer in substitution for the original Owner Guarantee);

(xii) ***Excessive Shutdown***. Unless otherwise mutually agreed in writing by the Parties, Shutdown occurs and continues for a period of ninety (90) consecutive Days at any time during this Term plus any unused hours of Annual Maintenance Allowance, as set forth in Clause 9.2(xii), for the year or years in which such ninety (90) consecutive Days of Shutdown occurred, in which event Charterer shall not be required to pay any Early Termination Payment, unless otherwise agreed in writing by the Parties; or

then:

Charterer, in addition to any other rights it might have under this Charter, shall have the right to immediately terminate this Charter on demand by giving Owner fourteen (14) Days written notice, at which time the Charter shall terminate without further obligation on either Party, except for those provisions (other than payment provisions, unless otherwise expressly provided in this Charter) which expressly survive termination pursuant to the provisions of this Charter.

17.4 **Owner's Termination Rights**. In the event:

(i) ***Charterer's Payment Failure***. Charterer shall, for any reason, fail to make any Hire Rate payment due under this Charter (other than disputed amounts) and such default continues after receipt by Charterer of Owner's ultimate written demand for payment given pursuant to the provisions of Clause 10.3;

(ii) ***Charterer's Breach***. Charterer is in breach of any other of its material obligations under this Charter; and such failure or breach continues for a period of thirty (30) Days after written notice has been received by Charterer and such breach or failure has not been remedied by Charterer within such thirty (30) Day period;

(iii) ***Charterer's Insolvency***. Charterer generally suspends payment of its debts or is unable to pay its debts as they become due, a petition is filed or an order is made or entered (and is not stayed within thirty (30) Days of service thereof) or a resolution is passed or an involuntary petition is filed for the winding up, receivership, bankruptcy or reorganization of Charterer, or Charterer makes an assignment for benefit of all or substantially all of its creditors, or a receiver or administrator is appointed to all or substantially all of its assets; or

(iv) ***Charterer Guarantor and Guarantee***. (a) Charterer Guarantor suffers or initiates any of the events outlined in Clause 17.3(x) above with respect to Charterer Guarantor or its operations, or (b) the Charterer Guarantee ceases to be in full force and effect and is not replaced with a Charterer Guarantee satisfactory to Owner within the time period set forth in Clause 17.3(xi);

then, Owner may at its option terminate this Charter (a) in the case of Clause 17.4(i), upon seven (7) Days, (b) in the case of Clauses 17.4(ii) and (iii), upon sixty (60) Days and (c) in the case of Clause 17.4(iv), upon fourteen (14) Days prior written notice to Charterer. If this Charter is terminated as set forth above, Charterer shall remain liable for all amounts owing or earned and unpaid to the date of termination pursuant to the provisions of Article 9 (whether or not invoiced) and shall be required to pay the Early Termination Payment and Owner's Demobilization Costs.

17.5 **Parties' Other Termination or Cancellation Rights**. The Parties acknowledge that other cancellation and termination rights are set forth elsewhere in this Charter, including, but not limited to, the following additional Articles or Clauses of this Charter (provided, however, that this list is not intended to be exclusive):

(i) Clause 3.5(iv) (Late Ready for Risers Date);

(ii) Clause 3.5(v) (Cancellation in anticipation of late Ready for Risers Date);

(iii) Clause 15.4 (Closing of sale of FPSO);

(iv) Clause 17.9 (FPSO Operating and Maintenance Agreement termination);

(v) Clause 18.3(ii) (Excessive Drydocking);

(vi) Article 20 (Requisition or seizure);

(vii) Article 21 (Total or constructive total loss);

(viii) Clause 26.4 (Force Majeure); and

(ix) Clause 35.2(iii) (Risk Zone insurance failure).

17.6 **Owner's Material Breach - Procedures.** In the event of Owner's material breach under Clause 17.3(i) above, Charterer shall notify Owner in writing to cure such breach. Owner shall then use Best Efforts to cure the breach within thirty (30) Days after it receives such written notice from Charterer. If it fails to either (i) cure such breach or (ii) demonstrate to Charterer's reasonable satisfaction, by delivering a detailed written proposal to Charterer, that it will be able to cure such breach within a reasonable period of time, Charterer may terminate this Charter by giving Owner a further fifteen (15) Days written notice, upon the expiration of which notice, the Charter shall terminate.

17.7 **Termination without Prejudice**. Termination of this Charter by either Party shall be without prejudice to the Parties' rights under this Charter accrued up to the applicable termination date. Where an express termination provision has been provided for in this Charter, no other termination rights at law or otherwise shall apply.

17.8 **Specific Performance.** Owner acknowledges and agrees that damages for Owner's breach of contract would be difficult or impossible to ascertain in the event of either:

(i) Owner's intentional and unauthorized or unjustified withdrawal from the FPSO Work or its intentional and unjustified cessation of all of the FPSO Work prior to the Delivery Date; or

(ii) Owner's intentional and unauthorized relocation and use of the FPSO or intentional and unauthorized cessation of the Services at the FPSO Site for the convenience of any of Owner Group or the benefit of any client other than Charterer or its permitted assigns after the Delivery Date and prior to the end of the Term.

In such events, the Parties agree that Charterer would have no clear and adequate remedy at law for such breach and that as a remedy for such Owner's breach, Charterer has the right (exercisable in its sole discretion) to demand and obtain specific performance of this Charter for the resumption of FPSO Work or Services or return of the FPSO to the FPSO Site, as applicable, with respect to Owner's above-referenced breaches. The provisions of this Clause 17.8 shall be without prejudice to and subject to the Lender's rights under the provisions of the QEL. For the avoidance of doubt, it is agreed that any cessation of FPSO Work or Services which is due to Force Majeure or default by Charterer or any member of Charterer Group will not entitle Charterer to any rights under this Clause 17.8.

17.9 **FPSO Operating and Maintenance Agreement**. If the FPSO Operating and Maintenance Agreement terminates for any reason, this Charter shall terminate provided that, in such event, the Early Termination Payment and Demobilization Costs shall be payable to the extent same are due under the provisions of Clause 17.2 of this Charter.

ARTICLE 18
MAINTENANCE, REPAIRS AND DRYDOCKING

18.1 **Obligations**. Charterer shall contract for Contractor to maintain the FPSO's continuous machinery survey cycle and the annual class inspections of the FPSO's hull and other parts of the FPSO required by the Classification Society. Subject to the provisions of Clause 21.4, Charterer shall cause Contractor to maintain and repair the FPSO throughout the Term, and require Contractor at all times to maintain, repair and preserve the FPSO in good condition, working order and repair, ordinary wear and tear excepted, so that the FPSO shall be tight, staunch, strong and well and sufficiently tackled, appareled, furnished, equipped so that the FPSO remains in good operating condition.

18.2 **Other Repairs, Inspections, FPSO Classification Certificates, Etc.** From and after the Delivery Date and thereafter throughout the Term, Charterer shall require Contractor to cause the FPSO to be maintained so as to comply with its FPSO Classification and be generally maintained, inspected and repaired (subject to the

provisions of Clause 21.4), as necessary,

18.3 **Drydocking Due to Owner Breach, Etc.**

(i) ***Unauthorized Drydocking***. If, after the Delivery Date, a drydocking of the FPSO or repair work on the FPSO which requires removal of the FPSO from the FPSO Site must take place ("***Offsite Repair Work***"), the following provisions shall apply, concerning Hire Rate and drydocking and repair costs and expenses:

(a) ***Owner/Contractor Breach; Classification Society or Government Requirement.*** If any such drydocking or Offsite Repair Work is required due to (I) breach or failure of any of the obligations, representations or warranties of either of Owner under the Charter or Contractor under the FPSO Operating and Maintenance Agreement, (II) requirement or recommendation of the Classification Society, or (III) requirement or order of any Government body or authority (which, in the case of both sub-clauses (II) and (III) of this Clause 18.3(i)(a), is not due to any event contemplated in Clauses 18.3(i)(b) or 18.3(i)(c) below), then subject to any remaining unused Annual Maintenance Allowance (during which Hire Rate is payable), Hire Rate shall cease to be payable to Owner from the time of commencement of the Shutdown Period, as such Shutdown Period commencement may be extended by any such unused Annual Maintenance Allowance.

(b) ***Charterer's Primary Fault***. If any such drydocking or Offsite Repair Work is required for any reason primarily caused by a breach of this Charter by any of Charterer Group, Charterer shall continue to pay the full Hire Rate during any such drydocking or Offsite Repair Work.

(c) ***Force Majeure Event***. If any such drydocking or Offsite Repair Work is required due to any Force Majeure event, without any such drydocking or Offsite Repair Work being primarily caused by the existence of any pre-existing defects in or outstanding repairs needed to the FPSO or its equipment (as determined by an independent surveyor acceptable to both Owner and Charterer) in breach of Charterer's obligations and warranties under this Charter or Contractor's duties and obligations under the FPSO Operating and Maintenance Agreement, Charterer shall pay the Force Majeure rates set forth in Clause 26.2 until the FPSO has been returned to the FPSO Site and Full Flow Rates have resumed.

(d) ***Costs and Expenses***.

(1) In the case of any unscheduled drydocking or Offsite Repair Work all costs and expenses related to such unscheduled drydocking or Offsite Repair Work (collectively, "***FPSO Drydocking Costs***") shall be paid and borne by the Parties in the manner set forth in sub-clause (d)(2) below. The FPSO Drydocking Costs include: the costs and expenses of (A) shutting down all systems on the FPSO and disconnecting the FPSO from the Riser Facilities and unhooking the FPSO and its turret from the Mooring System at the FPSO Site, (B) transporting the FPSO from the FPSO Site and subsequently returning it to the FPSO Site from the drydocking or repair location, (C) the drydocking, upgrades and repairs, capital improvements or maintenance required and (D) all costs and expenses of returning the FPSO to the FPSO Site and having it reclassified by the Classification Society and of reconnecting the FPSO and its turret to the Mooring System and Riser Facilities at the FPSO Site after such drydocking or Offsite Repair Work.

(2) All FPSO Drydocking Costs in sub-clause (d)(1) shall be borne and paid as follows: (A) by Owner, in the case of any event under either Clause 18.3(i)(a) or Clause 18.3(i)(c) above; and (B) by Charterer in the case of an event under Clause 18.3(i)(b) above.

(ii) ***Excessive Drydocking - Charterer Cancellation Rights; Charterer's Costs***.

(a) ***Drydocking Due to Owner Breach or Charterer's Fault***. After the FPSO has been in drydock or Offsite Repair Work is being performed, due to the reasons described in Clause 18.3(i)(a) or Clause 18.3(i)(b) above, for one hundred eighty (180) Days or more, Charterer shall have the right, upon giving three (3) Days prior written notice at any time after such one hundred-eightieth (180th) Day to terminate this Charter. Upon any such termination, Owner shall, without receiving any component of Hire Rate (except as otherwise provided in Clause 18.3(iv) below), perform or cause to be performed and shall bear and pay all costs, risks and expenses of: (I) recovery of the Mooring System, (II) the release or discharge of Contractor or Subcontractor Personnel, and (III) towing and anchor handling vessel charges, import or export fees or duties and surveys of the FPSO; provided, however, that in the case of a termination by Charterer in any case where the drydocking or Offsite Repair Work was primarily due to reasons set forth in Clause 18.3(i)(b), Charterer shall pay Owner an Early Termination Payment plus any FPSO Drydocking Costs for work performed prior to the effective date of Charterer's termination (but not subsequent to such date).

(b) ***Drydocking Due to Force Majeure Event***. If the unscheduled drydocking or Offsite Repair Work was due to reasons set out in Clause 18.3(i)(c) above, Owner's and Charterer's termination rights and time periods pertaining to such termination rights set forth in Clauses 26.3 and 26.4 of this Charter shall apply.

(c) ***Charterer's Costs and Expenses***. Owner shall not be liable for any of Charterer Group's costs and expenses during any period after Shutdown under this Clause 18.3 except to the extent that Owner or Contractor uses the services of Charterer Group in undertaking Contractor's responsibilities and obligations described in this Clause 18.3.

(iii) ***No Hire Rate until Completion of Post Drydocking FPSO Commissioning.***

(a) ***No Hire Rate until FPSO Back at the FPSO Site***. If the FPSO leaves the drydock or such off-FPSO Site facility where work on the FPSO was performed for reasons set forth in Clause 18.3(i)(a) above, and Charterer has not terminated this Charter, Owner shall not receive any Hire Rate again until the FPSO: (I) has arrived on the FPSO Site in compliance with the Specifications, (II) is fully and safely moored in accordance with Attachment A of the FPSO Operating and Maintenance Agreement in a position in accordance with such Attachment A and no further actions are required by Contractor to connect the FPSO to the Riser Facilities, (III) is classified with the FPSO Classification as required hereunder, and (IV) successfully re-performs the FPSO Commissioning (and all of the above is certified by the Classification Society confirming that the FPSO meets the requirements of (I), (II), (III) and (IV) above in this sub-clause (iii)). Furthermore, in the case of reasons under Clause 18.3(i)(a), the period of time commencing at the time Contractor recommences Crude Oil processing operations until the time when Full Flow Rates are resumed shall be considered Downtime for Hire Rate purposes.

(b) ***Hire Rate in Other Cases***. If drydocking or Offsite Repair Work is necessary due to reasons in Clause 18.3(i)(b) above, Hire Rate shall continue to be paid. If such drydocking or Offsite Repair Work was necessary for reasons in Clause 18.3(i)(c) above, Charterer shall continue to pay the Force Majeure rate set out in Clause 26.2 until all events in (I), (II), (III) and (IV) above of sub-clause 18.3(iii)(a) have been completed and Full Flow Rates have been resumed.

(iv) ***Charterer's Termination Payments for Termination under Clause18.3(ii)***. In the event Charterer terminates this Charter pursuant to its termination rights in Clauses 18.3(ii)(a) and 18.3(ii)(b) above, the following termination payment provisions shall apply:

(a) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 18.3(i)(a) above, Charterer shall not be required to pay any Early Termination Payment or Demobilization Costs.

(b) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 18.3(i)(b) above, Charterer shall pay the Early Termination Payment and Demobilization Costs.

(c) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 18.3(i)(c) above, Charterer shall pay the Early Termination Payment (but not the Demobilization Costs) required by Clause 26.3.

18.4 **[Intentionally Left Blank.]**

18.5 **FPSO Operating and Maintenance Agreement** Owner acknowledges that Charterer shall cause the Contractor under the FPSO Operating and Maintenance Agreement to carry out and perform all of the maintenance and repair obligations contained in Clauses 18.1 and 18.2 and elsewhere in this Charter. Owner agrees that defaults, breaches or failures of Contractor under the provisions of the FPSO Operating and Maintenance Agreement shall not reduce, eliminate or affect in any way Owner's obligations or warranties under this Charter. Any such default, breach or failure of or by Contractor under the provisions of the FPSO Operating and Maintenance Agreement shall be considered to be a default, breach or failure of Owner under this Charter.

ARTICLE 19
REPLACEMENT EQUIPMENT OR MACHINERY

19.1 **Equipment Replacement**. If any equipment or machinery or component part thereof of either the FPSO or the Additional Equipment is damaged, defective or breaks at any time prior to the Delivery Date and such equipment, machinery or component part must be replaced, the capital costs of any replacement thereof shall be borne by (i) the Owner, if same is a part of the FPSO (excluding Additional Equipment), and (ii) by the Charterer, if same is a part of the Additional Equipment.

19.2 **FPSO Assistance**. In the event that at any time during the Term,

(i) as an agreed alternative to FPSO drydocking or Offsite Repair Work for which Owner would otherwise be responsible under Clause 18.3(i)(a), the FPSO must be assisted at the FPSO Site by another vessel of any kind in order for the FPSO to remain at the FPSO Site conducting Commercial Operations; or

(ii) the FPSO is assisted at the FPSO Site by another FPSO, at Owner's sole option, in order for the FPSO the FPSO to remain at the FPSO Site conducting Commercial Operations;

Charterer shall not be required to pay any costs or expenses of the assisting vessel by way of either an increased Hire Rate or by any other means. Nor shall Charterer be required to pay any costs or expenses of transporting such assisting vessel to the

FPSO Site, mooring it or securing it to the FPSO or the Mooring System or for any other costs of operation while such assisting vessel is on and operating at the FPSO Site, except for the normal Hire Rate agreed to in this Charter. This Clause does not create any obligation on the part of Owner to provide a replacement FPSO.

ARTICLE 20
REQUISITION OR SEIZURE

20.1 **Government Action**. In the event that the FPSO or title to the FPSO should be requisitioned for use or seized by the Government or any governmental authority on any basis (or the FPSO should be seized by any Person or governmental authority under circumstances which are equivalent to requisition of use or title), Charterer shall continue to pay full Hire Rate for a period not exceeding sixty (60) Days after such requisition or seizure. If such requisition or seizure continues for a period longer than sixty (60) Days, all Hire Rate and other payments due under this Charter shall cease as of the sixty-first (61st) Day (except for any Hire Rate or other compensation due Owner under this Charter which has accrued but remains unpaid) and this Charter shall terminate without any notice from Charterer to Owner and without payment of any Early Termination payment or Demobilization Costs by Charterer. Should Owner either receive any compensation from the Government or other governmental authority or any insurance proceeds with respect to such requisition or seizure, Owner shall promptly reimburse Charterer for all Hire Rates and other compensation, if any, paid by Charterer to Owner after the date of such requisition or seizure. Any such reimbursement due by Owner to Charterer shall constitute a debt of Owner to Charterer until same is paid in full.

20.2 **Indemnification.**

(ii) .

ARTICLE 21
ACTUAL OR CONSTRUCTIVE TOTAL LOSS

21.1 **Total Loss Termination**. In the event of actual or constructive total loss of the FPSO occurring for any reason whatsoever at any time during the Term, this Charter shall be deemed terminated as of, but Charterer shall continue to pay full Hire Rate due under this Charter for a period of sixty (60) Days after, the date of said loss (or if the time of such loss is uncertain, then such loss shall be deemed to have occurred on the date the FPSO was last heard from). On the sixty-first (61st) Day after such loss, all Hire Rate and other compensation due under this Charter shall cease without any notice from Charterer to Owner. After such Loss, Owner shall file and use Best Efforts to pursue all insurance claims it might have pursuant to any insurances it has on the FPSO to protect against such total loss. Should Owner receive any insurance proceeds for the loss of the FPSO, Owner shall promptly reimburse Charterer the amount of all Hire Rate and other payments, if any, made by Charterer to Owner after the date of such loss. Any amounts owing by Owner to Charterer under this Clause 21.1 shall constitute a debt of Owner to Charterer until same is paid in full. In the case of any termination under this Clause 21.1, the Early Termination Payment and Demobilization Costs shall not be payable. No other payments shall be due from Charterer other than accrued but unpaid Hire Rate up to the sixtieth (60th) Day after such loss.

21.2 **Removal of Wreck and/or Debris**. In the event that prior to the Delivery Date, during the Term or following termination of this Charter the FPSO suffers an actual total or partial loss or becomes a total or constructive total loss (as defined in the terms and provisions of the insurance policies covering the FPSO) or the FPSO is damaged, Owner shall be responsible for causing the removal of its wreck or debris if, and to the extent that, it is required to do so by applicable laws.

21.3 **Mitigation of Exposure; Reimbursement**. Owner will use its Best Efforts to mitigate the exposure of Charterer in the event of an actual or constructive total loss of the FPSO under this Article 21. Owner will reimburse to Charterer all amounts it owes to Charterer under this Charter, if any, in the event of such loss within fifteen (15) Days after Owner receives payment from underwriters (under its insurance coverage described in Article 29) of the insured value of the FPSO or any other amount in connection with the constructive or total loss of the FPSO.

21.4 **Repairs**. Notwithstanding any other provision to the contrary contained in this Charter (including but not limited to Charterer’s general obligations to repair and maintain the FPSO), if any repairs to the FPSO are required as a result of casualty loss or other insurance covered loss, such repairs shall be handled in the manner set forth in this Clause 21.4. In the event of damage resulting in less than a total or constructive total loss of the FPSO, Owner shall immediately consult with Charterer and if the FPSO is repairable in the reasonable opinion of Charterer and its surveyors, Owner shall proceed with the repair of the FPSO. Owner shall use its Best Efforts to ensure that repair work is carried out in an expeditious manner.

ARTICLE 22
AUDIT

Owner shall maintain books and records relating to this Charter, the FPSO Work and the Services in accordance with generally accepted accounting principles of the appropriate jurisdiction applied on a consistent basis with all prior periods and shall retain such books and records for a period of not less than two (2) years after termination of this Charter. Charterer and its Personnel shall have access at all reasonable times to the books and records maintained by Owner relating to any reimbursable costs (including, but not limited to, Insurance Reimbursables, and Owner's upfront start-up costs under Clause 9.3(i)(b), upfront budgeted estimated costs under Clause 9.3(i)(c)), Early Termination Payment calculations for any termination prior to the Delivery Date, Demobilization Costs, and taxes, duties and other similar charges provided for in this Charter and the FPSO's operations and shall have the right to audit such books and records at any reasonable time or times during the Term and during such additional two (2) year period for the purpose of determining the correctness of the charges made to Charterer and of compliance with this Charter. For the purposes of such audit, Charterer shall have the right to examine, in Owner's offices, during business hours and for a reasonable length of time, books, records, accounts, correspondence, instructions, specifications, plans, drawings, receipts and memoranda insofar as they are pertinent to those audit rights or for verifying invoices and shall be entitled to copies (free of charge) of all such data, documentation and supporting information. Owner shall reconcile its books and records in accordance with the results of any such audit, and Charterer or Owner, as the case may be, shall promptly pay any adjustments necessary to give effect to such reconciliation. This Article 22 shall survive termination of this Charter for any cause.

ARTICLE 23
VARIATIONS

23.1 **Generally**

(i) Variations in the Services or variations to the Specifications shall only be made in accordance with the provisions of this Article 23.

(ii) Without limiting the foregoing and for illustrative purposes only, the following would be regarded as a variation in the Services or the Specifications, without prejudice to the provisions in this Article regarding variation proposals and Variation Orders:

(a) the FPSO receives Crude Oil having characteristics different from those set forth in the Specifications which thereby affects the operability of the FPSO or necessitates re-engineering or equipment modifications; provided, that such change in Crude Oil is not caused or contributed to by Owner Group;

(b) instructions are issued by Charterer which would result in a change to the Specifications;

(c) any change in applicable law, including any treaty, decree, regulation, or Classification Society requirement occurring after the Contract Date which has an adverse impact on either Party in connection with its performance of this Charter; or

(d) information or data for which Charterer is responsible under the Charter is found to be inaccurate, inadequate, incomplete or materially differs from the actual conditions at the FPSO Site, thereby giving rise to delay or cost consequences.

(iii) Without limiting the foregoing and for illustrative purposes only the following would not be regarded as a variation in the Services or the Specifications:

(a) activities or resources to the extent necessitated, in whole or in part, by the act, error, negligence or omission of Owner Group; or

(b) activities or resources to the extent necessitated, in whole or in part, by Owner Group's failure to comply with any provision of this Charter.

23.2 **Charterer's Request for Variation**. Charterer may, at its sole discretion, at any time, and from time to time, request in writing a variation to the Services, the FPSO Work or to the Specifications and Owner shall (subject to this Article 23) implement said variation and said variation shall not in any way be construed as invalidating this Charter or any ancillary document, but shall form part of the Services. However, Owner shall not be obligated to proceed with any variation which would entail changes to the FPSO or the Services or the Specifications that are in Owner's reasonable opinion, outside the general intent of this Charter, or would, in Owner's reasonable opinion, render the FPSO unsafe as determined by the Classification Society.

23.3 **Variation Proposal Procedures**. If Owner receives any document, request or instruction from Charterer or an event (other than as specified in Clause 23.1(iii)) occurs, any of which Owner considers would constitute a variation to the Services, the FPSO Work or the Specifications, it shall as soon as is reasonably practical advise Charterer in writing as to the circumstances or happening of said occurrence. In that case, or if Charterer requests a variation, with reasons therefor, under Clause 23.2, Owner shall issue a written variation proposal to Charterer providing:

(i) a detailed technical narrative description of that which Owner considers constitutes the variation with a full and precise list of impacts and interfaces;

(ii) a detailed calculation as to increase or decrease in compensation or Hire Rate payable to Owner required for performing the proposed variation; and

(iii) a detailed calculation utilizing the procedure set out in this Article 23 as to any anticipated impact upon the Schedule due to the proposed variation (together, when relevant, with any previously uncalculated cumulative impact of earlier variations).

23.4 **Owner's Variation Proposal; Variation Order**. On receipt of a written variation proposal from Owner, Charterer may accept or reject it in its reasonable discretion. If Charterer reasonably determines that a Variation Proposal constitutes a variation in the Services and accepts the variation proposal, Owner shall issue a

Variation Order for signature by both Parties incorporating the terms of the variation proposal. A Variation Order when so signed shall be binding on both Parties, Owner shall execute the change as provided by such Variation Order, and the subject matter of and Charterer's performance under the Variation Order shall be governed by the provisions of this Charter.

23.5 **Increase in Compensation**. Any Variation Order under this Charter that causes an increase in the compensation payable to Owner shall include such increase payable in accordance with any of the following, as Owner and Charterer may in writing agree:

23.6 **Variation Order Costs**. The basis for the costs referred to in Clause 23.5 includes all costs directly arising from performance of the applicable Variation Order; that is, Subcontractor costs, materials' costs, financing costs and Owner's reasonable overhead costs. If the Variation Order is performed by Owner Personnel, then the cost referred to in Clause 23.5 above shall be limited to the actual additional wage costs incurred by Owner and actual additional travel accommodation and subsistence charges directly arising from such Variation Order. Owner shall, in accordance with Clause 23.3(ii), have presented Charterer with a detailed calculation that will be the budgetary cost basis of the applicable Variation Order.

23.7 **Implementation of Variation Order**. Owner shall not commence implementation of a variation with respect to the Specifications (other than in the instance of an emergency as determined in Owner's reasonable discretion to be notified immediately to Charterer in writing) until it has received a Variation Order signed by Charterer Representative in respect of such variation to the Specifications.

23.8 **Written Authorization**. Owner shall not invoice and Charterer will not be obliged to pay any compensation in respect of any variation which has not been authorized by Charterer by means of a written Variation Order signed by Charterer.

23.9 **Alteration and Installation of Additional Equipment**. Charterer shall, prior to the Delivery Date, have the right to issue proposals for alterations to or installation of additional equipment on the FPSO, with the consent of Owner which consent shall

not be unreasonably withheld. Owner may be invited by Charterer to tender for such alteration or installation work and if Owner were awarded such work, Owner and Charterer will enter into a separate written agreement to cover such alteration or installation. If such work is awarded to a Third Party, such work shall be performed in strict compliance with Owner's safety standards and shall be integrated into the systems onboard the FPSO in a manner reasonably requested by Owner. If an alteration or installation of equipment on the FPSO increases the costs or time of Owner's performance of the Services, Owner shall have the right to issue a Variation proposal under this Article 23 and the Parties shall endeavor to mutually agree upon a Variation Order or amendment of this Charter to cover such increased costs.

23.10 **Charterer's Right of Audit**. Charterer is entitled to audit all payments for Variation Orders under which compensation is payable in accordance with Clause 23.5(iii). Charterer is entitled to perform such audit during and after the Term. Charterer's right to audit will terminate two (2) years after the end of the Term.

23.11 **Variation Order Procedures and Formats** Charterer and Owner agree, promptly after the Contract Date, to create and institute Variation Order procedures and formats, which will be agreed to by the Parties.

ARTICLE 24
ASSIGNMENT AND SUBCONTRACTING

24.1 **Assignment by Charterer**. Charterer may not assign its rights and obligations under this Charter to any other Person except:

(i) to an Affiliate of Charterer (in respect of which, at the time of the assignment, there is no intention or expectation that it will cease to be an Affiliate) or to a Co-Venturer;

(ii) to any party other than an Affiliate of Charterer or Co-Venturer with the prior written consent of Owner, which shall not be unreasonably withheld or unduly delayed, or

(iii) in accordance with the assignment of purchase right and Option provisions in Article 15 above.

Any assignment referred to in this Clause 24.1 shall be subject to the further condition that the assignee shall perform all the obligations of Charterer under this Charter from the effective date of the assignment and that such assignee shall execute the QEL agreeing to perform Charterer's obligations thereunder. Further, Charterer shall provide and keep in effect the Charterer Guarantee or shall cause equivalent security to be furnished with respect to the assignee's obligations hereunder.

Notwithstanding any provision to the contrary contained in this Charter, no prior consent shall be required in the event of a corporate merger or consolidation or sale of stock or other conveyance where the principal effect of such transaction is the change of control or corporate merger or consolidation of the ultimate owner of either Party with or into another entity, provided that: (a) the resulting entity is of the same or better credit rating than the Charterer, as determined by Standard & Poor's Rating Services or by Moody's Investors Services immediately after such merger or

consolidation, and such entity agrees to obtain and provide a guaranty in a substantially similar format to that provided by Charterer; and (b) the resulting entity enters into an identical QEL with the Owner's Lenders.

24.2 **Charterer's Obligations Upon Assignment**. Except with respect to an assignment to an Affiliate, with effect from the effective date of an assignment pursuant to Clause 24.1, Charterer shall be relieved from directly performing its obligations under this Charter but no such assignment shall relieve Charterer from any liability of Charterer prior to the effective date of such assignment or any liability of Charterer Guarantor under the Charterer Guarantee.

24.3 **Assignment by Owner**. Except as otherwise provided below, Owner shall have no right to assign this Charter, provided, Owner may assign the right to receive compensation and other payments, if any, due to Owner by Charterer under this Charter, and Owner shall, as hereinafter provided, have the right to assign this Charter to an Affiliate.

24.4 **Transfer of the FPSO; Assignment to Affiliate of Owner**. Except as provided for in Clause 24.3, Owner shall have no right to transfer the FPSO, or assign its rights or obligations under this Charter or the Building Contract; except that Owner may transfer the FPSO and assign all of its rights and obligations hereunder (including those associated with the Services) or the Building Contract to an Affiliate if the provisions of Clause 4.7 and Clause 8.2(i)(j) continue to be satisfied pursuant to their terms and the provisions of Clauses 24.3 and 24.5 are satisfied Any such transfer and assignment shall not relieve Owner or Owner Guarantor of its obligations hereunder or under the Owner Guarantee, respectively, except as may be otherwise provided in the Novation Agreement.

24.5 **Novation Agreement**. In the event Owner elects to assign all of its rights, title and obligations under this Charter, the FPSO or the Building Contract to an acceptable Affiliate or other permitted transferee, Charterer, Owner and such Owner Affiliate or other permitted transferee shall enter into a Novation Agreement (the form of which is appended hereto as Attachment L), which Novation Agreement shall, with respect to the FPSO, this Charter and the rights and obligations to be assigned, set forth the Parties rights and obligations hereunder with respect to such assignment but Owner shall, if a substitute or equivalent guarantee acceptable in writing by Charterer is not provided on behalf of Owner under the Novation Agreement, guarantee performance by any permitted assignee of all of Owner's obligations under this Charter, which obligations shall continue to be supported by the Owner Guarantee, which shall remain in full force and effect.

24.6 **Owner's Subcontract Rights**. Owner shall have the right to subcontract its obligations in respect of parts of the Services and its obligations to reputable Subcontractors, and Owner shall, as of the Contract Date, and thereafter during the performance of the Services, provide to Charterer a current list of all Subcontractors. Any such subcontract shall not:

(i) relieve Owner or Owner Guarantor of any of the obligations or liabilities under this Charter;

(ii) remove Owner’s responsibility for the acts or omissions of any assignee or Subcontractor or other members of Owner Group; nor

(iii) require Charterer to pay any compensation whatsoever other than that payable in accordance with this Charter.

24.7 **Charterer’s Right to Review Subcontracts**. At Charterer’s request, Owner shall submit for Charterer’s review copies of individual subcontracts that Owner proposes to enter into for the performance of the Services provided that,

all price information shall be redacted from any such subcontract.

24.8 **Breach of Charter by Subcontractor or Contractor**. No subcontract or breach or default of or by any Subcontractor or other member of Owner Group shall relieve Owner from any obligation under this Charter, and Owner shall be responsible for any act, neglect, or omission of any Subcontractor or other member of Owner Group as though such act, neglect, or omission were that of Owner under the provisions of this Charter.

24.9 **Charterer’s Sub-Charter Rights**. Charterer may, without limitation, except as otherwise provided in Clause 24.1, sub-charter the FPSO but Charterer shall remain responsible for the continued performance of the obligations of Charterer hereunder.

ARTICLE 25
REDELIVERY OF FPSO

25.1 **Redelivery**. The FPSO shall, as soon as practical (and in any event within ninety (90) Days) following the expiration or termination of this Charter (unless terminated by reason of the occurrence of total loss or a constructive total loss, requisition or as otherwise provided in Article 20 or Article 21), or unless otherwise instructed by Charterer, be demobilized by Owner. Subject to Clause 25.2 hereof, on termination of this Charter for any reason whatsoever, unless the Option shall have been exercised as contemplated in Article 15 hereof, Owner hereby agrees to accept redelivery of the FPSO on an “AS-IS, WHERE-IS, WITH ALL FAULTS” BASIS, WITHOUT ANY WARRANTIES, WHETHER EXPRESS OR IMPLIED, IN REGARD TO ITS CONDITION OR OPERABILITY.

25.2 **Demobilization Costs**. On termination of this Charter, unless it is a cancellation under Clause 3.5, or a termination by Charterer pursuant to Clause 17.3 or Clause 18.3(ii)(a) (for reasons in either Clause 18.3(i)(a) or Clause 18.3(i)(c)), Article 20 or Article 21, Charterer shall (subject to the provisions of Clause 17.2 (concerning Clause 17.1(i) terminations)) reimburse Owner for the costs of safely disconnecting the FPSO from the Riser Facilities and pay to Owner the Demobilization Costs as set forth in ***Appendix B***, ***Part A***.

25.3 **Crude Oil and Processed Oil**. Any residual Crude Oil or Processed Oil not offloaded by Charterer at the end of the Term or Extended Term shall be retained on board by Owner and Owner shall, at Charterer’s cost, remove the Crude Oil and Processed Oil and store same safely for Charterer at an accessible storage location nearby the FPSO location.

25.4 **Charterer Supplied Items**. In the event of termination as contemplated in Clauses 17.1, 17.3, 17.4, 18.3, 26.3 and 35.2, Charterer may, in its sole discretion, either: (i) transfer to Owner, for [redacted] all of the right, title and interest which Charterer may enjoy in and to the Charterer Supplied Items (WHICH OWNER SHALL ACCEPT ON AN "AS-IS, WHERE-IS" BASIS, WITHOUT ANY WARRANTIES, WHETHER EXPRESS OR IMPLIED, IN REGARD TO THEIR CONDITION OR OPERABILITY); or (ii) require Owner (and Owner hereby agrees, upon written request from Charterer) to transport the FPSO from the FPSO Site to an onshore base designated by Charterer and disconnect and remove such Charterer Supplied Items from the FPSO. The costs under option (ii) above shall be reimbursed by Charterer to Owner and shall include but shall not be limited to (a) all lifting expenses and reasonable costs, without mark-up, of delivering such Charterer Supplied Items to Charterer, (b) all transportation costs necessary in order to deliver such Charterer Supplied Items to a nearby onshore base in Malaysia or Singapore designated by Charterer, and (c) loss of hire by Owner which shall be compensated by Charterer paying the Hire Rate from the time the FPSO departs the FPSO Site and for each Day thereafter until the Charterer Supplied Items have been delivered to Charterer, provided, that Owner shall use its Best Efforts to timely complete such works to minimize the liability of Charterer. Notwithstanding the foregoing, the Charterer shall owe no compensation to Owner under sub-clause (c) above in the event this Charter is terminated pursuant to Clauses 17.3, 18.3(i)(a) or 18.3(ii)(a) for reasons described in Clause 18.3(i)(a).

ARTICLE 26
FORCE MAJEURE

26.1 **Force Majeure**. Subject to the provisions of Clause 26.2, neither Party shall be liable for any failure to perform any of its obligations under this Charter (except for, in the case of Charterer, Charterer's obligation to pay the Hire Rate, reduced Hire Rate set forth in Clause 26.2 below and any other payments due Owner by Charterer under this Charter, and, in the case of Owner, any payments or reduced Hire Rate amounts owed or to be credited by Owner to Charterer) or for any delay in performing any such obligations to the extent that such failure arises due to an event of Force Majeure. To the extent that a Party is delayed in performing or unable to perform its obligations under this Charter due to an event of Force Majeure, such inability shall not be deemed a breach of this Charter; provided, however, such Force Majeure shall not relieve that Party of liability in the event of its failure to use due diligence to remedy the situation and remove the Force Majeure in an adequate manner and with all reasonable dispatch, nor shall such event of Force Majeure relieve a Party of liability unless it gives written notice of the full particulars of the same to the other Party as soon as reasonably possible after the occurrence relied on, and like notice shall be given upon termination of such Force Majeure conditions. Both Parties shall use their Best Efforts to reduce unnecessary costs associated with any event of Force Majeure.

26.2 **Hire Rate During Force Majeure**. Notwithstanding any other provisions to the contrary contained in this Charter, during any event of Force Majeure occurring after the Ready for Commissioning Date and during the Term, the Hire Rate shall continue to accrue and, following the Delivery Date, shall be paid to Owner at the rates and for the periods set forth below:

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

If any Force Majeure occurs during the period when any reduced Hire Rate is in effect under the terms of this Charter (other than this Clause 26.2), the percentages payable in the above table shall be deemed to be expressed as a percentage of such reduced Hire Rate. Owner shall reimburse to Charterer such amounts (whether at full Hire Rate or any reduced Hire Rate) paid by Charterer to Owner under this Clause 26.2 within thirty (30) Days after Owner receives payment from underwriters with respect to such amounts, if underwriters make such payment. Owner agrees that for any Force Majeure period it will file and use Best Efforts to obtain insurance recoveries from its underwriters or protection and indemnity club for all insured losses due to such Force Majeure event.

26.3 **Charterer's Force Majeure Termination Right**. If any condition of Force Majeure continues for a period of ninety (90) consecutive Days, Charterer shall have the right to terminate this Charter at any time after such ninetieth (90th) Day on thirty (30) Days prior written notice to Owner. A termination of this Charter under the provisions of this Clause 26.3 shall be subject to payment by Charterer of the U.S. dollar amount obtained by multiplying the applicable Early Termination Payment by a factor of 0.95. In addition, Charterer shall pay to Owner all reasonable FPSO Demobilization Costs.

26.4 **Owner's Force Majeure Termination Right**. If any condition of Force Majeure continues for a period of two hundred-forty (240) consecutive Days and Charterer has not terminated the Charter hereunder, Owner may request in writing that the percentage of Hire Rate payable to Owner be increased from its then current [redacted] Hire Rate with effect from the two hundred and forty-first (241st) Day of such Force Majeure event onwards. Charterer shall reply in writing within seven (7) Days after receipt of such notice from Owner either accepting or rejecting such increased Hire Rate request. In the event Charterer rejects such request or fails to respond to such request within seven (7) Days after receipt of the request, Owner may terminate this Charter upon giving ten (10) Days' prior written notice of termination to Charterer, and Charterer shall be required to pay Owner the Early Termination Payment and Owner's Demobilization Costs. In the event Charterer accepts Owner's request, Charterer shall pay Owner [redacted] the Hire Rate from the two hundred and forty first (241st) Day of such Force Majeure onwards until the Force Majeure event ceases; provided, however, that Owner may at any time after three hundred (300) consecutive Days of such Force Majeure elect to terminate this Charter by notice in writing to Charterer and shall be entitled to be paid the Early Termination Payment and Owner's Demobilization Costs.

ARTICLE 27
PATENT INDEMNIFICATION

27.1 **Owner's Indemnification Obligation**. ***Owner shall save, indemnify, defend, protect and hold harmless Charterer Group from any Claims suffered or incurred by Charterer Group based on a claim that the FPSO, or any design or technology with respect thereto, or any item of equipment or part thereof furnished hereunder by Owner Group (including all Owner Property) or their use by Charterer infringes any intellectual property rights or patents of any Third Party.*** Charterer shall notify Owner promptly in writing for the defense of same. Owner shall pay all damages and costs awarded therein against Charterer and in addition shall reimburse Charterer for its legal costs and expenses incurred in connection with such claim. In case the FPSO, or any design or technology with respect thereto, or any item of equipment or any part thereof or their use by Charterer is held in such suit to constitute infringement or if Charterer is restrained by any court order from keeping or using the same, Owner shall, at its own expense, either procure for Charterer the right to continue using the FPSO or said design, technology or equipment in the same manner as before, or replace the same with non-infringing components or equipment, or modify it so it becomes non-infringing, in both cases without diminishing the efficiency or effectiveness of the FPSO or other equipment.

27.2 **Charterer's Indemnification Obligation**. ***Charterer shall save, indemnify, defend, protect and hold harmless Owner Group from any Claims suffered or incurred by Owner Group based on a claim that any item of Charterer Property or any design or technology with respect thereto or part thereof furnished by Charterer Group infringes any intellectual property rights or patents of any Third Party.*** Owner shall notify Charterer promptly in writing for the defense of same. Charterer shall pay all damages and costs awarded therein against Owner and in addition shall reimburse Owner for its legal costs and expenses incurred in connection with such claim.

27.3 **Intellectual Property Ownership and License**. All intellectual property made discovered or developed solely by Owner prior to, in course of, or by reason of, the performance of the FPSO Work or the other Services for Charterer required by the terms of this Charter shall be the property and copyright of Owner and is to be considered to be confidential information of Owner (to which Article 32 will apply). Owner shall grant and does hereby grant to Charterer and the Co-Venturers a worldwide, non-assignable, non-exclusive, royalty free, irrevocable and perpetual license to use such intellectual property for any of its operations under this Charter.

27.4 **Improper Use**. Notwithstanding the foregoing, neither Owner nor Charterer shall have any liability to the other for any indemnification and hold harmless provisions hereunder with respect to any infringement claim based on use of the product or equipment in question either (i) with other equipment, products or software not within the Specifications; or (ii) in any manner inconsistent with the terms of this Charter.

ARTICLE 28
INDEMNITIES AND LIABILITIES

ARTICLE 29
INSURANCES

29.1 **General.** Without limiting any of its obligations and responsibilities under this Charter, including without limitation Article 28, with effect from the Contract Date (unless otherwise specifically provided in this Article 29), Owner shall obtain and maintain, or cause to be obtained and maintained, in full force and effect, insurance with a financially sound and reputable insurance company or companies and a protection and indemnity club acceptable to Charterer on terms and conditions and with policy limits that are customary for owners and operators of an FPSO in similar circumstances and as provided hereafter, and shall comply with all requirements of the national, local and/or other governmental authority(ies) and/or appropriate and/or regulatory authority(ies) where the FPSO Work and the other Services are to be performed and the FPSO Site is located. All such insurance shall be primary and noncontributory and shall be exclusive of any existing valid and collectible insurance carried by Charterer Group for those risks and liabilities expressly assumed by Owner under this Charter. Reasonable deductibles are acceptable and shall be for the account of the responsible Party in accordance with this Charter unless otherwise provided in the FPSO Operating and Maintenance Agreement. Owner shall be entitled to assign all or any of its rights under the insurances to be obtained and maintained by Owner, by way of security, to Owner's Lenders, provided that pursuant to the provisions of the QEL, Lender honors (i) Charterer's rights under this Charter to receive a reimbursement of insurances in certain situations as per Clause 29.6 and (ii) Owner's obligations to repair the FPSO in the event of any loss or damage to the FPSO or its equipment, provided in each case Charterer continues to pay required Hire Rate under the terms of this Charter.

29.2 **Policy Provisions with Respect to all Policies and Coverages.**

(i) ***30-Day Notice Provisions***. All of the policies required to be obtained by Owner shall contain thirty (30) Day notice provisions for material change or cancellation to be provided to Charterer by insurers (or, if insurers will not provide direct notice, such notice will be provided to Charterer by Owner), except in respect of war and terrorism coverage where customary notice of cancellation provisions shall apply, and such policies shall have adequate territorial and navigation limits for the location of the FPSO Work and the other Services, including, without limitation, off-shore operations at the FPSO Site.

(ii) ***Certificates of Insurance***. Within twenty (20) days of the Contract Date, Owner shall furnish to Charterer certificates of insurance coverage for the insurance the Owner is obligated to provide under this Article 29 (except for those insurances Owner is not required to obtain until a later date pursuant to the terms of this Article 29 which shall be provided by Owner at such times), signed by an authorized representative of the broker or insurers evidencing the coverages, limits, endorsements and extensions required under this Charter. Commencement or performance of FPSO Work or Services without delivering such certificate of insurance shall not constitute a waiver of Owner's obligation to provide the required insurance. Charterer shall have the right to withhold payment of Owner's invoices for any payments under this Charter until receipt of such certificates. Renewal certificates shall be obtained by Owner as and when necessary and forwarded to Charterer as soon as they are available, but in any event within fourteen (14) Days prior to each renewal date. Owner shall furnish the Charterer from time to time on request, and in any event at least annually, with copies of all insurance policies, cover notes and other documents evidencing the creation and renewal of the insurance required under this Charter.

(iii) ***Contractor's or Subcontractor's Insurance***. Owner shall ensure that any Subcontractor engaged by Owner or Contractor procures and maintains insurance consistent with but not overlapping with the insurance provided in this Article 29 (having regard to the nature of the work performed by Builder, Contractor or any such Subcontractor), together with such other insurance as may be required by law. Any deficiencies in the coverage or limits of their Subcontractors' insurance and any and all deductibles shall be the sole responsibility of Owner.

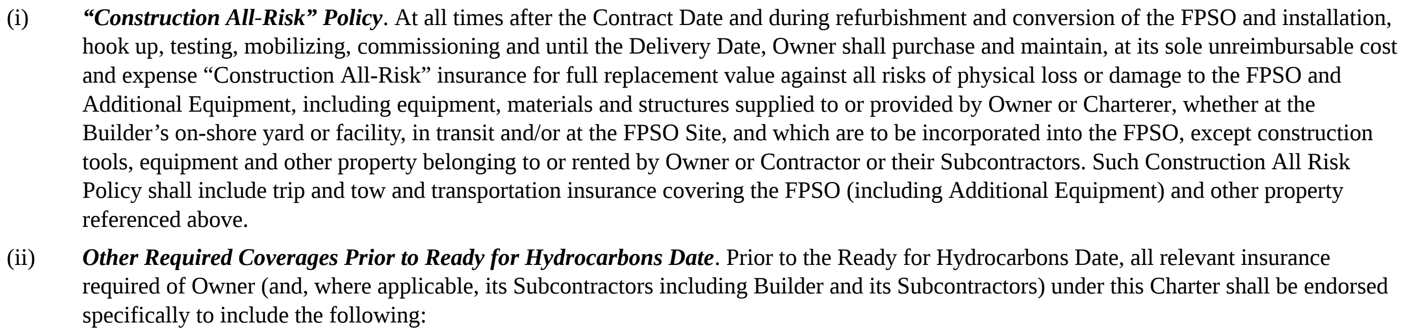
(iv) ***Minimum Requirements***. The limits specified in Clauses 29.3 and 29.4 are minimum requirements and shall not be construed as being a limitation of either liability or indemnity or as constituting acceptance by Charterer of responsibility for financial or other liabilities or indemnities in excess of such limits.

(v) ***Charterer's Rights on Owner's Failure to Provide Insurance***. If Owner fails or refuses to obtain any insurance required under this Article 29 or to provide Charterer with written evidence of insurance when required, Charterer shall have the right but not the obligation, to procure this insurance at Owner's expense (to the extent of additional insurance costs thereby arising), and any amounts paid by Charterer for this purpose shall immediately become due and payable by Owner to Charterer.

(vi) ***Notice of Claims***. Owner shall notify Charterer immediately upon receipt of any notice of claims, incidents or demands or of any situation which may give rise to such claims or demands being made under the insurance required under this Article 29. Written notice shall be given as soon as possible and not later than five (5) calendar Days after the Owner becomes aware of the occurrence of any accident. For serious accidents (including but not limited to death or serious injuries) notice shall be given immediately after the Owner becomes aware of the occurrence of any such accident and shall be confirmed in writing by Owner.

(vii) ***Assistance by Each Party***. Each Party shall give to the other all reasonable assistance that may be required for the preparation and negotiation of insurance claims.

(viii) ***Prevention of Loss or Damage***. Owner shall at all times take all necessary precautions to prevent loss or damage to the work performed in connection with the FPSO Work, the other Services and this Charter, the FPSO, or any part thereof, the Additional Equipment and other Charterer Property and Owner shall not do anything or permit any of its Subcontractors and Contractor and Contractor Group to do anything whether on or off the FPSO Site which would or might render void or voidable any policy of insurance required under this Article 29.



29.3 **Insurances and Coverages**

(i) ***"Construction All-Risk" Policy***. At all times after the Contract Date and during refurbishment and conversion of the FPSO and installation, hook up, testing, mobilizing, commissioning and until the Delivery Date, Owner shall purchase and maintain, at its sole unreimbursable cost and expense "Construction All-Risk" insurance for full replacement value against all risks of physical loss or damage to the FPSO and Additional Equipment, including equipment, materials and structures supplied to or provided by Owner or Charterer, whether at the Builder's on-shore yard or facility, in transit and/or at the FPSO Site, and which are to be incorporated into the FPSO, except construction tools, equipment and other property belonging to or rented by Owner or Contractor or their Subcontractors. Such Construction All Risk Policy shall include trip and tow and transportation insurance covering the FPSO (including Additional Equipment) and other property referenced above.

(ii) ***Other Required Coverages Prior to Ready for Hydrocarbons Date***. Prior to the Ready for Hydrocarbons Date, all relevant insurance required of Owner (and, where applicable, its Subcontractors including Builder and its Subcontractors) under this Charter shall be endorsed specifically to include the following:

(iii) ***Other Required Coverages After Ready Hydrocarbons Date***. After the Ready for Hydrocarbons Date, all relevant insurance required of Owner (and, where applicable, its Subcontractors and Contractor and its Subcontractors) under this Charter shall also be endorsed to include the coverages in Clause 29.3(ii) above and shall also include, if necessary in the circumstances, towers liability coverage when towing of the FPSO is required and coverage for anchor handling operations to the extent same are being performed by Owner, Contractor or Charterer and their Subcontractors.

(iv) ***Additional Insured/Joint Entrant Provisions***. All insurance required of Owner and its Subcontractors under this Charter shall also contain endorsements that insurers will have no rights of recovery or subrogation against Charterer in respect of claims which are the responsibility of Owner under this Charter. In addition, prior to the Ready for Hydrocarbons Date, Charterer shall be named as an additional insured (except with respect to protection and indemnity club coverage) and after the Ready for Hydrocarbons Date, with respect to Charterer interest in such insurance, Charterer shall be named as an additional insured and shall be entered as a joint entrant with respect to all protection and indemnity club coverage. Such Owner's agreement to name Charterer as additional insured prior to the Ready for Hydrocarbons Date is made subject to the following conditions: (a) Charterer shall have the benefit of being named as additional insured (only with respect to claims, demands, suits and actions, resulting from activities and operations connected with this Charter; and (b) the naming of Charterer as an additional insured is not intended to and shall not derogate from the division of risk and indemnity agreements described in this Charter. Other than in respect of pollution after the Ready for Hydrocarbons Date, Charterer shall not be entitled to assert a claim against Owner's P&I Club insurance and other insurances with respect to liabilities and losses assumed by Charterer or as to which Charterer indemnifies Owner under Article 28.

(v) ***Marine Hull and Machinery Coverage***. Marine Hull and Machinery Insurance and on all vessels and marine craft (whether navigable or not) and equipment, including but not limited to hull and machinery owned, leased, chartered or hired by Owner, for no less than the replacement value of such vessels and marine craft insurance providing coverage against losses or damage by such perils and risks on "new for old" conditions, including war, strikes and confiscation cover. Marine Hull and Machinery Insurance coverage on the FPSO and Additional Equipment—shall commence on and from the Contract Date. Such insurance shall also provide coverage for any testing, commissioning and related activities before the Delivery Date, to the extent not provided under clause 29.3 (i).

(vi) ***P&I Coverage***.

(a) *From the* Contract Date. Protection and Indemnity Insurance for the FPSO (including Additional Equipment) and all other Owner owned, non-owned or hired waterborne craft/vessels including but not limited to crew (including Charterer's Personnel on board or associated with the FPSO Work, the Services and FPSO operations who have been approved by insurers, unless Charterer is named as a joint entrant), Third Party liability, pollution, wreck, collision, towers liability, anchor handling liability and contractual liability arising from or in connection with the FPSO Work and other Services under this Charter performed up to the Ready for Hydrocarbons Date to the standard scope and limits of P&I cover and in the case of the FPSO cover for an FPSO entry up [REDACTED]

(b) *From the Ready for Hydrocarbons Date*. On and after the Ready for Hydrocarbons Date, with respect to such Protection and Indemnity Insurance and other insurance coverage in Clause 29.3(vi)(a) above, Owner's pollution insurance coverage in respect of such liability shall be [REDACTED] per occurrence, (such amount is referred to as "***Pollution Limit***"). Owner's right to limit pollution liability by statute, convention, law or regulation shall be as set forth in Clause 28.3(i).

(vii) ***General Liability and Umbrella Coverage***.

(a) *From Contract Date to Ready for Hydrocarbons Date*. General Liability/ Excess Liability on a per accident basis against claims for Third Party property damage (including loss of use arising therefrom) and personal injury (including bodily injury or death) relating to the FPSO, and as may be required and to the levels required by statute or similar regulation in countries where any such Services are to be performed, shall be obtained by Owner, [REDACTED] with respect to Third Party bodily injury and/or property damage (except to the extent this is satisfied by the Protection and Indemnity Insurance in which case this limit does not apply).

(b) *From the Ready for Hydrocarbons Date*. On and after the Ready for Hydrocarbons Date, such General Liability/ Excess Liability coverage in Clause 29.3(vii)(a) above and in this Clause 29.3(vii)(b) shall cover Charterer (to the extent of Owner and Contractor's responsibility under this Charter and the FPSO Operating and Maintenance Agreement), Owner, Contractor, and Owner and Contractor's relevant Affiliates on an occurrence and per accident basis for the same third party property damage and personal injury or death as required in said Clause 29.3(vii)(a)

(c) *Additional General Liability Coverages*. Such insurance in sub-clauses (a) and (b) above of this Clause 29.3(vii) shall include coverage for: contractual liability; broad form property damage; independent contractors; products liability and completed operations liability; severability of interest; in rem; and personal injury; shall be subject to watercraft exclusion, provided that watercraft are not excluded under Owner's P&I coverage.

29.4 **Other Required Insurance Provisions, Limits and Coverages.** All insurance required of Owner under this Charter shall include the following with limits not less than and coverage not inferior to those specified below, all acceptable to Charterer:

(i) ***Workers' Compensation/Employer's Liability***. Workers' Compensation and Employer's Liability Insurance (including but not limited to maritime liability coverage) or similar statutory social insurance as required by applicable law at the FPSO Site and all other sites where the Services will be performed or P & I coverage (in respect of employer's liabilities to crew) providing coverage for all Owner's employees and agents engaged in accomplishing the Services. Owner shall ensure that its Subcontractors and Contractor and its Subcontractors maintain insurance for such purpose in respect of their employees. Such insurance shall be endorsed so that claims formulated by Owner Group's Personnel against Charterer are treated as claims against Owner and covered by such insurance. Such insurance may, with respect to, the FPSO crew be substituted by cover under Protection and Indemnity Insurance. All such insurance shall be endorsed so that claims by Owner Group's Personnel against Charterer are treated as claims against Owner and covered by Owner's insurance.

(ii) ***Automobile Coverage***. At all times during the Term, Automobile Liability Insurance covering all owned, hired, leased, rented and non-owned automobiles and automotive equipment, used by Owner Group (including Contractor Group) in connection with the execution of the FPSO Work and other Services, as may be required and to the levels required by statute or similar regulation in countries where such Services are to be performed.

(iii) ***Removal of Debris Coverage.*** From and after the Sailaway Date, there shall be included under the Protection and Indemnity Insurance or the

Marine Hull and Machinery Insurance or other insurance, a separate limit of [REDACTED] of voluntary removal of debris coverage, which shall apply if Charterer reasonably determines that the wreck or debris from the FPSO interferes with Charterer's current or expected operations or wreck or debris from the FPSO subjects Charterer to potential liability or damage.

(iv) ***Other Insurance***. Any other insurance which may be required by applicable law.

29.5 **Insurances under the FPSO Operating and Maintenance Agreement; No Duplication.** From and after the Delivery Date, Owner shall purchase and maintain all insurances on the FPSO and Additional Equipment required by this Charter. All Protection and Indemnity Insurance coverage taken out in Owner's name with its P&I Club shall name Charterer, in its capacity as an FPSO charterer, and Contractor as joint entrants in such P&I Club with respect to the FPSO and its operations in accordance with the standard scope and limits of P&I cover for an FPSO In addition, with respect to all other insurances, Contractor and Charterer shall be named as additional insureds and in the case of Contractor, loss payee. Charterer shall reimburse Owner for all insurance costs under this Article 29 arising after the Delivery Date; provided that Owner shall not be entitled to such reimbursement to the extent Contractor has been reimbursed under the FPSO Operating and Maintenance Agreement for such insurance coverage.

29.6 **Insurance Proceeds**. In the event of requisition or seizure (under Article 20) or an actual or constructive total loss (under Article 21) of the FPSO, Owner shall be entitled to that portion of the insurance proceeds applicable to the FPSO as more fully described in the Specifications. Subject always to lender's rights to receive assigned insurance proceeds in accordance with Clause 29.1, Owner shall pay to Charterer any insurance amounts due and owing to Charterer (including but not limited to Additional Equipment) if any, under this Charter within fifteen (15) Days after Owner receives payment from insurers (under its insurance coverage described in this Article 29) as a result of the risks referred to in this Article, if its insurers make such payment.

ARTICLE 30
NOTICES

All notices and certificates sent by either Party to the other shall be in writing and shall be by personal or courier delivery or registered letter, return receipt requested, or by facsimile.

If such notice is to Owner, it shall be sent to:

Malaysia International Shipping Corporation Berhad
Level 28, Menara Dayabumi,
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
[REDACTED]

With copy to:

If such notice is to Charterer, it shall be sent to:

Murphy Sabah Oil Co., Ltd.
Level 26, Tower 2, Petronas Twin Towers
Kuala Lumpur City Centre, 50088
Kuala Lumpur, Malaysia

Any notices provided for herein shall be deemed to have been given or delivered, unless otherwise expressly provided herein, at the time of receipt when delivered in person or by courier at the specified address of the other Party, as shown by personal messenger's or courier's delivery or tracking receipt. Time of receipt in this context shall be construed to be the following normal Business Day at the location of the recipient if received after normal working hours in this location. Notices sent by registered letter shall be deemed delivered on the (3rd) Business Day after the registered letter's post mark. Notices sent by facsimile shall be deemed received at the time of receipt in a legible form if sent by facsimile addressed to the recipient at the facsimile number at which it is to receive facsimiles. Time of receipt in this context shall be construed to be the following normal Business Day at the location of the recipient if received after the normal business hours in such location. Either Party may change its address or facsimile number for receiving notices by giving not less than fourteen (14) Days prior notice in writing to the other Party of such change.

ARTICLE 31
APPLICABLE LAW AND ARBITRATION

31.1 **Governing Law.** This Charter and all Appendices shall be governed, construed and interpreted exclusively by the laws of Malaysia applying the general principles of international law, excluding any choice of law or conflicts of law rules that would require the application of the laws (other than the general principles of international law) of another jurisdiction.

31.2 **Dispute Resolution.**

(i) Uncitral Rules; Administering Authority. Subject to Clause 31.3 and Clause 31.4, any dispute, controversy or Claim arising out of or in relation to or in connection with this Charter and all Appendices, including without limitation any dispute as to the construction, validity, interpretation, enforceability, performance, expiry, termination or breach of this Charter whether based on contract, tort or equity, shall be exclusively and finally settled by arbitration without the right to appeal in accordance with the UNCITRAL ARBITRATION RULES currently in force as of the date of this Charter and with this Article 31 the appointing and administering authority shall be the Malaysian Regional Centre of Arbitration ("***RCA***"). Any Party may submit such a dispute, controversy or claim to arbitration by notice to the other Party.

(ii) ***Number of Arbitrations***. The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within fifteen (15) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within thirty (30) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal or one Party refuses to appoint its Party-appointed arbitrator within said thirty (30) Day period, the appointing authority for the implementation of such procedure shall be the RCA, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

(iii) ***Venue and Procedures***. Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

(a) The arbitration proceedings shall be held in Kuala Lumpur, Malaysia;

(b) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;

(c) The arbitrator(s) shall be and remain at all times wholly independent and impartial;

(d) The arbitration proceedings shall be conducted under the UNCITRAL Rules, as amended from time to time (the "***Uncitral Rules***"), which Rules are deemed to be incorporated by reference into this Article 31;

(e) Any procedural issues not determined under the UNCITRAL Rules shall be determined by the applicable laws of England, other than those laws which would refer the matter to another jurisdiction;

(f) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrators;

(g) The decision of a majority of the arbitrators shall be: (i) reduced to writing; (ii) final and binding without the right of appeal; (iii) the sole and exclusive remedy regarding any Claims or other claims, counterclaims, issues or accountings presented to the arbitrators; and (iv) promptly paid in United States dollars free of any deduction or offset;

(h) Any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law be charged against the Party resisting such enforcement;

(i) Except as provided in Clause 28.5, no special, incidental, indirect, consequential, exemplary or punitive damages (including loss of profit, loss of production, etc.) shall be allowed;

(j) The award shall include interest from the date determined by the arbitration award, and from the date of the award until paid in full, at the Agreed Interest Rate;

(k) Judgment upon the award may be entered in any court having jurisdiction over the Person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be;

(l) The arbitration shall proceed in the absence of a Party who, after due documented and verified notice, fails to answer or appear. An award shall not be made solely on the default of a Party, but the arbitrator(s) shall require the Party who is present to submit such evidence as the arbitrator(s) may determine is reasonably required to make an award; and

(m) If the Parties or others who are bound to this or another similar agreement initiate multiple arbitration proceedings, the subject matters of which are related by common questions of law or fact and which should result in conflicting awards or obligations, then the Parties hereby agree that all such proceedings shall be consolidated into a single arbitral proceeding.

31.3 **Small Disputes.** For disputes where the total amount claimed by either Party does not exceed one hundred thousand United States dollars (U.S. $100,000) and in the case of any other dispute where the Parties so agree in writing, the arbitration shall be conducted in accordance with the Small Claims Procedure of the London Maritime Arbitration Association.

31.4 **[Intentionally Blank].**

31.5 **Arbitration Provisions Survive**. Article 31 shall survive termination of this Charter for any cause.

ARTICLE 32
CONFIDENTIAL INFORMATION

32.1 **Confidential Data.**

(i) ***Owner's Confidentiality Obligations***. Owner acknowledges that all commercial and technical information or data and any other information and data reasonably understood to be of a confidential nature (whether written, verbal or in electronic form) obtained by Owner Group, or disclosed to Owner Group in the performance of this Charter from Charterer or Charterer Group and/or the Government is confidential information. Owner warrants that Owner Group shall hold such

confidential information strictly confidential and shall not disclose such confidential information to anyone without the prior written consent of Charterer. Moreover, Owner warrants that Owner Group shall not in any manner use such confidential information in a manner injurious to Charterer or detrimental to the achievement of Charterer's objectives. Subject to Clause 27.3, all data, logs, charts, drawings, tracings, documents, calculations, computer printouts and items of a similar nature, produced or developed from Charterer confidential information in connection with this Charter shall be Charterer's property, and shall be furnished to Charterer at any time at Charterer's written request and not later than redelivery of the FPSO; and Charterer shall thereafter have the unrestricted right to use such items. The above confidentiality obligation shall not apply to confidential information that is provided or disclosed by Owner to:

(a) an Affiliate, provided such Affiliate agrees in writing to be bound by the provisions of this Article 31;

(b) the extent such confidential information is required to be furnished in compliance with any applicable laws, or pursuant to any legal proceedings or because of any order of any court or arbitration tribunal binding upon Owner (but with prior notice to Charterer);

(c) to outside professional consultants or contractors of Owner provided that they agree in writing to keep the confidential information confidential and agrees in writing not to disclose the same or use it for any purpose other than that for which it was disclosed;

(d) a bank or other financial institution to the extent appropriate to Owner's financing arrangements provided that such bank or financial institution agrees in writing to keep the confidential information confidential and agrees in writing not to disclose the same or use it for any purpose other than that for which it was disclosed;

(e) the extent confidential information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over Owner, or its Affiliates; or

(f) the extent that any data or information which, through no fault of Owner Group becomes a part of the public domain.

(ii) ***Charterer's Confidentiality Obligations***. Charterer agrees to similarly hold and keep confidential all data and information owned by Owner and Owner Group pursuant to Clause 27.3. The rights and obligations of Owner set out in Clause 32.1(i) with respect to all Charterer confidential information shall likewise be deemed to apply to Charterer with respect to such Owner confidential information as if incorporated, mutatis mutandis, in this Clause 32.1(ii) for the benefit of Owner Group.

32.2 **Press Releases; Announcements**. Owner shall ensure that no member of Owner Group makes any press release or public announcement or publishes any information relating to this Charter without the prior written authorization from Charterer; provided, however, Owner shall not be prohibited from making any press release or public announcement if necessary to comply with the applicable laws, rules or requirements of any government or stock exchange having jurisdiction over Owner, or its Affiliates.

32.3 **Confidentiality Provisions Survival**. Article 32 shall survive termination of this Charter.

ARTICLE 33
ENTIRE AGREEMENT

This Charter together with its Appendices represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement or understanding between the Parties (whether oral or written) with respect to the matters set forth in this Charter. In the event of any conflict between the provisions of this Charter with the terms or provisions of any Appendix, the terms and provisions of this Charter shall prevail and control.

Whenever the same obligations are required to be performed under the provisions of both this Charter and the FPSO Operating and Maintenance Agreement, performance of such obligation under either the Charter or the FPSO Operating and Maintenance Agreement shall constitute a performance of the required obligation; provided, however, that it shall never be an excuse for failure to perform such obligation under either such agreement that either Owner or Contractor was waiting for the other Party to perform under one or both such agreements. Any such failure to perform shall constitute a breach by the Party required to perform such obligations under the provisions of the respective agreement.

ARTICLE 34
SURVIVAL

The provision in certain Articles and Clauses that such Articles or Clauses shall survive termination of this Charter shall not affect and shall be without prejudice to the validity of all other Articles or Clauses in the event of a dispute after termination of this Charter.

ARTICLE 35
RISK ZONE

35.1 **Dangerous Location**. Unless the prior written consent of Owner is obtained, the FPSO shall not be required to continue to or remain in any place (including the Field or the FPSO Site if applicable) nor be used for any service which will cause the FPSO to be within an area which is dangerous or hazardous to the FPSO, its Master or crew on board the FPSO, as reasonably determined by Owner or Master, (“***Risk Zone***”), due to any actual or threatened act of war, hostilities, warlike operations, acts of piracy or of hostility or malicious damage against the FPSO or its cargo by any Person whatsoever, revolution, civil war or civil commotion.

35.2 **<u>Risk Zone Procedures</u>**. If the FPSO is in, or brought in or ordered within any Risk Zone (even though it may already be at the Operating Area):

(i) ***Risk Zone Insurances***. Owner may insure its interest in the FPSO for such terms as it deems fit up to its open market value against any of the risks likely to be involved, and Owner shall provide written notice to Charterer of the amount of any increase in insurance premiums and the period of time such premiums are payable (including the correspondence from the underwriters), and Charterer shall, within five (5) Days of receipt notify Owner whether Charterer will at its sole option, elect to either: (a) pay on demand any additional or increase in the insurance premiums (and for the period of time), paid by Owner; or (b) terminate this Charter, with no further obligations to Owner, except for payment of the Early Termination Payment and subject to Charterer's rights and obligations under Article 25;

(ii) ***Removal of the FPSO***. If Owner so requests, the FPSO will endeavor to leave the Risk Zone and proceed to a safe place;

(iii) ***Failure to Obtain Risk Zone Insurances***. If, notwithstanding paragraph (i) above, Owner is unable to maintain insurance coverage (or such insurance is only obtainable with materially reduced coverage) in consequence of such risks, Charterer must allow the FPSO to move to a safe place and Charterer shall have the right to terminate this Charter on notice to Owner, with no further compensation payable to Owner except for any payments required under Article 26 (Force Majeure), including, but not limited to, Clause 26.3; and

(iv) ***Hire Rate While FPSO is in Risk Zone***. Notwithstanding, the provisions concerning Downtime and Shutdown contained elsewhere in the Charter, the Hire Rate shall continue to be payable during the FPSO's presence in the Risk Zone and any transportation to a safe location, until termination of this Charter pursuant to the applicable provisions of this Charter.

ARTICLE 36
ENGLISH LANGUAGE AND INTERPRETATION

36.1 **<u>Communications</u>**. The English language shall be used throughout in communications, reports, correspondence and other documentation as transmitted between the Parties.

36.2 **<u>Headings</u>**. The topical headings used in this Charter are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Charter relating to any topic are to be found in any particular Article.

36.3 **<u>Singular; Plural</u>**. Reference to the singular includes a reference to the plural and vice versa.

36.4 **<u>Gender</u>**. Reference to any gender includes a reference to all other genders.

ARTICLE 37
SUCCESSORS AND ASSIGNS

Subject to Article 24, this Charter shall inure to the benefit of and be binding upon the permitted successors and assigns of the Parties. The change of control, merger, reorganization, sale of stock or assets or other transaction affecting ownership, control or structure of Charterer and its Affiliates, whether by operation of law or otherwise, shall have no effect on this Charter or the enforceability hereof.

ARTICLE 38
WAIVER; CUMULATIVE REMEDIES

38.1 **No Waiver**. It is hereby expressly stated and agreed that no actions taken by or on behalf of Charterer in checking, verifying, reviewing, consenting to, approving, testing or inspecting the FPSO or any part thereof (hereinafter referred to as "***Charterer Actions***") at any time shall in any way whatsoever have the effect or be construed as having the effect of waiving or modifying the duties, responsibilities, obligations or liabilities of Owner Group to properly perform its obligations in accordance with the requirements of this Charter, or at law, and Owner shall not be entitled nor shall it seek to rely on Charterer Actions to excuse, mitigate or defend any failure(s) in performance on its part arising under this Charter or at law.

38.2 **Waiver in Writing**. Without prejudice to the provisions of Clause 38.1, none of the provisions in this Charter shall be considered as waived by either Party unless a waiver is given in writing by such Party. No such waiver shall be a waiver of any past or future default, breach or modification of any of the other provisions of this Charter unless expressly set forth in such written waiver.

38.3 **Powers Cumulative**. Without prejudice to Clause 31.2, and except to the extent otherwise expressly provided in this Charterer, all rights, powers and remedies provided hereunder are cumulative and not exclusive of any rights, powers or remedies provided by law or otherwise.

ARTICLE 39
PARTIAL INVALIDITY

The illegality, invalidity or unenforceability of a provision of this Charter under any law shall not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision or the remainder of this Charter. Whenever a provision is held to be invalid or unenforceable, the Parties shall negotiate in good faith to adopt a replacement provision to carry out the Parties' original intention to the extent permitted by applicable law.

ARTICLE 40
MODIFICATIONS

There shall be no modification of this Charter except by written consent of both Parties.

ARTICLE 41
EXECUTION BY FACSIMILE AND/OR COUNTERPARTS

41.1 **Facsimile Signatures**. The Parties agree that the signature of a Party to this Charter transmitted by facsimile machine shall be accepted as an original signature. A Party shall promptly furnish an original signature page of this Charter if requested by another Party.

41.2 **Counterparts**. The Parties further agree that this Charter may be executed in several original counterparts, and each such counterpart shall be deemed an original agreement for all purposes; provided no Party shall be bound to this Charter unless and until all Parties have executed a counterpart.

ARTICLE 42
RIGHTS OF THIRD PARTIES

This Charter is in no way intended to, and does not, confer or grant any rights to any named or unnamed Third Parties, and any such rights granted to Third Parties under applicable law are hereby excluded except for (i) indemnity, defense and hold harmless rights specifically extended to Owner Group or Charterer Group under the provisions of this Charter and (ii) that Charterer shall have the benefit of all Subcontractor warranties and indemnities given to Owner or otherwise in connection with the FPSO and the Services. No provisions of this Charter may be enforced by any Person not a signatory to this Charter unless such Person has signed a Novation Agreement agreeing to be bound by the provisions hereof or has taken an assignment and assumed the obligations of either Party hereunder pursuant to the provisions of Article 24.

ARTICLE 43
CROSS REFERENCES

Owner hereby acknowledges and confirms that it has received a copy of the Operating and Maintenance Agreement.

ARTICLE 44
MISCELLANEOUS

44.1 **General Provisions**. This Charter shall be construed without regard to the identity of the person who drafted the various provisions hereof. Each provision of this Charter shall be construed as though both Parties participated equally in its drafting. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting Party shall not be applicable to this Charter. The word “includes” and its derivatives means “includes, but is not limited to” and corresponding derivative expressions.

44.2 **General Survival**. In order that the Parties may fully exercise their rights and perform their obligations arising under this Charter, such provisions of this Charter as are necessary to ensure such exercise or performance shall survive the completion or termination of this Charter for any cause whatsoever.

44.3 **Host Country Requirements**. In addition to the terms, conditions and obligations contained within this Charter (inclusive of the Appendices), the following shall, in connection with the performance of the FPSO Work and the other Services to be performed hereunder, apply:

(i) ***Local Employment and Training***. Owner shall and shall cause Owner Group to make all reasonable efforts to employ and train citizens of Malaysia in connection with the Services. Owner may employ citizens, lawful permanent residents or other lawful temporary residents, if, in its reasonable opinion, and not contested by the appropriate ministry, no Malaysian citizens can be found with sufficient skill and technical qualifications. Owner shall promptly provide to Charterer upon Charterer's written request details on the personnel employed and their residence when employed.

(ii) ***Buy Malaysian Provisions***. In the performance of the Services, Owner shall and shall cause Owner Group to give preference to goods and services that are produced in Malaysia or rendered by the citizens, lawful permanent residents or other lawful temporary residents of Malaysia, provided such goods and services are offered at equally advantageous conditions with regard to quality, price and immediate availability in quantities and to the specifications required.

(iii) ***Good Relations with Government Authorities***. Owner shall and shall cause Owner Group to make positive efforts to maintain good relations with the public and the Government authorities of Malaysia during the whole course of performance of Services under this Charter.

(iv) ***Transfer of Technology***. In the procurement of facilities, supplies, and services required for the Services, Owner shall use its Best Efforts to observe the following:

(a) the enhancement of effective local (especially Bumiputra) participation in the Services and FPSO Work; and

(b) the transfer of technology to local (especially Bumiputra) firms and companies with the objective of developing local technical and managerial capabilities; and

(c) the need to minimize outflow of foreign exchange.

(v) ***Malaysian Priority***. In pursuance of the provisions of sub-clause (iv) above, Owner shall, unless otherwise approved in writing by Charterer, use Best Efforts to comply with the following:

(a) give priority to locally-manufactured goods in the procurement of facilities, goods, materials, supplies, and services;

(b) give priority to Malaysian suppliers or manufacturers for facilities, goods, materials, and supplies; and

(c) give priority to services and research facilities, professional or otherwise, which are rendered by Malaysians or firms or companies incorporated or licensed in Malaysia,

in all cases provided that such goods or services are competitive in terms of price, quality availability, terms and conditions of supply or service and reliability.

44.4 **Waiver of Sovereign Immunity**. Each Party hereby agrees that all of the transactions contemplated by this Charter shall constitute commercial activities. To the extent that either Party may be entitled in any jurisdiction whatsoever to claim for itself or any of its agencies, instrumentalities, properties or assets, immunity, whether characterized as sovereign or a similar type of immunity or as arising from an act of state or sovereignty, from suit, execution, set-off, attachment or other legal process of any nature whatsoever, it hereby expressly and irrevocably waives such immunity and hereby agrees not to claim or permit to be claimed on its behalf or on behalf of any of its agencies or instrumentalities any such immunity. Without limiting the generality of the foregoing, the Parties hereby expressly waive any right to claim sovereign or similar immunity under the laws of Malaysia, or any similar law in any other jurisdiction in the world.

44.5 **FTL.**

In the event Owner's Affiliate is a contractor or subcontractor for the supply of the Fluid Transfer Line and related services, then, notwithstanding anything to the contrary in this Charter, any act or omission by such Owner's Affiliates or its subcontractors ("FTL Affiliate") under such agreement shall not be considered an act, omission, or breach of Owner or Owner Group under this Charter; provided always that Owner shall not be entitled to rely upon this Clause in circumstances where the FTL Affiliate in performing its scope of work has acted improperly or in bad faith to disrupt or interrupt the FPSO Work or Services under the Charter.

[Signatures on following page.]

EXECUTED by the Parties in two originals by their respective duly authorized officers,

<u>OWNER</u>:

MALAYSIA INTERNATIONAL SHIPPING CORPORATION BERHAD

By: ______________________

Witness:

By: ______________________

<u>CHARTERER</u>:

MURPHY SABAH OIL CO., LTD.

By: ______________________

Witness:

By: ______________________

EXHIBIT 10.5B

FPSO OPERATING AND MAINTENANCE AGREEMENT

for

FPSO HULL NO. 2284

KIKEH FIELD, BLOCK K
OFFSHORE SABAH, MALAYSIA

between

MALAYSIA INTERNATIONAL
SHIPPING CORPORATION BERHAD

and

MURPHY SABAH OIL CO., LTD.

CONTRACT NUMBER
Murphy/Kikeh/K003B

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FPSO OPERATING
AND MAINTENANCE AGREEMENT

This FPSO Operating and Maintenance Agreement (together with all of the Attachments appended hereto, this "***Agreement***") is made and entered into as of the 31st day of January, 2005.

BETWEEN:

MURPHY SABAH OIL CO., LTD., a company incorporated under the laws of The Bahamas and having a place of business at the address set forth in Article 34 hereof (referred to as "***Company***").

and

MALAYSIA INTERNATIONAL SHIPPING CORPORATION BERHAD a Malaysian company with its registered office at the address set forth in Article 34 hereof (referred to as "***Contractor***").

In addition to the main body of this Agreement, this Agreement consists of the following parts, all of which are appended hereto:

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WHEREAS, Company, as "***Charterer***", and Contractor, as "***Owner***" have, concurrently herewith, entered into the FPSO Charter Contract (as hereinafter defined), for the design, construction, refurbishment and charter of the FPSO (as hereinafter defined) to be moored at the Kikeh Field located in Block K, offshore Sabah, Malaysia; and

WHEREAS, Company and Contractor have agreed that Contractor shall perform the Services (as hereinafter defined) in respect of the FPSO, all as more fully set forth in this Agreement; and

WHEREAS, Company and Contractor desire to enter into this Agreement to govern their respective rights, duties and obligations in respect of the performance of the Services.

NOW THEREFORE, in consideration of the premises and the mutual covenants set forth below, IT IS AGREED as follows:

1. DEFINITIONS

The following definitions shall be used for interpreting this Agreement. There are also definitions provided elsewhere in this Agreement that shall also be used for the purpose of interpreting this Agreement.

Accrued Fixed Fee	Shall mean the total amount of the Daily Fixed Fee due Contractor, if any, which accrues on a Day by Day basis during the Fixed Fee Accrual Period.
Accrued O&M Compensation	Shall mean the Accrued Fixed Fee and the First and Second Accrued Reimbursables.
Actual Flow Rate	Shall have the meaning given to it in Clause 14.2.
Additional Equipment	Equipment for the FPSO that is provided and owned exclusively by Company, including but not limited to Company Supplied Items (except the DTU, the Fluid Transfer Lines, Riser Facilities and Umbilicals), Subsea Related Equipment and Company Communications Equipment, but expressly excluding the FPSO.
Affiliate(s)	In relation to any Person, any entity (incorporated or unincorporated) that controls that Person, is controlled by that Person or is controlled by another entity which also controls that Person, and, “control” and “controlled” means a shareholding (or voting right) of greater than fifty percent (50)% of another entity, provided that any joint venture entity (whether incorporated or unincorporated) between any entity or joint venture in which both Contractor and IHC, Inc. S.A. or their Affiliates, has any interest shall be deemed to be an Affiliate of Contractor irrespective of the percentage interest therein held by either Contractor or IHC, Inc. S.A.
Agreed Interest Rate	A floating interest rate, compounded monthly, equal to two percentage points (2%) per annum above LIBOR.

Annual Budget	Shall have the meaning ascribed thereto in Part A Section I.B.1 of Attachment B.
Annual Maintenance Allowance	The time allowed for maintenance and repairs of the FPSO, in any contract year of the Term, during which O&M Compensation shall be payable regardless of any Shutdown, as set forth in Clause 5.4, which shall be calculated with respect to a percentage equal to [redacted] of the total time (in hours) that exists in the eight (8) contract years of the Primary Term, or that exists in the three (3) contract years of any Secondary Term, and which shall be allocated as per the Annual Maintenance Allowance Schedule pursuant to the terms of Clause 5.4.
Annual Maintenance Allowance Schedule	Shall have the meaning given to it in Clause 5.4(i) through 5.4(iii).
Assessment	Shall have the meaning ascribed thereto in Attachment B.
Attachment	Shall mean an attachment to this Agreement.
Best Efforts	All efforts having the highest likelihood of accomplishing their intended purpose in light of (i) the ability of the Party charged with exercising such efforts to take such action and (ii) the justifiable expectations of the Party to which the benefit of such efforts will accrue, if successful.
Bonus	Shall have the meaning ascribed thereto in Attachment B.
Business Day	Means a Day on which banks are open for business in Malaysia.
Charter	The FPSO Charter Contract by and between Owner and Charterer.
Christmas Tree	The system of pipes, valves, gauges and related equipment, located on and around the DTU or attached to any subsea wellheads, that controls the flow of Crude Oil, gas and other hydrocarbons produced from, and the flow of water and gas injection to, the Wells.
Claims	All claims, losses, liabilities, suits, demands, judgments, and causes of action of any kind

	(including, but not limited to, those for bodily injury, illness, loss of consortium, death, property damage, loss or destruction, and wrongful termination of employment) in any way arising under or relating (directly or indirectly) to: (i) this Agreement; (ii) any subcontract or other agreement executed in connection herewith; or (iii) the operation of the FPSO or any helicopter, tanker, shuttle tanker, supply or crew boat or other vessel used in connection with the Services or with respect to the operations of the FPSO, including, without limitation, claims for any and all damages (including, without limitation, punitive and exemplary damages), expenses, bonding fees, penalties, assessments, costs (including, without limitation, attorneys' fees and other legal costs and expenses), and losses, and whether asserted by either Party or an injured Person (as to personal injury or property damage) or such Person's spouse, heirs, survivors or legal representative, or those Persons or entities entitled to assert claims on account of bodily injury, illness, loss of consortium or support, death, or damage to or loss of personal property, and irrespective of whether any of same arises in contract, tort or strict liability.
Classification Society	American Bureau of Shipping ("ABS") or another equivalent body agreed by the Parties in writing.
Closing	Shall have the meaning ascribed thereto in the Charter.
Commercial Operations	The production, receiving, storage and processing of Crude Oil, the processing and compression of natural gas, injection of water into the Wells and storing and off-loading of Processed Oil in accordance with the Specifications and the Classification Society's FPSO Classification certificate.
Company Communications Equipment	Certain equipment owned by Company to be installed by Contractor for ship to shore communications, satellite transmissions, fax transmissions and other similar communications equipment required by Company for communicating and transferring voice, videos, data and information.

Company Group	Any or all of Company and its respective Affiliates, any Co-Venturer, its and their contractors and subcontractors and the Personnel of any entity mentioned above; but excluding Contractor Group and excluding Petronas and any other Government entity or instrumentality party to the PSC (other than Petronas Carigali SDN BHD, which shall be considered part of Company Group).
Company Guarantee	The guarantee of Company's performance under this Agreement given by Company Guarantor, the form of which is appended as Attachment G-2 and referenced in Clause 1.1(a)(v) and Clause 3.4(v).
Company Guarantor	.
Company Property	All equipment, property, facilities, vessels, if any, consumables, materials of Company Group (whether owned by Company Group or owned by or leased or rented from Third Parties), including, without limitation, the Additional Equipment, the Wells, Christmas Tree, Riser Facilities and Umbilicals, and the Crude Oil and Processed Oil on board the FPSO, regardless of whether the Crude Oil and Processed Oil is owned by Company and the Co-Venturers, the Government or a Third Party, the Fluid Transfer Lines and the DTU.
Company Representative	Such person as Company shall designate from time to time (or any other member of Company Group appointed by Company or such Person to be such Person's alternate), who shall carry out technical and administrative co-ordination of the duties of Company as set out in Clause 23.2, and who shall be entitled to be and remain on the FPSO at any time.
Company Supplied Items	Such information, services and equipment, including the Additional Equipment, for which Company shall have the responsibility to provide to Contractor as set forth in Attachment B or elsewhere in this Agreement.

Contract Date	The date of this Agreement as first set forth above in the preamble to this Agreement.
Contractor Group	Any or all of Contractor, its Affiliates, Contractor's Personnel, representatives and agents and the Subcontractors and any contractors (including their subcontractors) of Contractor's Subcontractors and the Personnel of any Person mentioned in this definition, other than Petronas or any other Government entity or instrumentality party to the PSC.
Contractor Guarantee	The guarantee of Contractor's performance under this Agreement given by Contractor Guarantor, the form of which guarantee is appended as Attachment G-1 and referenced in Clause 3.4(v) and Clause 4.11.
Contractor Guarantor	.
Contractor Property	All equipment, property, facilities, consumables, materials, including Contractor Supplied Items, (whether owned, leased or rented) of Contractor Group, including, without limitation, the FPSO.
Contractor Representative	Such person as Contractor shall designate from time to time in writing, who shall carry out technical and administrative co-ordination of the Services to Company as set out in Clause 23.1.
Contractor Supplied Items	Such information, services and equipment for which Contractor shall have the responsibility to provide to Company as set forth in Attachment B to this Agreement.
Cost Target	Shall have the meaning ascribed thereto in Part A, Section II.B.1 of Attachment B.
Co-Venturer	Any party to the PSC other than Petronas..
Crude Oil	Liquid petroleum and other hydrocarbons produced at the wellhead in a liquid state at atmospheric pressure]
Daily Fixed Fee	Shall mean the per Day U.S. dollar amount of the quarterly Fixed Fee, as specified in Attachment B.

Day or day	The period commencing at 00.01 hours of any day and ending at 24.00 hours on the same day.
Deliverables	Shall mean, collectively, (i) the certified copy of corporate resolutions of Contractor required by Clause 3.4(i), (ii) a copy of the letter from the Bank Negara Malaysia required by Clause 3.4(iii), (iii) the FPSO Operations and Maintenance Manuals required by Clause 4.13, (iv) the Contractor Guarantee required by Clause 3.4(v), (v) the HS&E General Regulations and Procedures required by Clause 19.5, (vi) the FPSO Terminal Operations Manual required by Clause 19.6, (vii) the documentation required by Clause 20.2 (including the certificate of exemption referred to therein), (viii) certificates or evidence of the FPSO Insurance Cover as required by Article 28 and Contractor's initial Cost Target required by Part A, Section II.B of Attachment B.
Delivery Date	Shall have the meaning ascribed thereto in the Charter.
Demobilization Costs	The Contractor Group's reasonable and documented Reimbursables incurred in connection with the Services required to demobilize the FPSO to a nearby location in Malaysia, as more fully set forth in Attachment B.
Downtime	Any time pursuant to the provisions of this Agreement or the Charter commencing at and during which there is a reduction, restriction, suspension or complete cessation of the flow of Crude Oil to the FPSO for any reason, including but not limited to, (i) a reduction or cessation of water injection or gas purification or compression which causes Company to order a reduction, restriction, suspension or cessation of Crude Oil production or processing, or (ii) subject to the provisions of Clause 14.2, the FPSO is unable to produce, receive, process, store or offload (or any combination of the foregoing) Crude Oil or Processed Oil (as the case may be) in compliance with the Specifications and the

	terms of this Agreement or the Charter; and such reduction, restriction, suspension or cessation is not due to: (a) the Well stream being outside the parameters set forth in the Specifications; (b) the offloading vessel (for any reason not attributable to Contractor Group or the FPSO) being unable to receive the Processed Oil; (c) any malfunction or operational default of Company's Fluid Transfer Line, the DTU, Company's subsea equipment, Riser Facilities, Wells and Umbilicals or Additional Equipment (other than, with respect to the Additional Equipment, any malfunction or operational default due to the default of, or breach by, any of Contractor Group of any obligations of this Agreement or the Charter) (d) any Sole Fault of Company Group; or (e) an event of Force Majeure.
DTU	A facility attached to the mudline used to support the Christmas Tree and Wells which is located near to the FPSO Site and is used to control the flow of hydrocarbons from the casinghead.
Early Payment Commencement Date	The sixty-first (61st) Day after the Fixed Fee Accrual Date.
Encumbrance or Encumbrances	One or more liens, mortgages, charges, repairman's or shipyard's lien, maritime liens, or security interests, encumbrances, or liens for (i) unpaid insurance premiums or calls, (ii) judgments, (iii) port charges, (iv) annual charges or (v) fees of the FPSO's Flag State or liens of any other kind on or against the FPSO, or any portion thereof, its earnings or insurances.
Extended Term	Any extension of the Term which occurs pursuant to the provisions of Clause 10.5.
Field	Kikeh Field, Block K, offshore Sabah, Malaysia.
First Accrued Reimbursables	Shall mean the total amount of Reimbursables which accrues during the First Reimbursables Accrual Period.
First Reimbursables Accrual Date	Shall mean the Ready for Risers Date.

First Reimbursables Accrual Period	Shall mean the period commencing on, and including, the First Reimbursables Accrual Date and continuing until, and including, the Day immediately before the earlier to occur of (i) the Early Payment Commencement Date, or (ii) the Ready for Hydrocarbons Date.
Fixed Fee	Shall have the meaning given in Attachment B to this Agreement.
Fixed Fee Accrual Date	The date which is the forty-third (43rd) Day after the Ready for Commissioning Date.
Fixed Fee Accrual Period	Means the period commencing on, and including, the Fixed Fee Accrual Date and continuing until, and including the Day immediately before the earlier of (i) the Early Payment Commencement Date, or (ii) the Ready for Hydrocarbons Date.
Flag State	The country or state where the FPSO is registered, as approved in writing by Company.
Fluid Transfer Lines	Equipment provided by Company comprising three (3) ten (10) inch in diameter production lines, one (1) ten (10) inch in diameter water injection line and one (1) Umbilical from and to the DTU from the FPSO.
Force Majeure	An occurrence resulting from circumstances (other than strikes, industrial disputes or lockouts caused by or involving a Party's or any Subcontractors' own workforces, except if part of a nation-wide general strike or except if a strike by the workforce of any shipyard and other than mere shortage of labor, materials, equipment or supplies) that are beyond the control of the Party affected which delays or prevents the due performance of the provisions of this Agreement and which, by the exercise of due diligence, such Party is unable to prevent or overcome (including, but not limited to, earthquakes, floods (except inclement weather or storms of the ordinary seasonal nature), wars, expropriation, intervention of civil or military authorities of government, explosions or fires, riots, insurrections, sabotage or blockades), provided that the affected Party gives written notice to the other Party no later than five (5)

	Days after the Party giving notice is first made aware of the occurrence, the facts and circumstances giving rise to it and the obligation or performance which is delayed or is prevented by it.
FPSO	The registered floating, production, storage and offloading tanker facility (including the Mooring System and the Process Equipment and all Additional Equipment that is installed on the FPSO by Owner Group), that is to be designed, engineered and constructed or refurbished and modified and capable of producing, receiving, and processing Crude Oil, injecting water into the reservoir as needed, separating associated natural gas and water from the Crude Oil produced, processing, purifying and compressing the separated associated natural gas and storing and exporting Processed Oil to an offloading tanker, and all engines, generators, pumps, storage tanks, valves, computer hardware, anchors, tools, machinery and equipment belonging thereto and a part thereof, all as more particularly described in the Specifications.
FPSO Classification	ABS Class +A1 Oil Production and Storage, or such other designation used by ABS to classify a floating production and storage vessel.
FPSO Insurance Cover	The insurance described in Article 28, to be procured and maintained by Contractor, or by Owner on Contractor's behalf.
FPSO Operations and Maintenance Manuals	Shall have the meaning ascribed thereto in Clause 4.13.
FPSO Site or Site	The location in the Kikeh Field designated in Attachment D to which Owner is to deliver, moor, install and charter the FPSO.
FPSO Terms and Conditions of Sale	Shall have the meaning ascribed thereto in the Charter.
FPSO Terminal Operations Manual	Shall have the meaning ascribed thereto in Clause 19.6.
Full Flow Rate	Shall have the meaning set forth in Clause 14.2.

Gas Compression Run Time	Shall have the meaning ascribed thereto in the Charter.
Gas Compression Testing	Shall have the meaning ascribed thereto in the Charter.
Gas Compression Testing Period	Shall have the meaning ascribed thereto in the Charter.
Government	The government of Malaysia and of any other relevant jurisdiction where the Services may be performed, and any agency, ministry, taxing authority, administrative subdivision, entity or instrumentality thereof, including without limitation, the Ministry of Mines and Energy or its equivalent in any other appropriate jurisdiction.
Gross Negligence	Such an entire want of care and lack of judgment as to establish that the act or omission in question was the result of actual conscious indifference to the rights, welfare, or safety of the Persons or property affected by it.
Group	Either Company Group or Contractor Group, as the context may require.
HS&E	Shall have the meaning set forth in Clause 19.5.
Indemnified Party	Has the meaning given to it in Article 27.
Indemnifying Party	Has the meaning given to it in Article 27.
Key Personnel	Such Contractor Personnel identified as Key Personnel in Attachment C.
LIBOR	The one-month London Interbank Offered Rate as displayed on Reuters Screen Page LIBOR for United States dollar deposits at 11:00 a.m., London time, two Business Days prior to the first Day of the period for which such rate is required, or if not so displayed, then the rate per annum published by the *Financial Times of London* on such Day as the one month LIBOR for U.S. dollar deposits, failing which the rate shall be the rate quoted by Citibank N.A., London on such Day for such one-month period.

Malaysia	Malaysia and all of its states, territories and protectorates and including all of its and their territorial waters, continental shelf and exclusive economic zone.
Master	The Person in charge of the FPSO during the performance of the Services, which Person shall be appointed by the Contractor and shall be a member of Contractor Group.
Mooring System	The single buoy mooring system equipment to safely moor the FPSO at the Site.
Notice of Readiness – FPSO Commissioning	Shall have the meaning ascribed thereto in the Charter.
Novation Agreement	The agreement referenced in Article 25 hereof, the form of which is attached hereto as Attachment I.
O&M Compensation	The compensation (including Accrued O&M Compensation) for Contractor's performance of the Services, including the management, operations and maintenance of the FPSO under this Agreement, all as set forth in Articles 14, 15 and 16 of this Agreement, and in Attachment B.
O&M FPSO Work	Shall have the meaning given in Clause 4.2(ii).
Operating Area	Those areas offshore Sabah, Malaysia (including the Field) or elsewhere offshore Malaysia in which Co-Venturers may from time to time conduct operations.
Option	Shall have the meaning ascribed thereto in the Charter.
Owner	Malaysia International Shipping Corporation Berhad, the owner of the FPSO.
Owner Group	Shall have the meaning ascribed thereto in the Charter.
Owner Property	Shall have the meaning ascribed thereto in the Charter, expressly including the FPSO.
Party or Parties	Company or Contractor or both as the context requires and their assignees permitted under this Agreement who have signed a Novation Agreement.

Permitted Encumbrance	Any (i) Encumbrance for liens or Claims arising by law in the ordinary course of business for debts or maritime claims not yet due, or (ii) any Encumbrance in favor of Owner's lenders in connection with the financing of the FPSO or performance of Owner's obligations under the Charter as will be specifically set out in the QEL.
Person	Any individual, partnership, joint venture, legal entity, limited liability company, corporation, or unincorporated organization, including either Party.
Personnel	The Master, officers, directors, employees, representatives, agents or invitees (as the case may be) of Contractor or of Contractor Group or of Company or of Company Group (as the case may be).
Petronas	Petroliam Nasional Berhad, the national oil company of Malaysia with its registered office at Tower 1, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.
Pollution Limit	Shall have the meaning given in Clause 28.3(vi)
Primary Term	The period commencing on the Delivery Date and ending on the date eight (8) years after the Delivery Date.
Process Equipment	All process equipment installed on board the FPSO to separate, treat and process the fluid stream (Crude Oil and other liquids) received by the FPSO into Processed Oil and liquid waste and gases and the compression of natural gas, as needed, the design and specification of which are described in the Specifications.
Processed Oil	Crude Oil that has been processed on board the FPSO and is suitable for storage and export in accordance with the Specifications.
PSC	The Production Sharing Contract, dated 27 January, 1999, for the exploration,

	development and production of hydrocarbons executed by Company, Petronas and Petronas Carigali SDN BHD, covering the Field; and any additional parties to the PSC as may be signatories from time to time.
Rate Savings	The costs and expenses Contractor may save, if any (with respect to Reimbursable Costs and Time Rates), by its reasonable endeavors (as agreed between the Parties) to reduce and save costs and expenses associated with any event of Downtime, Shutdown, Lay-Up, Force Majeure, relocation or demobilization, or any other event during which Contractor, using reasonable efforts, may reduce and save costs and expenses otherwise payable by Company in consideration of Contractor's performance of the Services.
RCA	Has the meaning set forth in Clause 37.2(i).
Ready for Commissioning Date	The date on which Owner delivers its Notice of Readiness – FPSO Commissioning to Charterer.
Ready for Hydrocarbons Date	Shall have the meaning ascribed thereto in the Charter.
Ready for Risers Date	Shall have the meaning ascribed thereto in the Charter.
Redelivery	Transfer and hand-over of the management and operation of the FPSO from Contractor to Owner, or from Contractor to Company, all in accordance with the terms of this Agreement.
Redelivery Date	Shall mean the date of the Redelivery.
Redelivery Survey	Shall have the meaning given in Clause 3.3.
Reimbursable Costs	Shall have the meaning given in Attachment B to this Agreement.
Reimbursables	Shall mean collectively, the Reimbursable Costs and the Time Rates.
Riser Facilities	Umbilicals and risers extending from the Fluid Transfer Line and subsea Wells to and connected with the FPSO, as described in Attachment E to this Agreement.

Risk Zone	Shall have the meaning ascribed thereto in Clause 31.1.
Run Time	Shall have the meaning ascribed thereto in the Charter.
Sailaway Date	Shall have the meaning ascribed thereto in the Charter.
Second Accrued Reimbursables	Shall mean the total amount of Reimbursables which accrues during the Second Reimbursables Accrual Period.
Second Reimbursables Accrual Date	Shall mean the Ready for Hydrocarbons Date.
Second Reimbursables Accrual Period	The period commencing on, and including, the Second Reimbursables Accrual Date and continuing until, and including the Day immediately before the Successful Run Completion Date.
Secondary Term	Any of the periods of three (3) years after the Primary Term that the Charter is extended pursuant to the terms thereof, not to exceed a total of fifteen (15) years, in addition to the Primary Term.
Services	Collectively, the documentation, management, manning, operation, supervision and maintenance services for the FPSO, including, without limitation, the Redelivery Survey and the O&M FPSO Work to be provided by Contractor under this Agreement pursuant to its terms, as more fully described herein and in the Attachments hereto, which Services shall expressly exclude those to be performed in connection with the DTU Wells, Christmas Tree, Riser Facilities, Umbilicals and the Fluid Transfer Lines (which shall be the exclusive responsibility of Company).
Shutdown	Any time under this Agreement commencing when there is a cessation of Crude Oil production or processing which is due to the default of, or breach of any obligations under this Agreement by any of Contractor Group.
Shutdown Period	Any period of time during the Term commencing when Shutdown first occurs and ending when the FPSO has recommenced processing Crude Oil.

Sole Fault	The act or omission of any Person and such act or omission was not contributed, in any material way, to or caused by (i) the act or omission of any other Person outside of such Person's Group, or (ii) any Force Majeure event or any other event outside of the control of the first Person.
Specifications	The description and specifications of the FPSO set out in Appendix D to the Charter, entitled "FPSO Description and Specifications".
Subcontractor	Any entity to whom Contractor has subcontracted any of its obligations or any of the Services under this Agreement.
Subsea Related Equipment	Systems on board the FPSO to control the subsea valve functions, the operation of the Fluid Transfer Lines and the collection of data related to subsea Wells.
Successful Run Commencement Date	Means the date on which the first successfully completed Run Time begins.
Successful Run Completion Date	Means the date on which the first successful Run Time is completed to Charterer's satisfaction.
Supply Base	The Company's supply base and facilities at Labuan Island, Malaysia.
Term	Collectively, the Primary Term, any Secondary Term and any Extended Term of this Agreement.
Third Party or Third Parties	Means any party not a member of Contractor Group or Company Group.
Third Party Claim	Has the meaning given to it in Article 27.
Time Rates	Shall have the meaning given in Attachment B to this Agreement.
Topsides Equipment	Subsea Related Equipment, Process Equipment, and other equipment placed on or in the FPSO to monitor and control the subsea equipment, pipes and valves provided by Company, including a master control station, a hydraulic power unit with respect to the

	subsea trees and manifolds, electrical power unit for the subsea equipment, uninterruptible power supply and topsides umbilical termination assemblies.
Umbilicals	Equipment provided by the Company that provides for various services between the FPSO and the DTU and subsea Wells and other subsea facilities.
UNCITRAL	The United Nations Commission on International Trade Law.
Variation Order	A change in or revision to the Specifications, Services or any schedule in the Attachments appended hereto and agreed in writing between the Parties and issued pursuant to Article 13.
Water Injection Module	The equipment on board the FPSO to lift, treat and inject seawater.
Well or Wells	Any Crude Oil well or wells in the Field that Company may designate and connect to the FPSO in accordance with this Agreement.
Willful Misconduct	An act or failure to act by any Person which was intended to cause (or which was in reckless disregard of or wanton indifference to the possibility that the act or failure to act would cause) damage or harm giving rise to delay or suspension of the performance of this Agreement; and “supervisory personnel” for the purposes of this definition shall mean any employee of a Party who functions at a management level, or an officer or director.

The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.

Unless the context otherwise requires, in this Agreement the singular shall include the plural and vice versa, and unless otherwise provided in this Agreement, the use of the words “year” or “month” shall mean a calendar year or month, respectively.

All provisions of and obligations, agreements, undertakings, indemnities, governing law and dispute provisions, representations and warranties of the Parties set forth in this Agreement shall bind the Parties and be applicable for the full Term.

2. THE FPSO AND MANAGEMENT

2.1. **Documentation, Management, Manning, Operation, Supervision and Maintenance**. Subject to the terms and provisions of this Agreement, Company appoints Contractor to provide for the continued documentation required of the FPSO to provide the Scope of Services set forth in Attachment A on the Company's behalf, and to manage, man, operate, supervise and maintain the FPSO, including but not limited to the Additional Equipment, the Mooring System and all other machinery, engines, computers, generators and all other equipment onboard the FPSO, commencing on the Delivery Date, all in accordance with the provisions of this Agreement and the Attachments hereto. Notwithstanding the foregoing, no component of the Services to be provided and performed by Contractor hereunder shall include the performance of any service for the DTU or the Fluid Transfer Lines, which obligation for the performance of all services for or required by the DTU Wells, Christmas Tree, Riser Facilities, Umbilicals or Fluid Transfer Lines shall remain the responsibility of Company. Notwithstanding the foregoing, Contractor shall perform the onboard operation of subsea equipment in accordance with Company's written instructions.

2.2. **Standard of Services**. Contractor undertakes to provide the Services on behalf of Company in accordance with the terms and provisions of this Agreement (including the Attachments) and in accordance with first class FPSO operating, maintenance and management practices.

2.3. **Schedule of Responsibilities**. Contractor shall, subject to it receiving the O&M Compensation pursuant to the terms of this Agreement, provide and/or pay for (as the case may be) all items required of Contractor or referred to as being its responsibility under this Agreement, including those items set forth in Attachment B.

2.4. **Structural Alterations**. Company, as Charterer of the FPSO, shall have the right, pursuant the terms of the Charter and this Agreement, to have the Contractor make structural alterations to the FPSO or install additional equipment (including process equipment) and other Company Property with notice to Contractor. Contractor shall be responsible for repair and maintenance of any such alteration or additional equipment, and Clause 13.8 shall be applicable if such alteration or additional equipment causes a variation to or increase in Contractor's costs to perform the Services, or if Contractor is requested by Company and agrees to undertake such alteration or installation pursuant to a Variation Order. Company acknowledges that Contractor is relying upon the accuracy of the information provided by Company, including information relating to the reservoir properties of the Field and the soil and environmental information given by it. Company will meet any additional costs that may be incurred by Contractor as a result of errors, omissions or inaccuracies in this information, except for obvious errors, omissions or inaccuracies Contractor knew or ought to have known or discovered. Notwithstanding the foregoing, Company shall assume no liability for inaccuracies in information to the extent such inaccuracies in information fall within the ranges set forth in the Specifications.

2.5. **<u>Contractor Obligations</u>**. Pursuant to the provisions of this Agreement, Contractor shall perform the Services and Contractor's other obligations under this Agreement during the Term.

2.6. **<u>Specifications</u>**. Contractor and Company each agree it has reviewed the Specifications and accepted them. However, the Parties agree that if there is any conflict or discrepancy between the provisions of ***Part A of Appendix D*** and ***Part B of Appendix D*** of the Charter, the Specifications set forth in ***Part A of Appendix D*** shall prevail.

3. DELIVERY, REDELIVERY AND SURVEY

3.1. **<u>Delivery</u>**. Delivery to and management and operation of the FPSO by Contractor under this Agreement will take effect as of the Delivery Date. Subject to the relevant provisions of this Agreement, including those which contemplate the reduction or cessation of O&M Compensation, Reimbursables shall begin to accrue and become payable, and the Fixed Fee shall begin to accrue and become payable, pursuant to the terms of Articles 14, 15 and 16 of this Agreement.

3.2. **<u>Redelivery</u>**.

(i) Redelivery of the FPSO to Owner by Contractor, or to Company by Contractor (in the event Company exercises the Option and Closing occurs), shall occur, as soon as practical (and in any event within ninety (90) Days following the expiration or termination of this Agreement (unless terminated by reason of the occurrence of total loss or a constructive total loss, requisition or as otherwise provided in Article 29 or Article 30), or unless otherwise instructed by Company be demobilized by Contractor by such date. On expiration or termination of this Agreement for any reason whatsoever, the FPSO shall be redelivered on an **"AS IS, WHERE IS, WITH ALL FAULTS" BASIS, WITHOUT ANY WARRANTIES, WHETHER EXPRESS OR IMPLIED, IN REGARD TO ITS CONDITION OR OPERABILITY**.

(ii) Upon termination of this Agreement and Redelivery of the FPSO to Owner, Company shall, if required by the terms of Clause 24.8, pay to Contractor the Demobilization Costs in the event the FPSO is demobilized following such termination.

3.3. **<u>Redelivery Survey</u>**.

(i) In the event Charterer exercises the Option to acquire the FPSO pursuant to the terms of the FPSO Terms and Conditions of Sale, a survey of the FPSO will be conducted to determine the FPSO's condition on the termination of the Charter pursuant to the terms of the FPSO Terms and Conditions of Sale. If Charterer does not exercise the Option, the Parties may nevertheless elect, if they so agree in writing, to have a survey of the FPSO conducted to determine the FPSO's condition on termination of this Agreement (referred to as the

"***Redelivery Survey***"). Both Parties shall have the right to witness and have their respective representatives present during the Redelivery Survey. The Parties shall engage the Classification Society to conduct the Redelivery Survey, if possible, not less than ninety (90) Days prior to termination of the Charter.

(ii) If Company has not elected to exercise the Option, and the Parties have elected to have a survey of the FPSO conducted pursuant to the terms set forth in this Agreement, unless otherwise agreed in writing, the Redelivery Survey will be conducted by the Classification Society. The costs of the Classification Society for such Survey and inspection of the FPSO carried out under this Clause 3.3 will be shared equally by Company and Contractor and will not be subject to reimbursement as a Reimbursable Cost or otherwise.

(iii) Except as may be required by the terms of the FPSO Terms and Conditions of Sale (in the event Company exercises the Option and Closing occurs), Company shall have no obligation to pay for or contribute to any costs or expenses associated with any items of repair or maintenance required of the FPSO on Redelivery, or recommended by the Classification Society as a result of the Redelivery Survey.

3.4. **<u>Deliverables</u>**. In addition to the Contractor deliverables otherwise required under this Article 3 or elsewhere in this Agreement, Contractor shall deliver the documents listed below to Company, and Company shall deliver to Contractor the documents listed under Company's name below:

(i) At or prior to the Contract Date, Contractor shall deliver to Company a certified copy of corporate resolutions of Contractor authorizing the execution, delivery and performance of (a) this Agreement and all transactions contemplated hereby by Contractor, and (b) the Contractor Guarantee and any obligations by Contractor Guarantor.

(ii) In addition, at the Contract Date, Contractor shall have received a duplicate original of the Charter duly executed by the Owner.

(iii) Prior to submitting its first invoice to Company pursuant to this Agreement, Contractor shall deliver to Company a valid and effective letter from Bank Negara Malaysia approving of the receipt by Contractor of all O&M Compensation in United States dollars.

(iv) At or prior to the Contract Date, Company shall deliver to Contractor the following documents:

(a) a certified copy of corporate resolutions of Company authorizing the execution, delivery and performance of this Agreement and all documents and transactions contemplated hereby by Company; and

(b) a written notice from Company advising that Petronas has awarded Company the right to proceed with the FPSO Services under the terms and conditions of this Agreement.

(v) Simultaneously with the delivery of Owner Guarantee (as defined in the Charter) and the delivery of Charterer Guarantee (as defined in the Charter), as such deliveries are required by the terms of the Charter, Contractor shall deliver Contractor Guarantee to Company, and Company shall deliver Company Guarantee to Contractor.

4. CONTRACTOR'S OBLIGATIONS

4.1. Timely Performance. Contractor shall timely perform all of the Services contemplated by this Agreement with due diligence and in a good, workmanlike and safe manner in accordance with (i) the highest standards of international maritime and petroleum industry practices of a first class FPSO vessel contractor under the same or similar circumstances as those at the FPSO Site, (ii) the FPSO Operations and Maintenance Manuals, (iii) the Specifications, (iv) instructions of Company made in accordance with, and without prejudice to, Contractor's rights under this Agreement, (v) all applicable law, and (vi) the terms of this Agreement, including the Attachments. Contractor shall, in carrying out and performing its duties hereunder, employ the same degree of care and diligence as though Contractor was in fact the owner of the FPSO.

4.2. Performance of the Services.

(i) Subject to the terms and upon the conditions of this Agreement, throughout the Term Contractor shall, at its sole cost and expense but subject to its receipt of the O&M Compensation as set forth in Attachment B, perform the Services, which shall include, but not be limited to, the management, manning, supervision, operation and maintenance of the FPSO, the management and operation of the Additional Equipment, the O&M FPSO Work and the Redelivery Survey (if such Redelivery Survey is agreed in writing by the Parties), and shall maintain the FPSO in a good state of repair, order and condition in order that the FPSO remains fit for the service required of her as described in this Agreement and the Specifications. In particular, Contractor shall ensure that the FPSO is at all times classified as a floating production storage and offloading vessel with the Classification Society and shall, subject to Contractor's receipt of the O&M Compensation as provided in Attachment B, pay the costs and take such actions to meet all requirements made by the Classification Society to maintain the FPSO Classification. Further, Contractor shall maintain the FPSO and Additional Equipment in the same state of repair, order and condition as on the Delivery Date, and Contractor shall maintain the FPSO and Additional Equipment in the same state of repair, order and condition as described in the Specifications, with exception for normal wear and tear. Contractor

shall undertake and maintain a timely preventative maintenance program and take steps to make repairs or correct deficiencies promptly and effectively in accordance with acceptable standards of first class commercial ship management, maritime industry practices and petroleum industry practices. In addition to other obligations and duties hereunder, Contractor shall provide or perform all of the Services described in the Attachments and in this Agreement. Unless expressly provided to the contrary in this Agreement, Contractor's obligations to pay for costs and expenses to perform the Services shall be subject to a right of reimbursement in respect of any such costs and expenses qualifying as Reimbursable Costs in accordance with Attachment B.

(ii) Unless otherwise expressly provided in this Agreement (including as provided in Article 27), the O&M Compensation shall cover and include all the costs and expenses incurred or to be incurred by Contractor to provide or perform all of the Services and there shall not be any other payments made by Company for Contractor's provision or performance of the Services. Subject to the provisions of Clause 3.3, any repair, maintenance, part or equipment replacement or overhaul of the FPSO or Additional Equipment required by the Classification Society or for which Contractor is obligated under this Agreement to perform in connection with the Services, including, but not limited to, any work under Clause 5.8 (such work is herein referred to collectively, as the "***O&M FPSO Work***"), shall subject to Contractor's receipt of the O&M Compensation as provided in Attachment B, be undertaken and paid for by Contractor; provided, however, if the O&M FPSO Work is or is likely to be insured under the FPSO Insurance Cover enabling Contractor to make a claim for such work, Contractor shall promptly notify Company of such O&M FPSO Work and Contractor shall inquire and, if appropriate, make a claim with the underwriters for payment under such FPSO Insurance Cover. Contractor shall file any such claim, and Company and Contractor shall jointly participate in the pursuit of the claim with and endeavor to obtain insurance proceeds from the underwriters under the FPSO Insurance Cover. Contractor shall nevertheless perform the O&M FPSO Work as required, and Company shall pay Contractor the O&M Compensation associated with the performance of such O&M FPSO Work; provided that all insurance proceeds (net of any deductions in respect of any deductible amounts) received from or paid by any member of the underwriters to any member of Contractor Group in respect of such O&M FPSO Work shall be credited against the corresponding O&M FPSO Work costs paid by Company;

4.3. Contractor Personnel.

(i) Contractor shall, in connection with the performance of the Services, provide or shall cause to be provided all Personnel as agreed in the Annual Budget for each year of the Term, which shall include all Personnel required by applicable law and the Classification Society.

For the first contract year of the Term, Personnel shall be selected based upon (a) the procedures as set forth in Attachment B, (b) the proposed list of Personnel (including Key Personnel) as set forth in Attachment C, and (c) the prior written agreement of the Parties. Such Personnel shall include all Personnel required for both marine crew and operating the FPSO, the Additional Equipment and the Mooring System. Contractor represents and warrants that such Personnel are and shall at all times be competent and qualified to perform the Services as contemplated by this Agreement and will meet and comply with all applicable Malaysian laws and regulations regarding such Personnel. Contractor shall not reassign or permit reassignment of Key Personnel without the prior written consent of Company, which consent shall not be unreasonably withheld; provided however, Company shall have the continuing right to request upon reasonable cause shown that Contractor remove or substitute or cause to be removed or substituted any or all such Key Personnel or other Contractor Personnel (including any Personnel of any member of Contractor Group), and upon such request, Contractor shall substitute, or cause to be substituted, such Personnel at a time in line with normal crew change activities, unless safety considerations require earlier substitution. All additional costs of any such removal and substitution(resulting from the misconduct or incompetence of such Personnel as determined by Company), including any Reimbursable Costs and Time Rates incurred in connection with any such removal and substitution where additional to costs that otherwise would have been incurred, shall be paid by Contractor and shall not be subject to recovery by Contractor as Reimbursable Costs or Time Rates. Key Personnel shall be fluent in both written and spoken English. The Master and all officers and crew working onboard the FPSO shall be trained in accordance with the relevant provisions of the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 ("***STCW***"), as amended in 1995, and the STCW Code, including any future amendments, supplements or replacements of such convention or code, and shall hold valid certificates of competence in accordance with the requirements of the law of the Flag State, and all production personnel shall hold valid certificates of competence in accordance with the requirements of the relevant Classification Society. Such personnel shall be trained in accordance with, and otherwise comply and have all of the rights and benefits of all applicable Malaysian labor and safety laws.

4.4. **Safety of Contractor's Personnel.** Contractor shall provide or shall ensure that all Contractor Group Personnel (and Company Group Personnel while on board the FPSO) are provided with all necessary protective clothing; including, but not limited to, hardhats, gloves, non-slip, steel-toed safety boots, overalls, and ear and eye protection. In the event any Contractor Group Personnel are incapacitated through injury or illness, Contractor shall be responsible for providing medical treatment and for such Personnel's replacement without undue delay and shall immediately notify Company of same.

4.5. Drug and Alcohol Policy. Contractor Group shall comply with Company's drug and alcohol use policies including, without limitation, testing for drug, alcohol or illegal substance use, and inspection for possession of drugs, alcohol or illegal substances and/or weapons.

4.6. General Management and Operating Responsibilities. The general obligation of Contractor to manage, operate and maintain the FPSO set forth in this Article 4 shall, in consideration of Contractor receiving the O&M Compensation (unless otherwise expressly provided in this Agreement), include, but not be limited to the following duties and obligations:

(i) protect and promote Company's interests in all matters relating to the safe and efficient operation, manning, maintenance and management of the FPSO;

(ii) manage and operate the FPSO, the Mooring System and the Additional Equipment on behalf of Company prudently, safely and efficiently and to ensure at all times the availability and supply of an adequate complement of properly qualified and experienced Master, officers, crew and production operations personnel and spare parts commensurate with the operation of the FPSO as an FPSO in accordance with first class ship operating and petroleum industry practice and requirements of the Classification Society to maintain the FPSO in class;

(iii) all repair, maintenance and operation of the FPSO, Mooring System and Additional Equipment;

(iv) arrange for all surveys by the Classification Society to maintain the FPSO Classification;

(v) comply with manufacturer's operations and maintenance requirements of the FPSO and Additional Equipment and all other equipment installed thereon including, without limitation, the Process Equipment and the Mooring System;

(vi) ensure that local and/or international maritime, safety and cargo custody standards are maintained in accordance with first class shipping and FPSO practice;

(vii) issue instructions to the Master to keep full and correct log books and to furnish Company with true and accurate copies of such log books when required;

(viii) arrange, supervise, implement and effect all maintenance and repairs and, if required due to any damage and, subject to Company's approval which shall not be unreasonably withheld, drydocking of the FPSO, if required; including the obligation that all Classification Society and

statutory certificates are kept valid as required by the operational status of the FPSO and Additional Equipment or as Company may additionally request;

(ix) keep proper and correct records of all surveys, repairs, drydockings and all other matters relating to maintenance of the FPSO, Mooring System and Additional Equipment;

(x) make all reasonable arrangements to ensure the safety of the FPSO, Mooring System and Additional Equipment from unlawful acts and prevent unauthorized persons from boarding the FPSO; however, if armed security is required, this will be arranged for and provided by Company at its expense;

(xi) arrange for the victualling and storing of the FPSO for its operational status and the number of Personnel onboard;

(xii) procure, handle and effect payment for and store spare gear and spare parts for the FPSO and Additional Equipment as required by the Classification Society and as necessary to properly maintain and repair the FPSO;

(xiii) notify Company and assist in investigating and compiling information in pursuit and settlement of all insurance, salvage and other claims or demands in connection with the FPSO; and

(xiv) perform all management and operations responsibilities under this Agreement in such a manner that it duly observes and complies with all applicable regulations issued or adhered to by the Government or any international agency, body or agreement to which the Government is a member or signatory (and any revisions thereof or amendments thereto); and

(xv) procure and maintain during the Term the FPSO Insurance Cover.

4.7. **Compliance with Laws.** In the performance of this Agreement, Contractor and its Personnel shall comply fully with all applicable present and future laws and regulations of the country of the FPSO's flag and registry, of Malaysia and any other applicable jurisdiction.

4.8. **Reports and Communications.** All reports and all communications sent to Company shall be in the English language or, if not in English, shall be accompanied by a quality translation (at Contractor's expense, but subject to reimbursement, with prior Company approval, under the provisions of Attachment B) in English, unless otherwise agreed in writing by Company's Representative.

4.9. **Engine Logs and Records.** Contractor shall ensure that the Master shall keep full and correct deck and engine logs (including daily Crude Oil and Processed Oil inventories, records and reports as well as monthly fuel/water reports as instructed by Company). These will be available for inspection by Company

as required. Contractor shall ensure that the Master furnishes Company when required to do so with a true copy of the logs and with properly completed loading and discharging sheets and other returns as Company may reasonably require.

4.10. **Performance Data.** Contractor shall ensure that the FPSO and all Contractor Property will function without error or interruption relating to the manner in which it captures, stores, uses, manipulates or reports data which includes an indication of or a reference to a day, month or year or any component thereof ("***Performance Data***"). Without limiting the generality of the foregoing, such equipment shall be capable of processing century Performance Data and is capable of processing leap year Performance Data.

4.11. **Contractor Guarantee.**

4.12. **Deliverables.** In connection with the performance of the Services, Contractor shall deliver the Deliverables to Company pursuant to the requirements of this Agreement.

4.13. **Operations Manuals.** Not later than ninety (90) Days prior the Sailaway Date, Contractor shall deliver to Company proposed manuals to govern all marine and oil processing and production operations in respect of the FPSO ("***FPSO Operations and Maintenance Manuals***"). Such manuals shall be prepared in compliance with and shall cover and include provisions to govern the operations of the FPSO including at least the criteria set forth in this Agreement including the Specifications. After receipt of the proposed manual, Company shall have sixty (60) Days to review and provide any additional recommendations to the extent that Company believes the proposed manual does not meet the above described criteria. Contractor shall include all such recommendations made by Company.

4.14. **Documentation.** Contractor undertakes that the FPSO shall maintain on board at all times during the Term such valid vessel and FPSO documentation and classification as may from time to time be required to enable the FPSO to carry out all required operations as an FPSO under this Agreement without delay, let, or hindrance. Contractor further undertakes that:

(i) it shall be responsible for any fine or penalty or similar sanction arising from its failure to fulfill its obligations under this Clause 4.14; and

(ii) the Downtime and Shutdown provisions of this Agreement shall apply for any period during which there is a reduction, suspension or complete cessation of FPSO Crude Oil production as a result of action taken against the FPSO owing to Contractor's failure (which shall be considered a breach of this Agreement by Contractor), to have such valid documentation on board the FPSO.

4.15. **<u>FPSO Operations Affecting Processing of Crude Oil</u>.** Contractor shall in accordance with and subject to the requirements of this Agreement (including the Specifications set forth in Attachment D), comply in all respects with Company's instructions as to the flow rates of water, oil and gas while the FPSO is at the FPSO Site and processing and/or producing Crude Oil.

4.16. **<u>Compliance</u>.** If at any time during the Term, Contractor is in material breach of or material default under any provision of this Agreement and after receiving notice from Company of such material breach or material default, either fails or refuses to immediately commence to remedy the same and thereafter to diligently cure such breach or default, Company may, if it so elects, instruct Contractor to cease performance of the Services (or any component thereof as requested by Company). In such event, Contractor shall, upon the receipt of such instruction, immediately cease the performance of the Services (or the required component thereof), as instructed by Company until such breach or default is cured to Company's satisfaction, and, without prejudice to the other terms and conditions of this Agreement, the provisions of Article 14 and Clause 16.9 shall apply during the entirety of such cessation.

4.17. **<u>Entry and Departure Authorizations</u>.** Contractor shall, in connection with the performance of the Services, secure and obtain any and all authorizations and permits required for Contractor Property to enter, to proceed to, to remain and to operate in the Operating Area. Notwithstanding the above, and without prejudice to Article 20, prior to Contractor's payment of any Government duties, fees, taxes, or charges in respect of Contractor Property required by Contractor from time to time during the Term, Contractor shall notify Company and both Contractor and Company shall cooperate and use Best Efforts to eliminate or mitigate such duties, fees and taxes; provided, Company shall pay all import and export charges (including clearance and brokerage charges), customs and excise duties imposed in Malaysia on Contractor Property required to perform the Services and on Company Property (including any required customs bonds in relation to such Company Property and Contractor Property); provided, further, however, if Contractor fails or refuses to comply with Company's reasonable and lawful request or instructions to eliminate or mitigate such duties, fees, taxes or charges then to the extent such failure or refusal by Contractor resulted in Company's payment of duties, fees, taxes or charges Contractor shall, without the right of reimbursement under the provisions of Attachment B to this Agreement, pay or reimburse Company (as the case may be) for such duties, fees, taxes and charges; and Company shall have the right to deduct any such duties, fees, taxes or charges it paid from payments otherwise due Contractor hereunder.

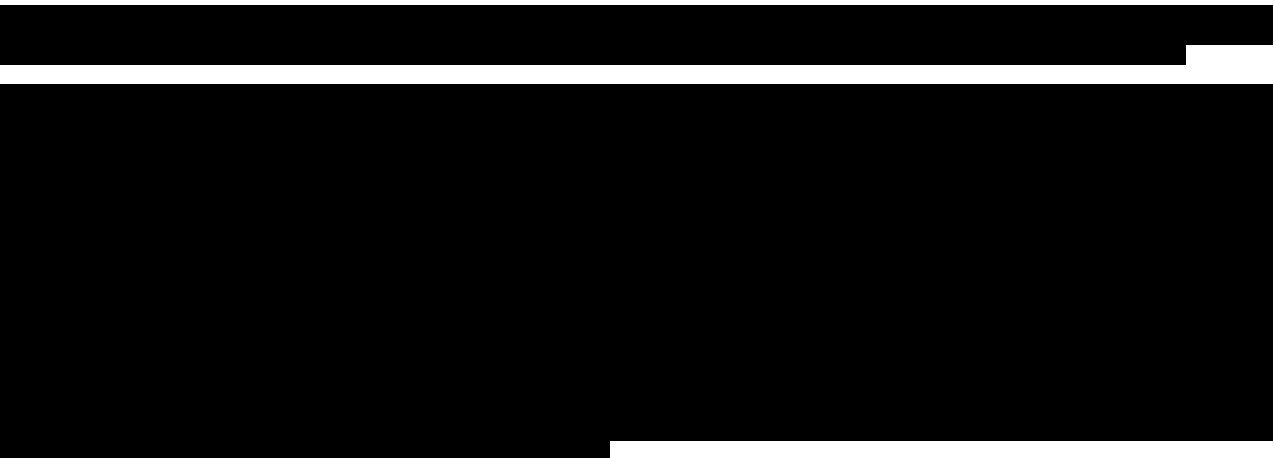
4.18. **<u>Evidence of Authorizations, Approvals, etc.</u>** Contractor shall promptly furnish to Company at any time upon Company's request, such evidence of the authorizations, approvals, actions, and/or registrations, referred to in Clause 4.17 of this Agreement.

4.19. **Rate Savings.** Contractor shall, throughout the Term, use all reasonable efforts to achieve Rate Savings in connection with its performance of the Services.

5. MAINTENANCE, REPAIR AND DRYDOCKING

5.1. **Machinery and Hull.** Contractor shall maintain the FPSO's continuous machinery survey cycle and the annual class inspections of the FPSO's hull and other parts of the FPSO required by the Classification Society.

5.2. **Maintenance and Repair.** Contractor shall maintain and repair, or cause to be maintained and repaired, the FPSO, the Mooring System and Additional Equipment throughout the Term (or any extension or renewal), and shall at all times maintain, repair and preserve the FPSO, Mooring System and Additional Equipment in good condition, working order and repair, ordinary wear and tear excepted, so that the FPSO shall be tight, staunch, strong and well and sufficiently tackled, appareled, furnished, equipped and in every respect seaworthy and so that the FPSO, Mooring System and Additional Equipment are in good operating condition and conform to the Specifications. Contractor shall maintain, repair and preserve the FPSO, Mooring System, Additional Equipment and other associated equipment so as to entitle it to the FPSO Classification and to conform to the Specifications. The FPSO, Mooring System and Additional Equipment shall be repaired and overhauled by Contractor whenever reasonably necessary. The FPSO shall be dry-docked, cleaned and the bottom painted by Contractor only when required by applicable regulations of the Classification Society to maintain the FPSO Classification, provided, however, that pursuant to the provisions of the Charter and this Agreement, drydocking should not be required during the initial twenty (20) year period of the Term. Contractor shall give Company written notice of any such proposed drydocking ninety (90) days in advance if practicable but otherwise as long in advance as may be practicable under the circumstances.



5.4. **Minimal Interruption/Annual Maintenance Allowance.**

(i) Contractor shall perform all maintenance and repairs of the FPSO, the Mooring System and the Additional Equipment so as to cause minimal reduction in or to prevent the complete cessation of the flow of oil or water injection capabilities. As and from the Delivery Date, Contractor and Owner shall together be allowed one (1) combined Annual Maintenance Allowance per contract year (or prorata for part thereof) of the Term, (a) to perform planned maintenance and/or repairs on the FPSO and its equipment and/or (b) to avoid Downtime or Shutdown Assessments to the Fixed Fee, at Contractor's option, and during which O&M Compensation shall be payable in full. Such Annual Maintenance Allowance shall be proposed by Contractor and agreed by Company in accordance with the terms of this Clause 5.4. Not later than sixty (60) Days prior to the commencement of the Primary Term, and not later than sixty (60) Days prior to the commencement of any Secondary Term, Contractor shall submit to Company a preliminary schedule of Annual Maintenance Allowance (the "Preliminary Schedule of Annual Maintenance Allowance") for such Term which shall set forth the number of hours of Annual Maintenance Allowance Contractor anticipates allocating to each contract year of the Primary Term, or to each contract year of any Secondary Term, as the case may be. Such Preliminary Schedule of Annual Maintenance Allowance shall be drawn up to ensure that the aggregate number of Maintenance Allowance hours during the Primary Term or during any Secondary Term shall be the number of hours equal to the total number of hours calculated by Contractor (and agreed in writing by Company) to occur during the relevant term (Primary Term or any Secondary Term) [redacted] For the avoidance of doubt, the Parties agree that each full contract year shall contain [redacted] hours.

(ii) Concurrently with Contractor's submittal to Company of its proposed Cost Target for each year of the Term, in accordance with the requirements of Attachment B, Contractor shall also submit to Company a written Proposed Schedule of Annual Maintenance

Allowance which shall set out how Contractor desires to utilize and allocate its hours of Annual Maintenance Allowance during the forthcoming contract year and for successive years to the end of the Primary Term or of any Secondary Term. The Parties agree that all Annual Maintenance Allowance hours budgeted in any Annual Maintenance Allowance Schedule shall be fixed for the first contract year of any such Schedule; provided, however, that the hours allocated to any subsequent contract year or years in any Annual Maintenance Allowance Schedule may be varied by the next Annual Maintenance Allowance Schedule presented by Contractor. This Proposed Schedule of Annual Maintenance Allowance shall be based on the Preliminary Schedule of Annual Maintenance Allowance but amended as and if necessary to take account of the actual maintenance and repair situation then existing. The total hours in such Proposed Schedule of Annual Maintenance Allowance when added to the aggregate of all Annual Maintenance Allowance already used in the then current Primary or Secondary Term, shall never exceed [redacted] of the total time of the Primary or Secondary Term in question.

(iii) No later than fifteen (15) Business Days prior to the end of each contract year during any Term, provided Company has received Contractor's Proposed Schedule of Annual Maintenance Allowance for the forthcoming year within the time limit set forth in subclause (ii) above, Company shall review and agree in writing with Contractor such Proposed Schedule of Annual Maintenance Allowance presented by Contractor, which, once agreed, shall be referred to as the "Annual Maintenance Allowance Schedule".

(iv) The Fixed Fee shall be subject to reduction in accordance with Clauses 14.2 and 16.9 for any period of Shutdown or Downtime in excess of the Annual Maintenance Allowance Schedule for that contract year.

(v) Contractor may roll any Annual Maintenance Allowance hours which remain unused as of the last Business Day of the contract year of any Annual Maintenance Allowance Schedule for the Primary Term or any Secondary Term into the next Annual Maintenance Allowance Schedule presented by Contractor; provided, however, that at the end of the Primary Term or any Secondary Term, the hours of Annual Maintenance Allowance that were not used during any contract year of such Term may not be rolled into and used in any contract year of any following Term.

(vi) In the event that any Annual Maintenance Allowance hours remain unused upon the expiration of the Primary Term, or upon the expiration of any Secondary Term, the provisions of Clause 9.2(xiii) of the Charter shall apply to all such unused Annual Maintenance Allowance hours.

5.5. Actual Hours Worked. [Intentionally Left Blank]

5.6. <u>No Adjustment of Fixed Fee</u>. Subject to Contractor's compliance with the requirements of Clause 5.4, the Fixed Fee shall not be subject to the terms of Clause 14.2(ii) for as long as the Annual Maintenance Allowance set forth in the applicable Annual Maintenance Allowance Schedule has not been exceeded; provided, for any period of maintenance and/or repair requiring or causing Downtime or Shutdown, after such Annual Maintenance Allowance as set forth in the applicable Annual Maintenance Allowance Schedule has been exceeded, the provisions of Article 14 and Clause 16.9 shall, without prejudice to other terms and conditions of this Agreement, be applicable.

5.7. <u>Drydocking Due to Contractor Breach</u>.

(i) ***Unauthorized Drydocking***. [REDACTED] a drydocking of the FPSO or repair work on the FPSO which requires removal of the FPSO from the FPSO Site must take place ("***Offsite Repair Work***"), the following provisions shall apply, concerning O&M Compensation and drydocking and repair costs and expenses :

(a) ***Owner/Contractor Breach; Classification Society or Government Requirement.*** If any such drydocking or Offsite Repair Work is required due to (I) breach or failure of any of the obligations, representations or warranties of either of Owner under the Charter or Contractor under this Agreement, (II) requirement or recommendation of the Classification Society, or (III) requirement or order of any Government body or authority (which, in the case of both sub-clauses (II) and (III) of this Clause 5.7(i)(a), is not due to any event contemplated in Clauses 5.7(i)(b) or 5.7(i)(c) below), then subject to any remaining unused Annual Maintenance Allowance (during which O&M Compensation is payable), O&M Compensation shall cease to be payable to Contractor from the time of commencement of the Shutdown Period, as such Shutdown Period commencement may be extended by any such unused Annual Maintenance Allowance.

(b) ***Company's Primary Fault***. If any such drydocking or Offsite Repair Work is required for any reason primarily caused by a breach of this Agreement by any of Company Group, Company shall continue to pay the O&M Compensation during any such drydocking or Offsite Repair Work.

(c) ***Force Majeure Event***. If any such drydocking or Offsite Repair Work is required due to any Force Majeure event, without any such drydocking or Offsite Repair Work being primarily caused by the existence of any pre-existing defects in or outstanding repairs needed to the FPSO or its equipment (as determined by an independent surveyor acceptable to both Contractor and Company) in breach of Charterer's obligations and warranties under the Charter or Contractor's duties and obligations under this Agreement, Company shall pay the Force Majeure rates set forth in Clause 32.2 of this Agreement until the FPSO has been returned to the FPSO Site and Full Flow Rates have resumed.

(d) ***Costs and Expenses.***

(1) In the case of any unscheduled drydocking or Offsite Repair Work all costs and expenses related to such unscheduled drydocking or Offsite Repair Work (collectively, "***FPSO Drydocking Costs***") shall be paid and borne by the Parties in the manner set forth in sub-clause (d)(2) below. The FPSO Drydocking Costs include: the costs and expenses of (A) shutting down all systems on the FPSO and disconnecting the FPSO from the Riser Facilities and unhooking the FPSO and its turret from the Mooring System at the FPSO Site, (B) transporting the FPSO from the FPSO Site and subsequently returning it to the FPSO Site from the drydocking or repair location, (C) the drydocking, upgrades and repairs, capital improvements or maintenance required and (D) all costs and expenses of returning the FPSO to the FPSO Site and having it reclassified by the Classification Society and of reconnecting the FPSO and its turret to the Mooring System and Riser Facilities at the FPSO Site after such drydocking or Offsite Repair Work.

(2) All FPSO Drydocking Costs in sub-clause (d)(1) shall be borne and paid as follows: (A) by Contractor, in the case of any event under either Clause 5.7(i)(a) or Clause 5.7(i)(c) above; and (B) by Company in the case of an event under Clause 5.7(i)(b) above.

(ii) ***Excessive Drydocking*** - ***Company Cancellation Rights; Company's Costs.***

(a) ***Drydocking Due to Contractor Breach or Contractor's Fault***. After the FPSO has been in drydock or Offsite Repair Work is being performed, due to the reasons described in Clause 5.7(i)(a) or Clause 5.7(i)(b) above, for one hundred eighty (180) Days or more, Company shall have the right, upon giving three (3) Days prior written notice at any time after such one hundred-eightieth (180th) Day to terminate this Agreement. Upon any such termination, Contractor shall, without receiving any component of O&M Compensation (except as otherwise provided in Clause 5.7(iv) below), perform or cause to be performed and shall bear and pay all costs, risks and expenses of: (I) recovery of the Mooring System, (II) the release or discharge of Contractor or Subcontractor Personnel, and (III) towing and anchor handling vessel charges, import or export fees or duties and surveys of the FPSO; provided, however, that in the case of a termination by Company in any case where the drydocking or Offsite Repair Work was primarily due to reasons set forth in Clause 5.7(i)(b), Company shall pay Contractor any FPSO Drydocking Costs for work performed prior to the effective date of Company's termination (but not subsequent to such date).

(b) ***Drydocking Due to Force Majeure Event***. If the unscheduled drydocking or Offsite Repair Work was due to reasons set out in Clause 5.7(i)(c) above, Contractor's and Company's termination rights and time periods pertaining to such termination rights set forth in Clauses 32.3 and 32.4 of this Agreement shall apply.

(c) ***Company's Costs and Expenses***. Contractor shall not be liable for any of Company Group's costs and expenses during any period after Shutdown under this Clause 5.7 except to the extent that Owner or Contractor uses the services of Company Group in undertaking Contractor's responsibilities and obligations described in this Clause 5.7.

(iii) No O&M Compensation until Completion of Post Drydocking FPSO Commissioning.

(a) ***No O&M Compensation until FPSO Back at the FPSO Site***. If the FPSO leaves the drydock or such off-FPSO Site facility where work on the FPSO was performed for reasons set forth in Clause 5.7(i)(a) above, and Company has not terminated this Agreement, Contractor shall not receive any O&M Compensation again until the FPSO: (I) has arrived on the FPSO Site in compliance with the Specifications, (II) is fully and safely moored in accordance with Attachment A of this Agreement in a position in accordance with such Attachment A and no further actions are required by Contractor to connect the FPSO to the Riser Facilities, (III) is classified with the FPSO Classification as required hereunder, and (IV) successfully re-performs the FPSO Commissioning (and all of the above is certified by the Classification Society confirming that the FPSO meets the requirements of (I), (II), (III) and (IV) above in this sub-clause (iii)). Furthermore, in the case of reasons under Clause 5.7(i)(a), the period of time commencing at the time Contractor recommences Crude Oil processing operations until the time when Full Flow Rates are resumed shall be considered Downtime for O&M Compensation purposes.

(b) ***O&M Compensation in Other Cases***. If drydocking or Offsite Repair Work is necessary due to reasons in Clause 5.7(i)(b) above, O&M Compensation shall continue to be paid. If such drydocking or Offsite Repair Work was necessary for reasons in Clause 5.7(i)(c) above, Company shall continue to pay the Force Majeure rate set out in Clause 32.2 until all events in (I), (II), (III) and (IV) above of sub-clause 5.7(iii)(a) have been completed and Full Flow Rates have been resumed.

(iv) ***Company's Termination Payments for Termination under Clause 5.7(ii)***. In the event Company terminates this Agreement pursuant to its termination rights in Clauses 5.7(ii)(a) and 5.7(ii)(b) above, the following termination payment provisions shall apply:

(a) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 5.7(i)(a) above, Company shall not be required to pay Demobilization Costs.

(b) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 5.7(i)(b) above, Company shall pay the Demobilization Costs.

(c) In the case of termination where drydocking or Offsite Repair Work was due to events in Clause 5.7(i)(c) above, Company shall not be required to pay the Demobilization Costs.

5.8. **Inspections/Tests**. Contractor shall arrange for the inspections and tests in respect of any O&M FPSO Work and Services, work under a Variation Order, and other work performed by Contractor Group, including in any drydock or repair yard or otherwise and any other inspections or tests to be carried out by Contractor Group. Company may, at its own cost and risk, attend these inspections and tests on the FPSO or elsewhere. Contractor shall give Company prior written notice (sufficient to allow Company Group Personnel to be present) of any inspection or test to be conducted and of any changes to the time of any inspection or test. If Company is properly given prior written notice and Company Group Personnel fail to be present at an inspection or test, Contractor may nevertheless conduct the particular inspection or test; provided however, the Classification Society must certify all inspections and tests which may affect Classification Society requirements have complied with the applicable Classification Society rules. Company's failure to witness any inspection or test shall not relieve Contractor of any obligations hereunder.

5.9. **Company's Inspection Rights.** Company's representatives may inspect any aspect of the Services, the O&M FPSO Work, work under a Variation Order or other work performed and materials at all times wherever such work is being performed or the materials are being stored, to ensure the work is being performed in accordance with the Specifications or a Variation Order.

5.10. **Company Notification.** Company shall have the right to notify Contractor if the installation or utilization of equipment, materials, spare parts or maintenance work are defective or not in compliance with the applicable Variation Order, the Specifications or Classification Society requirements.

5.11. **Contractor to Remedy Defects. If the inspections and tests identify any matter in respect of which the FPSO does not comply with the applicable Variation Order, as to Specifications or Classification Society requirements in relation thereto, Contractor shall, at its sole cost and expense (which shall not be subject to reimbursement as a Reimbursable Cost or Time Rate or pursuant to the Fixed Fee), remedy the defect and submit it for further inspection or testing.**

5.12. **Equipment Replacement.** If any equipment or machinery or any component part thereof of either the FPSO or the Additional Equipment is damaged, defective or breaks at any time during the Term and such equipment, machinery or component part must be replaced, the costs of any replacement thereof shall, subject as hereinafter provided, be borne by the Company. In the case of replacement of equipment, machinery or any component part thereof which is covered by or subject to any manufacturer's, supplier's or vendor's warranty or guarantee, Contractor shall use Best Efforts either (i) to

recover from such manufacturer, supplier or vendor the costs (or part thereof) paid by Contractor for such damaged, defective or broken equipment or machinery, or (ii) to receive from such manufacturer, supplier or vendor replacement equipment or machinery that is not damaged, defective or broken. In the case of (i) above, all amounts recovered by Contractor shall be credited against corresponding amounts paid by Company for such damaged, defective or broken equipment or machinery and, in the case of (ii) above, all replacement equipment and machinery received from a manufacturer, supplier or vendor as aforesaid, shall be utilized by Contractor to replace the damaged, defective or broken equipment or machinery of the FPSO or the Additional Equipment (as the case may be), and Company shall have no obligation to pay for such replacement equipment or machinery as a Reimbursable Cost or otherwise.

5.13 **FPSO Assistance.** In the event that at any time during the Term,

(i) as an agreed alternative to FPSO drydocking or Offsite Repair Work for which Contractor would otherwise be responsible under Clause 5.7(i)(a), the FPSO must be assisted at the FPSO Site by another vessel of any kind in order for the FPSO to remain at the FPSO Site conducting Commercial Operations; or

(ii) the FPSO is assisted at the FPSO Site by another FPSO, at Contractor's sole option, in order for the FPSO the FPSO to remain at the FPSO Site conducting Commercial Operations;

Company shall not be required to pay any costs or expenses of the assisting vessel by way of either increased O&M Compensation or by any other means. Nor shall Company be required to pay any costs or expenses of transporting such assisting vessel to the FPSO Site, mooring it or securing it to the FPSO or the Mooring System or for any other costs of operation while such assisting vessel is on and operating at the FPSO Site, except for the normal O&M Compensation agreed to in this Agreement. This Clause does not create any obligation on the part of Contractor to provide a replacement FPSO.

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7. COMPANY OBLIGATIONS

7.1. **Company's Instructions**. The instructions of Company shall be consistent with the provisions of this Agreement. Such instructions shall be confirmed in writing by Company Representative prior to implementation.

7.2. **Consents and Approvals**. Subject to the provisions of this Agreement regarding Contractor's obligations to obtain and maintain certain consents, authorizations, approvals, permits and licenses, Company shall obtain and maintain such consents, authorizations, approvals, permits and licenses for which it is responsible pursuant to the terms of this Agreement, including those required under the PSC ("***Government Approvals***"), to enable Company to perform its obligations under this Agreement ***and Company shall save, indemnify, defend, protect and hold Contractor Group harmless from and***

against any cost, expense, Claim, demand or liability suffered or incurred by Contractor as a result of Company's failure to comply with this Clause 7.2. Contractor agrees to provide all reasonable assistance and co-operation as may be required to assist Company in obtaining and maintaining the Government Approvals.

7.3. **<u>Company Assistance</u>**. Company agrees to provide all reasonable assistance and co-operation as may be required to assist Contractor in obtaining and maintaining any consents, authorizations, approvals, licenses for which Contractor is responsible including visas or work permits for Contractor Group Personnel that Contractor may be required to obtain in Malaysia.

7.4. **<u>Company Costs</u>**. Company shall, except as hereinafter provided, bear and pay for the following reasonable costs incurred by Contractor following the Delivery Date without limitation to Contractor's right of reimbursement for Reimbursable Costs as set forth in Attachment B:

(i) all costs associated with the repair of any damage or accident to the FPSO and Additional Equipment not payable by Contractor pursuant to the terms of this Agreement;

(ii) all costs arising from corrosion in the FPSO's cargo tanks and cargo lines unless due to the Gross Negligence or Willful Misconduct of any member of Contractor Group (in which case, such costs shall be the sole responsibility of Contractor);

(iii) subject to a Variation Order, all costs of modifications or repairs of the FPSO after the Delivery Date required as a result of any change in the laws or regulations of Malaysia, or any change in the Classification Society's requirements, or change in the FPSO's flag or registry, in each case occurring after the Contract Date;

(iv) all bunkers, fuel, lubricants and chemicals suitable for the FPSO's requirements;

(v) subject to the provisions of Clause 5.7 and Clause 5.13 and except as set forth therein, support vessels (including all support vessels required by the Master on disconnection from and reconnection of the FPSO to the Riser Facilities, during offloading or discharging operations, and during bad weather or emergencies of any kind);

(vi) transportation of Contractor Group's Personnel, Contractor Property and spare parts between the point of arrival in Malaysia (which shall be Labuan) and the FPSO; and

(vii) facilities for the receipt and removal of slops and other oil residues from the FPSO, as well as all ship's waste beyond the capacity of the FPSO's incinerator (unless caused by the Gross Negligence or Willful Misconduct of any member of Contractor Group), when required by the Master.

7.5. **Company Supplied Items**. Company undertakes to provide and/or pay for (as the case may be) all items referred to as being Company's responsibility under Attachment B and as set forth elsewhere in this Charter.

7.6. **Company Guarantee.**

8. **TITLE TO SPARE PARTS**

8.1. **Company Property**. Subject to Clause 8.3 hereto, all spare parts, stores and provisions provided by Contractor Group at its expense, if any, shall become Company Property when Contractor receives from Company the Reimbursable Costs, if any, associated with such spare parts, stores and provisions. Notwithstanding the foregoing, all spare parts and machinery or equipment when permanently installed on the FPSO shall, , become part of the FPSO and Owner Property, unless Company exercises the Option and Closing occurs or when installed on the Additional Equipment, shall become part of such Additional Equipment and shall become Company Property. Contractor shall keep accurate records of all spare parts and other equipment or material imported.

8.3. **Procedures on Termination**. In the event the Charter terminates or is cancelled for any reason other than Company's exercise of the Option in connection with the acquisition of the FPSO, Company shall not be required to take over, pay for, reimburse to or purchase from Contractor or any Subcontractor of Contractor any component of Contractor Property (including, without limitation, spare parts, tools, equipment, materials, moveable property and consumables onboard the FPSO or onshore) and whether or not purchased for Company's account pursuant to the terms hereof. or Contractor shall, following the effective date of any termination or cancellation of this Agreement (except for termination for the reasons set out in Clauses 24.1 (i), 24.1 (ii) or 24.3), take over from and reimburse Company for all spare parts, tools, equipment, movable property and consumables onboard the FPSO and onshore which are owned by Company and which have been purchased or ordered by Contractor (or any Subcontractor) for use in connection with the Services and for which Contractor (or any Subcontractor) has received from Company Reimbursable Costs associated with the purchase of such spare parts, tools, equipment, materials, moveable property and/or consumables. Contractor shall, within ten (10) Business Days of any such termination or cancellation, reimburse to Company (in United States dollars) an amount equal to all Reimbursable Costs previously received by Contractor from

Company in connection with the purchase of such spare parts, tools, equipment, materials, moveable property and consumables, discounted by 10% per year or pro rata for part thereof) (discounted annually from the previous year's calculated value) for each year or part thereof between the date of receipt by Contractor of the related Reimbursable Costs and the date of termination or cancellation of the Charter and this Agreement. In the event that this Agreement is terminated in accordance with Clause 24.1 (i), 24.1(ii) or 24.3 then Contractor shall not be required to reimburse Company for any such spare parts, tools, equipment, movable property and consumables onboard the FPSO and onshore which have been purchased or ordered by Contractor (or any Subcontractor) for use in connection with the services, and all such items shall be deemed to be part of the FPSO and Owner Property.

9. USE OF THE FPSO

9.1. **Use**. Contractor shall provide meals and accommodations for up to 10 of Company Group Personnel. Any additional Company Group Personnel shall be provided meals and accommodations based on the availability of space. Contractor shall be entitled to its Reimbursable Costs associated with this Clause, if any, such Reimbursable Costs are incurred by Contractor.

9.2. **Company's Lay Up Rights**. Company shall have the option of laying up the FPSO at an agreed safe port or place for all or any part of the Term, in which case the O&M Compensation (less all Rate Savings realized by Contractor) shall continue to be payable during any period of lay-up until Charterer terminates the Charter and this Agreement. If Company, having exercised such lay-up option, desires the FPSO again to be installed at the FPSO Site or other Company location, Contractor will, upon receipt of written notice from Company to such effect, immediately take steps to restore the FPSO to service as promptly as reasonably possible. This lay-up option granted to Company may be exercised one or more times during the Term.

9.3. **FPSO Relocation**. Under the Charter, Charterer has the right to relocate the FPSO at any time to any other location within the territorial waters of Malaysia. Company agrees that Contractor shall be compensated for additional and reasonable actual and documented Reimbursable Costs and Time Rates (if any) of Contractor in the performance of the Services required to relocate the FPSO to the new location pursuant to the terms of this Agreement and Attachment B. During any relocation, Company shall continue to pay the O&M Compensation.

9.4. **Third Party Oil**. Subject to the Variation Order provisions of Article 13, Company shall have the right to have the FPSO receive and process Crude Oil, water and gas and to store and offload Processed Oil produced by or belonging to Third Parties without any increase in the Fixed Fee; provided Company shall meet any additional Reimbursable Costs and Time Rates, if any are required, to receive, process, store, or offload such Third Party Crude Oil.

10. TERM OF AGREEMENT

10.1. **<u>Commencement Date/Term</u>**. This Agreement shall become effective as of the Contract Date. The Term of this Agreement shall commence as of the Delivery Date, and shall, as hereinafter provided, continue in effect thereafter throughout the Term until terminated in accordance with the termination provisions hereof, or as otherwise provided in this Agreement.

10.2. **<u>Early Termination</u>**. With effect from the Delivery Date, the period of this Agreement shall be not less than the Primary Term except where this Agreement is cancelled or terminated earlier in accordance with the terms hereof.

10.3. **<u>Renewal Options</u>**. This Agreement shall, at the sole option of Company by notice in writing to Contractor provided at least nine (9) months prior to the expiration of the then current Term, continue for one or more Secondary Terms of three (3) years each up to a maximum of fifteen (15) additional years beyond the Primary Term, unless otherwise earlier terminated in accordance with the provisions of this Agreement. Company's failure to notify Contractor within the time period set forth above shall be deemed to be Company's election not to extend this Agreement for a Secondary Term. In the event the term of the Charter is renewed or extended this Agreement shall be extended for the same period.

10.4. **<u>Compensation</u>.** The compensation payable by Company to Contractor during the Term shall be as set out in this Agreement, including Attachment B, unless reduced or otherwise adjusted as contemplated by the terms of this Agreement.

10.5. **<u>Extended Term</u>.** On expiration of the Primary Term and any Secondary Term, the applicable term then ending (whether the Primary Term or Secondary Term) shall be automatically extended for an additional period which period shall equal the number of Days of Shutdown recorded by the Parties during the respective term of this Agreement (i.e., during the Primary Term or Secondary Term in question); subject, however, to a maximum extended period of thirty (30) Days of Shutdown for the Primary Term and a maximum of ten (10) Days of Shutdown for each Secondary Term.

11. RELATIONSHIP OF THE PARTIES

11.1. **<u>Independent Contractor</u>.** In the performance of this Agreement, Contractor is and shall remain an independent contractor, maintaining complete and exclusive control over Contractor Group Personnel. Where Contractor is required to furnish Personnel, such Personnel shall at all times remain in the employment of Contractor or other members of Contractor Group. ***Without prejudice to Article 27, Contractor shall assume all responsibilities and obligations and shall save, indemnify, defend, protect and hold harmless Company Group from all losses, Claims or demands with regard to such Personnel that may be imposed by virtue of any applicable laws and regulations imposed by any authority having jurisdiction including, but not limited to visas, permits, wages, benefits or other amounts due to such Personnel provided always that nothing in this Clause shall limit or affect Contractor's entitlement to receive approved Time Rates and Reimbursable Costs, pursuant to the provisions of Article 14.***

11.2. **No Authority**.

(i) Nothing in this Agreement shall be construed to appoint or constitute one Party as a representative or agent of the other, and the Parties shall have no authority to commit or bind the other or any of its respective Affiliates. Nothing in this Agreement shall be construed to appoint or constitute one Party as a representative or agent of the other, and the Parties shall have no authority to commit or bind the other or any of their respective Affiliates.

(ii) Company enters into this Agreement on its own behalf and for its own benefit. Accordingly, Contractor shall look only to Company for the performance of this Agreement (Company being in all respects fully responsible for such performance, except to the extent any operations or performance are being performed by the Owner under the Charter), and waives any and all rights to make or pursue any Claim against the Co-Venturers with respect to operations under this Agreement or the PSC.

11.3. **Control of FPSO.** Subject to the provisions of Article 27, the Master shall be in charge of the FPSO and shall be responsible for, and have ultimate authority in relation to the safe operation of the FPSO, and the safety and discipline of all persons on board the FPSO.

11.4. **Compensation Adjustment/Change of Law.** Subject to the provisions of Article 20.6 if after the Contract Date there are any changes in the laws and regulations of Malaysia or any change in the Classification Society requirements or any change in the FPSO’s flag or registry requirements with which Contractor is obligated to comply and which affects the cost of Contractor’s performance of its obligations under this Agreement, there shall, subject to the provisions of Article 13, be a corresponding adjustment (up or down) in the compensation payable to Contractor as Time Rates and/or the Reimbursable Costs, so that Contractor is in no better or worse financial position. Contractor shall promptly notify Company of any such change and provide documentation reasonably satisfactory to Company to evidence such change and the effect it may have on Contractor’s financial position (including its position with respect to Time Rates and any Reimbursable Costs) in respect of this Agreement.

11.5. **Indemnity as to Contractor Personnel Wages.** ***Contractor shall be responsible for and shall save, indemnify, defend, protect and hold Company Group harmless from any liability for payment of all wages, salaries, benefits and other remuneration and for payment of all taxes and contributions required by governmental authorities (including any political subdivision thereof) applicable to Contractor Group Personnel, including, without limitation, payment in compensation for an accident, injury or occupational disease. Nothing in this Clause shall limit or affect Contractors’ entitlement to receive approved Reimbursable Costs or Time Rates under this Agreement.***

11.6. **<u>Supervision and Control</u>.** Without prejudice to Article 27, the performance of the Services shall be always under the supervision and control of Contractor, provided that Company may inspect the performance of the Services from time to time and advise Contractor of any substandard performance. Company and the Government shall have access at all times to the FPSO and all places where the Services are being performed for the purpose of inspecting the performance of the Services. The inspection of any aspect of the performance of the Services, which does not interfere with the Services, shall not excuse Contractor from any obligation hereunder. The failure on the part of Company or others to inspect the Services, to witness, test, to discover defects or to fail to reject Services performed by Contractor that are not in accordance with this Agreement shall not relieve Contractor from liability or obligation under this Agreement.

11.7. **<u>No Mineral or Hydrocarbon Deposit Rights</u>.** Contractor and any other members of Contractor Group, and their respective officers, directors, employees, agents, subcontractors, successors and assigns shall have no equitable, legal or other interests in any mineral and hydrocarbon deposits which are known or which might be discovered by Company. If any such Persons assert or attempt to establish or establish any interest in the mineral or hydrocarbon deposits, ***Contractor shall save, indemnify, defend, protect and hold harmless Company Group from and against all Claims, losses, damages and costs (including legal costs) resulting therefrom.***

11.8. **<u>No Exemption from Health, Safety and Environmental Laws</u>.** Contractor shall not, without the prior, express, written and clear consent of Company (which consent shall not be unreasonably withheld), apply to or petition, or enter into negotiations with, or agree with the Government or any Government representative for a variation of or exemption from laws and regulations concerning safety, health, pollution (air, water, noise) and environmental protection relating to this Agreement or the Services.

11.9. **<u>Control of Crude Oil Production</u>.** At all times during the Term, Company, through Company Representative, shall have control of the direction of Crude Oil production from the Wells.

12. REPRESENTATIONS AND WARRANTIES

12.1. **<u>Contractor Fully Informed</u>.** By agreeing to perform the Services and by entering into this Agreement, Contractor represents and warrants that, as of the Contract Date, (i) it has fully acquainted itself with the information contained in this Agreement and the Attachments and knows of no reason why any physical or material aspects would interrupt or delay the diligent performance of its obligations in accordance with this Agreement; and (ii) it is fully acquainted with the nature of the duties it undertakes to perform in this Agreement and knows of no reason and anticipates no interruptions, whether by labor disputes or otherwise, which would prevent it from diligently performing its obligations in accordance with this Agreement.

12.2. **Other Representations and Undertakings of Contractor.** Contractor represents, warrants, covenants and undertakes that the following is or will be (as appropriate) true and correct:

(i) As of the Contract Date (unless otherwise stated below),

(a) it is duly organized and validly existing under the laws of Malaysia;

(b) it has the full power and authority to execute, deliver and perform its obligations under this Agreement and to enter into and carry out the transactions contemplated herein and, except for Permitted Encumbrances, there are no Encumbrances on, over or relating to the FPSO;

(c) the execution, delivery and performance of this Agreement has been duly authorized, executed and delivered, this Agreement constitutes a valid and binding obligation of Contractor, enforceable according to its terms and such execution, delivery and performance is not in breach, conflict with or in contravention of applicable law, rule or regulation or court order or decree or of Contractor's corporate organizational documents or any mortgage, indenture, agreement or undertaking to which Contractor is a party or by which it is bound or which otherwise affects or covers the FPSO, nor does such execution, delivery or performance require consents under any other agreement to which Contractor is party or is bound;

(d) there are no Third Party rights that limit or restrict the ability of Contractor to perform its obligations under this Agreement (including the Services) and all permits, licenses, and other rights that are the obligation of Contractor in connection with this Agreement have been obtained;

(e) there are no material actions, suits or proceedings pending, or to the knowledge of Contractor, threatened against or affecting it or the FPSO that would, if determined adversely thereto, impair the ability of Contractor to perform its obligations under this Agreement;

(f) there are no petitions filed or threatened to be filed, orders entered or resolutions passed for the winding up, receivership, bankruptcy or reorganization of Contractor, Contractor has not made an assignment for the benefit of creditors, nor has a receiver or administrator been, about to be or threatened to be, appointed to its assets;

(g) there are no defaults or events of default existing or potentially likely to exist by Contractor with regard to this Agreement;

(h) there is no information known to Contractor which would cause the information disclosed by Contractor pursuant to this Agreement in any provided documents to be materially incorrect or misleading;

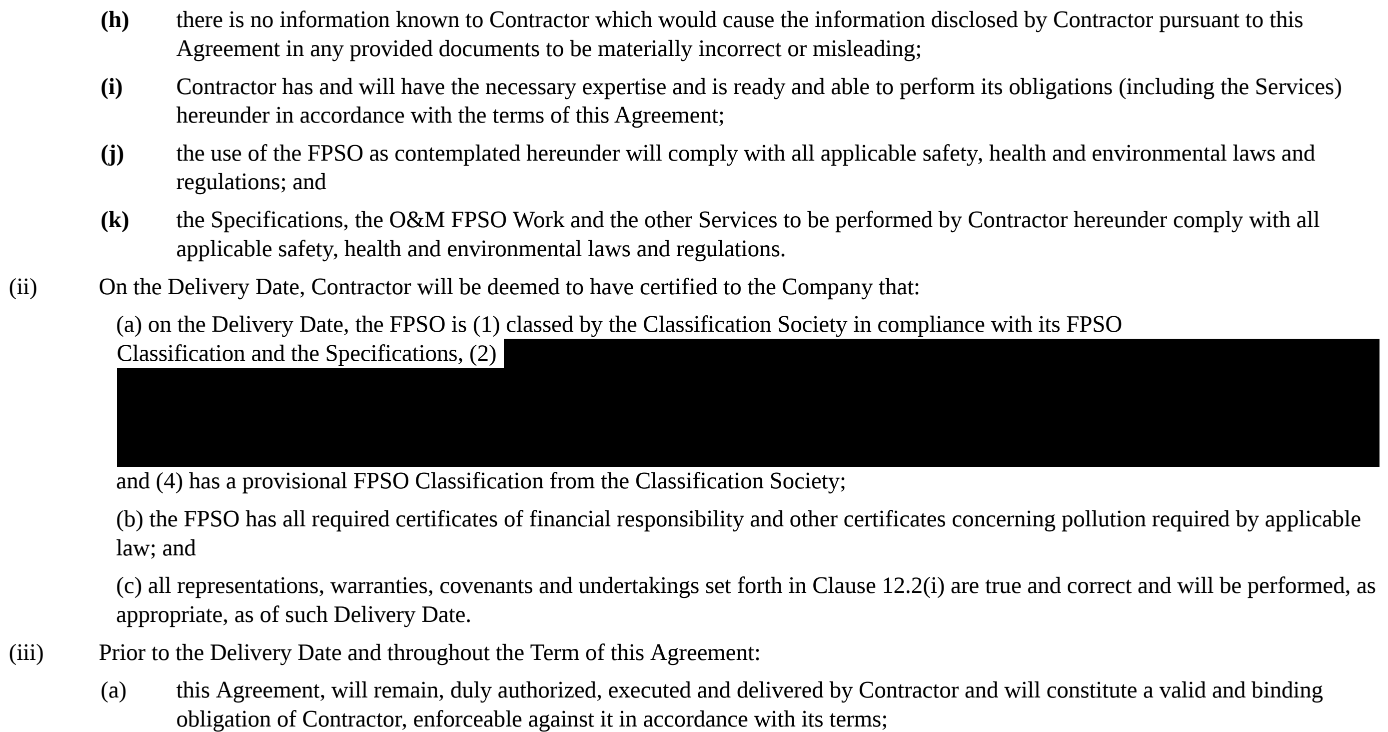
(i) Contractor has and will have the necessary expertise and is ready and able to perform its obligations (including the Services) hereunder in accordance with the terms of this Agreement;

(j) the use of the FPSO as contemplated hereunder will comply with all applicable safety, health and environmental laws and regulations; and

(k) the Specifications, the O&M FPSO Work and the other Services to be performed by Contractor hereunder comply with all applicable safety, health and environmental laws and regulations.

(ii) On the Delivery Date, Contractor will be deemed to have certified to the Company that:

(a) on the Delivery Date, the FPSO is (1) classed by the Classification Society in compliance with its FPSO Classification and the Specifications, (2)



and (4) has a provisional FPSO Classification from the Classification Society;

(b) the FPSO has all required certificates of financial responsibility and other certificates concerning pollution required by applicable law; and

(c) all representations, warranties, covenants and undertakings set forth in Clause 12.2(i) are true and correct and will be performed, as appropriate, as of such Delivery Date.

(iii) Prior to the Delivery Date and throughout the Term of this Agreement:

(a) this Agreement, will remain, duly authorized, executed and delivered by Contractor and will constitute a valid and binding obligation of Contractor, enforceable against it in accordance with its terms;

(b) except as otherwise permitted by this Agreement, Contractor agrees (by way of an undertaking and not by representation of fact) that it will not change its jurisdiction of incorporation or organization, merge or otherwise combine with another entity or transfer all or substantially all of its assets to another entity without Company's prior written consent; provided however that notwithstanding anything to the contrary contained in this Agreement, Company shall not withhold consent to a proposed transfer or assignment of this Agreement, and any rights hereunder, by Contractor if: (1) such transfer or assignment is to an Affiliate of Contractor financially and technically capable of performing the Services and satisfactory to Company; (2) the Contractor Guarantee remains in full force and effect in accordance with its terms such that the guarantee of Contractor's obligations under this Agreement in favor of Company is not adversely affected by such transfer or assignment; (3) the Company, Contractor and any acceptable Contractor Affiliate have executed a Novation Agreement satisfactory to Company, pursuant to the provisions of Article 25 of this Agreement, whereby such permitted transferee takes assignment and Novation of this Agreement and other relevant matters; and (4) following such assignment, Contractor and Contractor Affiliate shall remain Affiliates throughout the Term;

(c) Contractor shall continue to have full power and authority to perform all of its obligations under this Agreement and to carry out all of the transactions contemplated by the terms of this Agreement.

12.3. <u>**Company Representations and Warranties**</u>. Company represents and warrants that the following is and will be, as appropriate, true and correct:

(i) As of the Contract Date:

(a) it is a corporation duly organized and validly existing under the laws of The Bahamas with a branch office in Malaysia;

(b) it has, the full power and authority to execute, deliver and perform its obligations under this Agreement and to enter into and carry out the transactions contemplated herein;

(c) the execution, delivery and performance of this Agreement will not be in breach, conflict or contravention of applicable law, rule or regulation or court order or decree or Company's Memorandum and Articles of Association, or any mortgage, indenture, agreement or undertaking to which Company is a party or by which it is bound, nor require the consents (that have not been obtained) under any other agreement to which Company is party or bound and this Agreement has, by proper corporate action, been duly authorized, executed and delivered by Company and all steps necessary have been taken to constitute this Agreement a valid and binding obligation of Company;

(d) the Company Group is entitled to develop, produce and process Crude Oil, inject water and export Processed Oil from the FPSO Site by use of the FPSO;

(e) there are no material actions, suits or proceedings pending, or to the knowledge of Company threatened, against or affecting it that would, if determined adversely thereto, substantially impair the ability of Company to perform its obligations under this Agreement;

(f) subject to the provisions of the PSC, there are no Third Party rights that limit or restrict the ability of Company to perform its obligations under this Agreement and all permits, licenses, and other rights that are obligation of Company in connection with this Agreement have been or will be obtained;

(g) there are no petitions filed or threatened to be filed, orders entered or resolutions passed for the winding up or bankruptcy of Company, Company has not made an assignment for the benefit of creditors, nor, to its knowledge, has a receiver or administrator been, about to be or threatened to be, appointed to its assets;

(h) there are no material defaults or events of default by Company existing or potentially likely to exist with regard to this Agreement; and

(i) there is no information known to Company which would cause the information disclosed by Company pursuant to this Agreement in any provided documents to be materially incorrect or misleading.

(ii) On the Delivery Date, by taking delivery of use and possession of the FPSO, Company will be deemed to have restated and certified to Contractor that all of its representations and warranties in Clause 12.3(i) are true and correct.

13. VARIATIONS

13.1. <u>Generally</u>.

(i) Variations in the Services or variations to the Specifications shall only be made in accordance with the provisions of this Article 13.

(ii) Without limiting the foregoing and for illustrative purposes only, the following would be regarded as a variation in the Services or the Specifications, without prejudice to the provisions in this Article regarding Variation proposals:

(a) the FPSO receives Crude Oil having characteristics different from those set forth in the Specifications which thereby affects the operability of the FPSO or necessitates re-engineering or equipment modifications; provided, that such change in Crude Oil is not caused by Contractor Group;

(b) instructions are issued by Company which would result in a change to the Specifications; or

(c) any change in applicable law, including any treaty, decree, regulation, or Classification Society requirement occurring after the Contract Date which has an adverse impact on either Party in connection with its performance of this Agreement; or

(d) information or data for which Company is responsible under this Agreement is found to be inaccurate, inadequate, incomplete, or materially differs from actual conditions thereby giving rise to delay or cost consequences.

(iii) Without limiting the foregoing and for illustrative purposes only the following would not be regarded as a variation in the Services or the Specifications:

(a) activities or resources to the extent necessitated, in whole or in part, by the act, error, negligence or omission of Contractor Group; or

(b) activities or resources to the extent necessitated, in whole or in part, by Contractor Group's failure to comply with any provision of this Agreement.

13.2. **Company's Request for Variation**. Company may, at its sole discretion, at any time, and from time to time, request in writing a variation to the Services, the O&M FPSO Work or to the Specifications and Contractor shall (subject to this Article) implement said variation and said variation shall not in any way be construed as invalidating this Agreement or any ancillary document, but shall form part of the Services. However, Contractor shall not be obligated to proceed with any variation which would entail changes to the FPSO or the Services or the Specifications that are in Contractor's reasonable opinion, outside the general intent of this Agreement, or would, in Contractor's reasonable opinion, render the FPSO unsafe as determined by the Classification Society.

13.3. **Variation Proposal**. If Contractor receives any document, request or instruction from Company or an event (other than as specified in Clause 13.1(iii)) occurs, either of which Contractor considers would constitute a variation to the Services, the O&M FPSO Work or the Specifications, it shall as soon as is reasonably practical advise Company as to the circumstances or happening of said occurrence. In that case, or if Company requests a variation with reasons therefor under Clause 13.2, Contractor shall issue a written variation proposal to Company providing:

(i) a detailed technical narrative description of that which Contractor considers constitutes the variation with a full and precise list of impacts and interfaces; and

(ii) a detailed calculation as to increase or decrease in O&M Compensation payable to Contractor required for performing the proposed variation.

13.4. **Contractor's Variation Proposal; Variation Order**. On receipt of a written variation proposal from Contractor, Company may accept or reject it in its reasonable discretion. If Company reasonably determines that a variation proposal constitutes a variation in the Services and accepts the variation proposal, Contractor shall issue a Variation Order for signature by both Parties incorporating the terms of the variation proposal. A Variation Order when so signed by both Parties shall be binding on both Parties, Contractor shall execute the change as provided by such Variation Order, and the subject matter of and Company's performance under the Variation Order shall be governed by the provisions of this Agreement.

13.5. **Increase in Compensation**. Any Variation Order under this Agreement that causes an increase in the Reimbursable Costs, the Time Rates or the Fixed Fee payable to Contractor pursuant to the applicable Annual Budget shall include such increase payable in accordance with any of the following, as Contractor and Company may in writing agree:

(i) by payment of an agreed lump sum amount in advance; or

(ii) by a change to the Reimbursable Costs, the Time Rates or the Fixed Fee; or

(iii) failing agreement as to (i) or (ii), on the basis of actual documented costs [redacted] by payment after satisfactory performance and completion of the Variation Order.

13.6. **Variation Order Costs**. The basis for the costs referred to in Clause 13.5 includes all costs directly arising from performance of the applicable Variation Order; that is, Subcontractor costs, materials costs and Contractor's reasonable overhead costs. If the Variation Order is performed by Contractor Personnel, then the cost referred to in Clause 13.5 above shall be limited to the actual additional wage costs incurred by Contractor and actual additional travel accommodation and subsistence charges directly arising from such Variation Order. Contractor shall, in accordance with Clause 13.3(ii), have presented Company with a detailed calculation that will be the budgetary cost basis of the applicable Variation Order.

13.7. **Implementation of Variation Order**. Contractor shall not commence implementation of a variation with respect to the Specifications (other than in the instance of an emergency as determined in Contractor's reasonable discretion to be notified immediately to Company in writing) until it has received a Variation Order signed by Company Representative in respect of such variation to the Specifications.

13.8. **Written Authorization**. Contractor shall not invoice and Company will not be obliged to pay any compensation in respect of any variation which has not been authorized by Company by means of a written Variation Order signed by Company.

13.9. **Alteration and Installation of Additional Equipment**. Company shall, prior to the Delivery Date, have the right to issue proposals for alterations to or installation of additional equipment on the FPSO, with the consent of Contractor which consent shall not be unreasonably withheld. Contractor may be invited by Company to tender for such alteration or installation work and if Contractor is awarded such work, Contractor and Company will enter into a separate written agreement to cover such alteration or installation. If such work is awarded to a Third Party, such work shall be performed in strict compliance with Contractor's safety standards and shall be integrated into the systems onboard the FPSO in a manner reasonably requested by Contractor. If an alteration or installation of equipment on the FPSO increases the costs or time of Contractor's performance of the Services, Contractor shall have the right to issue a Variation proposal under this Article 13 and the Parties shall endeavor to mutually agree upon a Variation Order or amendment of this Agreement to cover such increased costs.

13.10. **Company's Right of Audit**. Company shall be entitled to audit all payments for Variation Orders under which compensation is payable in accordance with Clause 13.5(ii) (expressly excluding the Fixed Fee aspect of such Variation Order) and Clause 13.5(iii). Company shall be entitled to perform such audit during and after the Term. Charterer's right to audit will terminate two (2) years after the end of the Term.

13.11. **Variation Order Procedures and Formats**. Company and Contractor agree, promptly after the Contract Date, to create and institute Variation Order procedures and formats, which will be agreed to by the Parties in writing.

14. CONTRACTOR COMPENSATION

14.1. **Attachment B**. Subject to the terms of this Agreement and to those of Attachment B to this Agreement, Company shall pay O&M Compensation to Contractor (as set forth in Attachment B), in the manner provided in this Article 14, and in Article 15 and Article 16 hereof. Reimbursable Costs and Time Rates shall begin to accrue as of the Ready for Risers Date, and the Fixed Fee shall, subject to the provisions of Clause 16.1(i)(b), begin to accrue as of the Successful Run Commencement Date.

14.2. **Fixed Fee Adjustment; Downtime; Shutdown**. The Fixed Fee shall be subject to adjustment as follows:

(i) Subject to the provisions of Part A, Section I.C.3.d of Attachment B, upon the expiration of each calendar quarter of the Term, Downtime shall be calculated in respect of each such quarter with reference to the operation of the FPSO during such relevant quarter. Subject to the provisions of Clause 14.2(xii) below, all unused and available Annual Maintenance Allowance hours as set forth in the applicable Annual

Maintenance Allowance Schedule for the contract year in which any Downtime occurs may be used by Contractor as a credit against each quarterly Downtime calculation, provided that Contractor notifies Company in writing whenever it intends to utilize the Annual Maintenance Allowance for such purpose. Based on the result of each such quarterly Downtime calculation, the compensation otherwise payable by Company to Contractor in respect of the Fixed Fee for each such calendar quarter shall be adjusted (up or down) by a percentage of such Fixed Fee as follows:

(ii) Whenever a Downtime event occurs during a contract year of the Term outside of the Annual Maintenance Allowance as such Annual Maintenance Allowance is set forth in the applicable Annual Maintenance Allowance Schedule for such contract year, Quarterly Downtime Percentage shall be calculated as the sum of the actual hours (or part thereof) recorded in each calendar quarter during which there is Downtime as follows:

(a)

$$\text{Daily Downtime (hours) (hours)} = \frac{\text{(Full Flow Rate – Actual Flow Rate)}}{\text{Full Flow Rate}} \times 24$$

where

“Full Flow Rate” means the average of the oil production flow rate for the most recent three (3) Days where no Downtime has been recorded

and

“Actual Flow Rate” means the actual oil production flow rate recorded during the Day on which Downtime occurred.

(b) Quarterly Downtime Percentage shall equal the sum of daily Downtime (hours), calculated as per (a) above during the quarter in question divided by the total number of hours for the quarter in question.

(c) **The above formula will also apply for any period of time following a Shutdown Period as the Wells are brought back on stream until Full Flow Rate has once more been achieved.**

(iii) Any time period during which water injection or gas compression is reduced, restricted or is not possible for any reason, and such reduction, restriction or failure causes Company (at its option) to reduce or restrict Crude Oil production, shall be counted as Downtime.

(iv) [Intentionally Left Blank]

(v) Without prejudice to the other provisions of this Clause 14.2, if the ability of the FPSO to offload Processed Oil shall be reduced or restricted, such inability to offload shall not be deemed to constitute Downtime hereunder except to the extent that such inability to offload shall reduce, restrict or suspend Crude Oil production flow to the FPSO.

(vi) All Downtime shall be reported by the FPSO's operation manager in the daily production report, which shall be co-signed by each of the Master and the Company Representative onboard the FPSO.

(vii) If Company requires cessation of all or part of the Services in accordance with Clause 4.16 hereof, including those of Attachment F of this Agreement (Health, Safety and Environmental Obligations), and such cessation causes the reduction, restriction or suspension of Crude Oil production, such cessation shall count as Downtime.

(viii) If Contractor is unable to compress associated gas and is forced to flare associated gas in excess of guidelines established by Petronas and such inability causes a cessation of production, the Shutdown provisions of this Agreement shall apply.

(ix) All time required to resume Full Flow Rate after a Shutdown shall be considered Downtime and the Fixed Fee shall be reduced as set forth in the above formula.

(x) Pursuant to the provisions of Clause 16.9, if Shutdown occurs at any time during any contract year of the Term for a period exceeding the unused Annual Maintenance Allowance for such contract year as set forth in the applicable Annual Maintenance Allowance Schedule for such year, plus three (3) consecutive Days, Clause 16.9 of this Agreement shall apply during such Shutdown Period.

(xi) Notwithstanding anything to the contrary contained in this Clause 14.2 or elsewhere in this Agreement, if Gas Compression Testing has not been successfully completed, and the Gas Compression Run Time achieved, on or before the last Day of the Gas Compression Testing Period, the Downtime and Shutdown provisions of this Clause 14.2 shall immediately apply.

(xii) Notwithstanding any other provision of this Agreement to the contrary, any Annual Maintenance Allowance for any contract year of the Term as set forth in the Annual Maintenance Allowance Schedule for such contract year utilized by Owner, under the Charter, or by Contractor, under this Agreement shall be deemed concurrently utilized by both Owner and Contractor, and in no event shall the Annual Maintenance Allowance exceed the total number of hours set forth in the Annual Maintenance Allowance Schedule for such contract year.

15. REIMBURSABLE COSTS AND TIME RATES

Company shall reimburse Contractor in accordance with Clause 16.1(i) for documented and reasonable Reimbursable Costs, and for documented and reasonable Time Rates, in each case incurred by Contractor in accordance with the terms of this Agreement (including those of Attachment B).

16. MANNER OF PAYMENT

16.1. **Procedures**. O&M Compensation (including Accrued O&M Compensation), as specified in Article 14, Article 15 and this Article 16, shall be paid in the following manner:

(i) **(a)** For the payment of the First Accrued Reimbursables incurred by Contractor from the First Reimbursables Accrual Date and thereafter throughout the First Reimbursables Accrual Period, Contractor shall, at the end of the month during which the Delivery Date occurs or, if the Ready for Hydrocarbons Date fails to occur within sixty (60) Days of the Fixed Fee Accrual Date, and such failure is the Sole Fault of Company, at the end of the calendar month during which the Early Payment Commencement Date occurs, prepare and send to Company an invoice for (1) the First Accrued Reimbursables incurred by Contractor during the First Reimbursables Accrual Period, and (2) the Reimbursables incurred by Contractor from the Delivery Date or the Early Payment Commencement Date (whichever Date occurs first), to and including the end of the month during which such Date occurs. Subject to the provisions of Clause 16.1(i)(c), for all other payments of Reimbursables to be paid by Company to Contractor for the Services to be performed each month following the month during which the Delivery Date or the Early Payment Commencement Date occurs, as applicable, Contractor shall, at the end of each such month (in the case of the Second Accrued Reimbursables at the end of the month during which the Successful Run Completion Date occurs), prepare and send to Company an invoice for the Reimbursables incurred by Contractor during such month.

(b) In the event that the Ready for Hydrocarbons Date occurs within a six (6) week period of the Ready for Commissioning Date, no Fixed Fee will accrue hereunder until the Successful Run Commencement Date. In the event the

Ready for Hydrocarbons Date fails to occur within six (6) weeks of the Ready for Commissioning Date, the Fixed Fee shall, as hereinafter provided, accrue and Company shall, subject to the provisions of Part A, Section I.C.3.d of Attachment B, be obligated to pay to Contractor the Accrued Fixed Fee pursuant to the following terms and conditions for each Day that the Ready for Hydrocarbons Date is delayed beyond the Day immediately preceding the Fixed Fee Accrual Date. In such event, for the payment of the Accrued Fixed Fee earned by Contractor from the Fixed Fee Accrual Date and thereafter throughout the Fixed Fee Accrual Period, Contractor shall, at the end of the calendar quarter during which the Delivery Date occurs or, if the Ready for Hydrocarbons Date fails to occur within sixty (60) Days of the Fixed Fee Accrual Date, and such failure is the Sole Fault of Company, at the end of the calendar quarter during which the Early Payment Commencement Date occurs, send to Company an invoice prepared in accordance with the terms of this Agreement, including Attachment B, for (1) the Accrued Fixed Fee earned by Contractor during the Fixed Fee Accrual Period (calculated by multiplying the number of Days constituting the Fixed Fee Accrual Period by the Daily Fixed Fee), and (2) the Fixed Fee, if any, earned by Contractor from the Delivery Date or the Early Payment Commencement Date (whichever Date occurs first) to and including the end of the calendar quarter during which such Date occurs. Notwithstanding the foregoing, the Fixed Fee shall not accrue and Company shall have no obligation to pay to Contractor any component of the Fixed Fee for the period from the Ready for Hydrocarbons Date to and including the Day immediately before the Successful Run Commencement Date. For all other payments of the Fixed Fee, if any, to be paid by Company to Contractor for the Services to be performed each calendar quarter during the Term following the calendar quarter during which the Delivery Date or the Early Payment Commencement Date, as applicable, occurs, Contractor shall, at the end of each such calendar quarter, prepare and send to Company an invoice for the amounts payable (or credits to the Fixed Fee due to Downtime reduction or Shutdown) by Company for such calendar quarter.

(c) On the Ready for Hydrocarbons Date, Company shall cease paying all O&M Compensation (including Accrued O&M Compensation) and shall, instead, commence accruing the Second Accrued Reimbursables only (and not the Fixed Fee) for each Day during the Second Reimbursables Accrual Period. Company shall thereafter only commence paying O&M Compensation and the previously accrued but unpaid Accrued O&M Compensation once more as of the Delivery Date.

(d) Following the Delivery Date, Company shall, subject to the terms of this Article 16, and subject further to the Downtime, Shutdown and other O&M Compensation reduction, offset and other provisions of this Agreement, continue to pay O&M Compensation, including First Accrued Reimbursables (if any remain unpaid), Second Accrued Reimbursables, and the Accrued Fixed Fee (if due Contractor hereunder and unpaid as of the Delivery Date), throughout the remainder of the Term, pursuant to the provisions of this Agreement.

(ii) Subject to the provisions of Clause 16.8, Reimbursable Costs and Time Rates incurred by Contractor pursuant to the terms of this Agreement, including Attachment B, shall reflect a breakdown of the currencies in which such Reimbursable Costs and Time Rates were paid and Company shall, if permitted by applicable law and following Contractor's delivery of the letter from Bank Negara Malaysia as required by the terms of Clause 3.4, repay Contractor in US dollar equivalent at the applicable exchange rate published by Malaysia Banking Berhad Kuala Lumpur, prevailing at the opening of business on the date the cost was incurred. Company shall pay only invoices supported by evidence verifying payment by Contractor of all items listed in such invoice within thirty-five (35) days of its receipt of same.

(iv) Subject to Contractor securing all necessary approvals and furnishing documentary evidence to Company that Contractor is duly authorized by Bank Negara Malaysia in Kuala Lumpur to accept payment in United States dollars, all payments hereunder shall be made in immediately available freely transferable currency as provided for in Clause 16.8, without discount, setoff or deduction of any kind, except as expressly permitted by this Agreement, by inter bank transfer, free of bank charges, to such bank or financial institution as Contractor shall designate, in writing, for credit to the account of Contractor. Subject as hereinafter provided, Company shall pay Contractor's invoices for the Services provided hereunder (pursuant to the terms hereof) within thirty-five (35) Days of Company's receipt of each such invoice. Company shall have the right to withhold from payments to be made to Contractor all amounts that it in good faith disputes, provided that Company, no later than five (5) Days prior to withholding any amounts otherwise due Contractor, shall notify Contractor that it is disputing an invoice and shall give detailed reasons for its dispute.

(v) Notwithstanding any other provision of this Clause 16.1 or any other provision of this Agreement to the contrary, in no event shall the

payment provisions of this Clause 16.1 (or the payment provisions of any other Clause of this Agreement) require or obligate Company to pay to Contractor duplicate payments of First or Second Accrued Reimbursables, Accrued Fixed Fee, Reimbursables, Fixed Fee or any other amounts otherwise due Contractor by Company hereunder.

16.2. **Commencement and Cessation of O&M Compensation**. O&M Compensation shall accrue and become payable in accordance with Clause 16.1, and O&M Compensation shall cease to be payable as of the Redelivery Date or upon the termination of this Agreement, as applicable except for O & M Compensation incurred or earned prior to such termination date or Redelivery Date that remains to be invoiced/paid. Any O&M Compensation paid in advance by Company representing compensation for a period beyond the Redelivery Date or date of termination shall be refunded by Contractor within thirty (30) days after the Redelivery Date or date of termination, as applicable.

16.3. **Failure to Pay**. Without prejudice to Contractor's rights under Clause 24.3, if Company fails to make payment of any undisputed amount owing within thirty-five (35) days of Company's receipt of an uncontested invoice, then:

(i) all money due to Contractor shall accrue interest, at the Agreed Interest Rate, from the due date of payment to the date of receipt by Contractor; and

(ii) Contractor may at its absolute discretion suspend all or any part of the Services until payment has been made if such non-payment continues for thirty (30) continuous Days following written notice from Contractor to Company that payment of such undisputed amount is overdue. No right of suspension will arise in respect of non-payment or delayed payment of an amount to the extent that payment of the amount concerned is subject to a dispute. If Company fails to pay any such undisputed amount within such thirty (30) Day period following receipt of Contractor's notice as aforesaid, Contractor may again give Company thirty (30) Days written notice to pay such undisputed amount. If Company still fails to pay same within such thirty (30) Day period, Contractor shall thereafter have the right to terminate this Agreement pursuant to the provisions of Clause 24.3(i), and pursue any remedies to which it is entitled under applicable law or this Agreement.

16.4. **No Payment Delays**. Payment by Company shall not prejudice its rights in the future to dispute any part of any invoice including any invoice previously paid. In the instance of dispute over any part of an invoice, Company shall not delay payment of the undisputed part of the invoice.

16.5. **Invoice Disputes**. Any unresolved dispute concerning an amount contained within an invoice shall be resolved between the Parties as set out in Article 37. Following resolution of the dispute or issuance of an arbitration award, any amount agreed or found to be payable by one Party to the other Party shall be paid within ten (10) Days after the date of such resolution or award (unless such award otherwise provides), together with interest thereon at the Agreed

Interest Rate calculated for the period between the final date of payment and the date the amount was initially due for payment; provided, however, if any delay is the justifiable result of the Party concerned failing to provide material information, interest will be payable from thirty (30) Days following receipt of such information.

16.6. **Contractor's Invoices**. All invoices submitted by Contractor shall:

(i) refer to this Agreement and if applicable, Company's purchase order number (which Company will furnish to Contractor);

(ii) be submitted with sufficient documentation to support such invoices and permit verification by Company; and

(iii) be submitted to and received by Company for the purposes of this Agreement at the address designated by Company in writing.

16.7. **Change in Payment Instructions**. Should Contractor wish to change any bank or other financial institution to which payment is to be made, at least thirty (30) Days prior written notice shall be given to Company of the new bank or financial institution and account details where such payment is to be made.

16.8. **Payment Currency**. The O&M Compensation and all other payments due under this Agreement are stated in United States dollars and in the event that Contractor is not authorized to accept United States dollars, or for any reason Contractor cannot for any period of time receive any such payment in United States dollars (by Government intervention or law, rule or regulation or otherwise), then payment shall be made in Malaysia Ringgits. For the purpose of converting US dollars to enable payment to be made in Malaysia Ringgit, the rate of exchange to be used shall be the average of the selling and buying rates of Telegraphic Transfer published in the opening of business rate sheet by Malayan Banking Berhad Kuala Lumpur on the due date for payment or the date the cost incurred in the case of Reimbursable Costs. If such Day falls on a Day where the rate is not available, the rate quoted immediately before such Day shall be used. During any Secondary Term, the exchange rate shall be the Malaysian Ringgit amount equal to the selling rate in Malaysia of the U.S. Dollar, as published in said business rate sheet on the due date, discounted by the lesser of (a) the average of the difference between the buying and selling rates at the date of exchange, or (b) the average of the difference between the buying and selling rates on December 1, 2004 as reported by Bank Negara.

16.9. **Excess Shutdown**. Unless otherwise specifically agreed by Company in any Variation Order with Contractor, if during any contract year of the Term Shutdown occurs, and the Shutdown Period continues for a period exceeding three (3) consecutive Days and such Shutdown does not fall within the unused and available Annual Maintenance Allowance set forth in the applicable Annual Maintenance Allowance Schedule for such contract year, or is not due

to any drydocking agreed in writing by Company, Company shall continue to pay to Contractor an amount equal to [redacted] of the Reimbursables (due Contractor hereunder), but the Fixed Fee due Contractor hereunder shall be reduced pursuant to the provisions of Clause 14.2 for any such excessive Shutdown Period. Furthermore, the period of time commencing when Contractor recommences Crude Oil processing operations at the FPSO Site after a Shutdown until the time when Full Flow Rates are resumed shall be deemed Downtime and handled in the manner set forth in Clause 14.2(ix) of this Agreement.

16.10. **Adjustments**. All adjustments or deductions due to Downtime, Shutdown or other causes as provided for in Clause 14.2 or elsewhere in this Agreement or Attachment B, shall be charged or credited by Contractor to Company on the invoice for the first calendar month which occurs following the calendar quarter in which the Downtime or Shutdown occurred. All such invoices shall state, in reasonable detail, the cause and duration of all such Downtime or Shutdown. Company may offset against any Fixed Fee due, (i) , any disputed amounts arising under this Article 16 (provided Company complies with the five (5) Day notice provision set forth in Clause 16.1(iv)), (ii) any Downtime, Shutdown or Force Majeure deductions under this Agreement and (iii) other reductions in O&M Compensation due or other amounts due from Contractor to Company under this Agreement and not paid by Contractor to Company within thirty (30) Days of their due date, unless such amounts due are already reflected as a discount on Contractor's invoices.

16.11. **No Obligation**. Notwithstanding any other provision hereof to the contrary, in no event shall Contractor be entitled to invoice Company, nor to receive from Company, any component of O&M Compensation (including Accrued O&M Compensation), and Company shall have no obligation or requirement to pay for any such component of O&M Compensation for the performance of the Services required of Contractor, which Services are performed by Owner pursuant to the terms of the Charter, and for which Owner receives compensation thereunder for the performance of such Services pursuant to the terms of the Charter.

17. AUDIT

17.1. **Audit Rights**. Contractor shall, and shall cause its Subcontractors and Affiliates (and the Subcontractors of such Affiliates) to, in connection with the performance of the Services, maintain books and records in accordance with generally accepted accounting principles of the appropriate jurisdiction applied on a consistent basis and shall retain such books and records for a period of not less than two (2) years following the expiration or termination of this Agreement. Company and its duly authorized representatives shall have access at all reasonable times to the books and records maintained by Contractor and its Affiliates, and the Subcontractors of both, relating to any reimbursable Services performed under this Agreement (including all books and records in any manner relating to Reimbursable Costs and Time Rates, including all Demobilization Costs, Bonus and Assessment calculations, and Variation Orders if performed under a cost plus basis, if paid by Company to Contractor pursuant to the terms hereof), plus all books and records relating in

any manner to taxes, duties, fees and similar charges paid or reimbursed by Company on Contractor's behalf), and shall have the right to audit such books and records at any reasonable time or times during the Term, and during such two (2) year period for the purpose of determining the correctness of the charges made to Company and of compliance with this Agreement. For the purposes of audit, Company shall have the right to examine, in Contractor's offices, during business hours and for a reasonable length of time, books, records, accounts, correspondence, instructions, specifications, plans, drawings, receipts and memoranda insofar as they are pertinent to these audit rights or for verifying invoices in relation thereto and shall be entitled to copies (free of charge) of all such data, documentation and supporting information. Contractor shall reconcile its books and records in accordance with the results of any such audit, and Company or Contractor, as the case may be, shall promptly pay any adjustments necessary to give effect to such reconciliation.

17.2. **Survival of Audit**. This Article shall survive expiration or termination of this Agreement for a period of two (2) years..

18. LIENS

18.1. **No Liens**. Except for Permitted Encumbrances and Company's lien for any unperformed Contractor obligations, subject to the Lender's rights in the QEL referenced in Clause 4.9 of the Charter, neither Company nor Contractor shall have the right, power or authority to create, incur, or permit to be imposed upon the FPSO any Encumbrance whatsoever.

18.2. **Payments**. Contractor shall pay promptly all justified Claims or justified demands for labor, materials, supplies, facilities, tools and equipment arising or occurring from any of Contractor Group's acts or omissions under this Agreement or otherwise and shall promptly remove immediately any lien, Encumbrance, arrest or detention or charge on the FPSO arising as a result of Contractor's failure to so pay. Company may at its option discharge any such lien, charge, Encumbrance or Claim for which Contractor is liable under this Article, and provided that such costs or expenses are not recoverable as Reimbursable Costs, recover any costs and expenses thereby incurred from any monies due or which may become due to Contractor under this Agreement or in the event that no further monies become due, recover the same as a debt from Contractor. Company undertakes to give Contractor reasonable opportunity to discharge any such lien, charge, encumbrance or Claim before Company exercises its rights under this Clause.

18.3. **Liens Arising by Operation of Law**. Certain liens or Encumbrances may attach to the FPSO from time to time by operation of law. If any action is taken to enforce any Encumbrance on the FPSO, Contractor shall immediately notify Company thereof and take such steps as are necessary to prevent any such action from adversely affecting Company's rights under this Agreement. In the event that, without the prior written consent of Company, Contractor grants or suffers to exist an Encumbrance to attach to the FPSO and Contractor fails to remove such lien or Encumbrance within the time period set forth in Clause 24.2(xiii), then in addition to any other rights Company

may have under this Agreement, Company may terminate this Agreement pursuant to the provisions of Clause 24.2(xiii), provided the termination conditions in such Clause are met whereupon Contractor shall immediately reimburse Company for any sums paid to Contractor and not earned and any other sums to which Company is entitled under this Agreement.

18.4. **Contractor Discharge of Encumbrances**. ***Contractor shall promptly discharge any lien or Encumbrance, other than Permitted Encumbrances, arising by operation of law by, through, or under Contractor Group and that attaches to the FPSO and shall save, defend, protect, indemnify, and hold harmless Company Group from any Claims, liabilities, losses, or damages suffered or incurred by Company Group in relation to such liens or Encumbrances.***

19. HEALTH, SAFETY AND ENVIRONMENTAL OBLIGATIONS

19.1. **Contractor Representations and Warranties**. By accepting and agreeing to perform the Services under this Agreement, Contractor represents that it is fully capable of performing the Services in compliance with and shall in all respects comply with the provisions of Attachment F to this Agreement and all applicable Malaysian and other relevant international, regional, national and local safety, health and environmental laws and regulations and good maritime operating practice and procedures as well as international accepted standards binding upon the FPSO or Contractor and any protocols, agreements, rules, codes or standards relevant to performance of the Services.

19.2. **Safe Work Environment**. Contractor is responsible for providing and maintaining a safe and healthy work environment at the FPSO, for Contractor Group Personnel, Company Group Personnel and all Third Parties. All such people at the FPSO are required to comply with Contractor's efforts to provide and maintain a safe and healthy work environment.

19.3. **Contractor's Safety Program**. Company is responsible for coordinating the work of Company Group Personnel with Contractor and advising such Persons that they must comply with Contractor's safety program while at the FPSO.

19.4. **Helicopters/Marine Traffic**. The Master may, during the Term, regulate the landing and taking off of helicopters and handling of launches and small boats employed by Company whilst alongside the FPSO and may defer offloading if he sees fit, in each case for safety purposes.

19.5. **HS&E Regulations and Procedures**. Contractor shall provide (if it has not previously done so pursuant to an existing operating and maintenance agreement with Company) to Company a copy of Contractor's written Health, Safety and Environmental ("HS&E") general regulations and procedures which shall comply with all relevant laws of Malaysia and all applicable international conventions. Company shall review these HS&E general regulations and procedures and the Parties shall mutually agree in writing on a set of HS&E general regulations and procedures ("***HS&E General***

Regulations and Procedures") that comply with the laws of Malaysia and Attachment F to this Agreement and are not in conflict with the rules and regulations promulgated by the country of the FPSO's flag and registry, that will govern the FPSO, all Persons onboard and the performance and provision of the Services. Notwithstanding the foregoing, Contractor agrees to conduct operations in compliance with the following standards and in the event of conflicts between the following requirements, the strictest criteria shall apply: the International Safety Management (ISM) Code for Safe Operation of Ships and Pollution Prevention, effective July 1, 1998 and all subsequent amendments (and Contractor shall at all times be in possession of a valid Safety Management Certificate thereunder), the International Convention for the Prevention of Oil Pollution from Ships, 1973, as amended by the Protocol of 1978 relating thereto (MARPOL 73/78) including all amendments in force and/or expected to be in force during the Term; International Convention for the Safety of Life at Sea 1974, as modified by the Protocol of 1978, (SOLAS) and the Company provided Environmental Management Plan for the Field included in Attachment D to this Agreement.

19.6. **FPSO Terminal Operations Manual**. Contractor shall abide by the FPSO Terminal Operations Manual agreed to in writing by Contractor and Company under this Agreement which shall apply to and govern the offloading of tankers at the FPSO (to be referred to herein as the "***FPSO Terminal Operations Manual***").

19.7. **Contractor Compliance**. Contractor shall comply with Contractor's written HS&E regulations and procedures in accordance with Attachment F to this Agreement (approved in writing by Company under this Agreement).

20. TAXES

20.1. **Taxes and Duties**.

(i) This Agreement has been entered into on the Contract Date under the current tax laws and regulations of Malaysia, including, but not limited to, turnover and services taxes, taxes on or deductible from payments, consumption taxes, business taxes and customs duties, the Malaysian Income Tax Act 1967, as amended, and taxes on gains or net income.

(ii) Subject to the provisions of Clause 20.1(iii) and Clause 20.2 of this Agreement, Company shall be authorized to withhold taxes from the payments made under this Agreement in accordance with the laws, regulations and/or directives in force in Malaysia and all other appropriate jurisdictions from time to time.

(iii) O&M Compensation and other payments described in this Agreement made by Company to Contractor are exclusive of any Malaysia services tax chargeable in Malaysia as of the Ready for Risers Date. Company shall following the receipt of evidence satisfactory to Company of Contractor's payment of Malaysia services tax, paid in accordance with applicable law, reimburse Contractor, pursuant to the provisions of Article 16, for the documented cost of such Malaysia

services tax incurred by Contractor or its Subcontractors in connection with the performance of the Services (which reimbursement shall not include any service charge or mark up or any interest, fine or penalty associated in any way with Contractor's failure to make timely payment of such service tax).

(iv) The O & M Compensation and other payments described in this Agreement further exclude: (a) taxes and related charges on services and supplies forming part of the Reimbursable Costs, and (b) subject to Clause 20.4(iii), all Malaysian customs duties for which Company is responsible in accordance with Clause 4.17. Company shall, following the receipt of evidence satisfactory to Company of Contractor's payment of such taxes, duties, and related expenses, reimburse Contractor, pursuant to the provisions of Article 15, for the documented cost of such expenditures incurred by Contractor in connection with the performance of the Services.

20.2. **Statutory Exemptions**. If Contractor claims to be exempted from any statutory withholding tax or deduction, it shall inform Company in writing and promptly provide any necessary documentation to support such exemptions, including a certificate of exemption or preferential tax treatment from the relevant taxing authority.

20.3. **Company's Tax Indemnity.**

20.4. **Contractor's Tax Indemnities.**

(i) all sales, excise, storage, value added, consumption and use taxes, licenses, permit and registration fees, income, profit, excess profit, franchise, and personal property taxes;

(ii) all employment taxes and contributions imposed or that may be imposed by law, trade union contracts, or regulations with respect to or measured by the compensation (wages, salaries or other) paid to employees of Contractor including, without limitation, taxes and contribution for unemployment and compensation insurance, old age benefits, welfare funds, pensions and annuities, and disability insurance and similar items; and

(iii) in the event Contractor fails or refuses to comply with Company's reasonable and lawful instructions in accordance with Clause 4.17, all customs duties applicable on the import into and export from Malaysia of Contractor Property, Contractor's goods, equipment and materials, including any such items imported in Company's name and which are on the prevailing "Master List of Materials and Equipment for Upstream Petroleum Operations Exempted from Customs Duties and Sales Taxes" (referred to below as the "***Master Exemption List***").

20.4.1 Nothing in Clause 20.4 shall limit or affect Contractor's entitlement to receive approved Reimbursable Costs or Time Rates under this Agreement.

20.5. **Certain Malaysian Tax and Customs Duties Requirements**. In relation to the importation of Contractor's equipment and materials into Malaysia:

(i) Any goods, equipment or materials imported overland into Malaysia for performance of the Services shall be delivered under bond to the Company's Supply Base.

(ii) If Contractor's goods, equipment or materials which fall within the Master Exemption List are to be imported in the name of Company by a route other than via the Supply Base, Contractor shall be required to move such equipment under bond to the Company's Supply Base. Contractor shall obtain Company's prior written approval and shall provide sufficient notice to Company for customs clearance.

(iii) Importation of such goods, equipment and materials shall be made in the name of Contractor if Contractor has a warehouse at the Company's Supply Base; otherwise, such imports shall be made in the name of Company.

(iv) If any Contractor's goods, equipment or materials which are not listed on the Master Exemption List will not be consumed in the performance of the Services, but will be utilized for a period of less than six (6) months, Contractor shall import such goods, equipment or materials on the basis of temporary import for re-export; and Company shall, if requested, provide reasonable assistance to enable Contractor to obtain such exemption, at Contractor's expense.

(v) Contractor shall be responsible for the preparation of all documents required by governmental authorities in connection with the import and export of Contractor's goods, equipment and materials to and from Malaysia. Company agrees to use reasonable efforts to assist Contractor with respect to the documents and approvals required by Contractor under this sub-clause (v).

(vi) Contractor shall be responsible for its goods, equipment and materials imported into Malaysia while such items are in Contractor's custody. ***Contractor shall save, indemnify, defend, protect and hold harmless Company Group from and against any Claims, demands and causes of action which may arise as a result of damage to, shortages, or overages in inventory of such equipment.***

(vii) Upon termination of this Agreement, Contractor shall, subject to the provisions of Article 8, take immediate steps to remove such equipment from Malaysia (unless such goods, equipment or materials have been used, lawfully abandoned or consumed in the performance of the Services or lawfully transferred to Company). Unless Company agrees otherwise in writing, Contractor shall comply with all reasonable and lawful directions and procedures as required by Company to cause such equipment to be removed as aforesaid as expeditiously as possible.

(viii) If any of Contractor's goods, equipment or materials listed in the Master Exemption List and imported in Company's name into Malaysia are to be sold, transferred, disposed of or otherwise dealt with prior to their removal from Malaysia, Contractor shall give prior notice to Company of its intention, and such action shall only be taken after prior written consent from Company. Company shall attempt to obtain the necessary approvals from the relevant governmental authorities for such action.

(a) ***all sales, excise, storage, consumption and use taxes, licenses, permit and registration fees, income, profit, excess profit, franchise, and personal property taxes imposed or may be imposed on Company;***

(b) ***all employment taxes and contributions imposed or that may be imposed by law, trade union contracts, or regulations with respect to or measured by the compensation (wages, salaries or other) paid to employees of Company including, without limitation, taxes and contribution for unemployment and compensation insurance, old age benefits, welfare funds, pensions and annuities, and disability insurance and similar items; and***

(c) ***all customs duties which apply in Malaysia to the import into or export from Malaysia of Company Property and, subject to the requirements of Clause 4.17, all customs duties which apply in Malaysia to the import into or export from Malaysia of Contractor Property utilized exclusively in connection with the performance of the Services.***

(xii) Each Party shall give prompt notice to the other of all matters pertaining to non-payment, payment under protest, claims of immunity, or exemption from any taxes or duties, to the extent that such action or omission could impact on the tax position of the other Party.

20.6. **Tax Savings**. Contractor agrees that any and all savings, exemptions or incentives obtained by Contractor with respect to income or corporate taxes or duties, imposts or other taxes of any kind (including, but not limited to, those set forth in Clause 20.1(i)) from or with respect to any applicable taxing jurisdiction or authority as a result of Owner’s, the Contractor’s, the Company’s and/or any co-venturer’s structuring (whether or not involving Subcontractors and/or Contractor) of the ownership, chartering or operation of the FPSO or the performance of the Services, shall be refunded to Company to the extent Contractor has been compensated by Company for such amounts.

21. CONFLICTS OF INTEREST

21.1. **Commissions/Fees**. No member of Contractor Group shall pay any commissions or fees or grant any rebates or other remuneration or gratuity to any member of Company Group. No member of Contractor Group shall grant any secret rebates, one to the other, nor pay any commissions or fees to the employees or officers of the other.

21.2. **Corrupt Payments**. By accepting this Agreement and agreeing to perform the Services, Contractor warrants that neither it nor any member of Contractor Group has made, will make, or will permit to be made, with respect to the Services or other matters provided for under this Agreement, any offer, payment, promise to pay or authorization of the payment of any money, or any offer or gift, or give or promise to give or authorize the giving of anything of value, directly or indirectly, to or for the use or benefit of any official or employee of the Government or to or for the use or benefit of any Malaysian or other Government political party, official, governmental department, agency or instrumentality thereof or any Government controlled entity or candidate for the purpose of: (i) influencing an official act or decision of that Person; (ii) inducing that Person to do or omit to do any act in violation of his, her or its lawful duty; or (iii) inducing that Person to use his, her or its influence within the Government to affect any Government decision or secure any improper advantage. Contractor further warrants that neither it nor any member of Contractor Group has made or will make any such offer, payment, gift, promise or authorization to or for the use or benefit of any other Person if Contractor or any member of Contractor Group knows, has a firm belief, or is aware that there is a high probability that the other Person would use such offer, payment, gift, promise or authorization for any of the purposes described in the preceding sentence. The foregoing warranties do not apply to any facilitating or expediting payment to secure the performance of routine Government action. Routine Government action, for purposes of this Clause shall not include, among other things, Government action regarding the terms, award, amendment, or continuation of this Agreement. Contractor shall respond promptly, and in reasonable detail, to any notice from Company or its auditors pertaining to the above stated warranty and representation and shall furnish documentary support for such response upon request from Company.

21.3. **Claims**. Contractor shall and hereby agrees to save, indemnify, defend, protect and hold harmless Company Group from and against all Claims in connection with the warranties and agreements contained in this Article.

22. TITLE TO THE FPSO

The Parties acknowledge that Owner shall own and retain full legal title to the FPSO and Contractor shall have no beneficial interest in the FPSO. Accordingly, nothing herein contained shall be construed as creating a demise of the FPSO to Contractor.

23. PARTY REPRESENTATIVES AND PERSONNEL

23.1. **Contractor Representative**. Contractor shall nominate by notice to Company in writing one of its Personnel as Contractor Representative for the

purpose of overseeing the performance of the obligations of Contractor under this Agreement and who shall have full authority to resolve all day-to-day matters that arise between Company and Contractor. Company shall have the right to approve nominations for Contractor Representative before any such appointment is made by Contractor. Contractor shall not reassign Key Personnel under this Agreement without written consent of Company; which consent shall not be unreasonably withheld provided however, Company shall have the continuing right to make reasonable requests that Contractor remove or substitute any or all Personnel whose conduct or performance justifies removal or substitution, and on such request, Contractor shall make the requested substitutions at a time in line with normal crew change activities, unless safety considerations require earlier substitution. All costs of any such removal or substitution additional to costs that otherwise would have been incurred shall be paid by Contractor and shall not be considered a Reimbursable Cost or Time Rate for purposes hereof. Contractor shall at all times be responsible for and shall maintain strict discipline and good order among its personnel and among its Subcontractors personnel.

23.2. **Company Representative**. Company shall nominate by notice to Contractor in writing one of its Personnel as Company Representative for the purpose of monitoring the performance of Contractor's obligations under this Agreement and who shall have the full authority to resolve all day-to-day matters that arise between Company and Contractor. Company Representative shall at all times have access to the FPSO and Contractor Group's offices and may inspect the Services or examine the records kept on the FPSO by Contractor Group. After the Delivery Date, Company's **"*Field Superintendent*"** will be Company Representative and shall give all instructions of Company's desired results for the operation of the FPSO; provided, the Contractor Representative of the FPSO shall maintain control of the FPSO at all times in order to provide these desired results in a safe and secure manner and in accordance with this Agreement.

24. TERMINATION

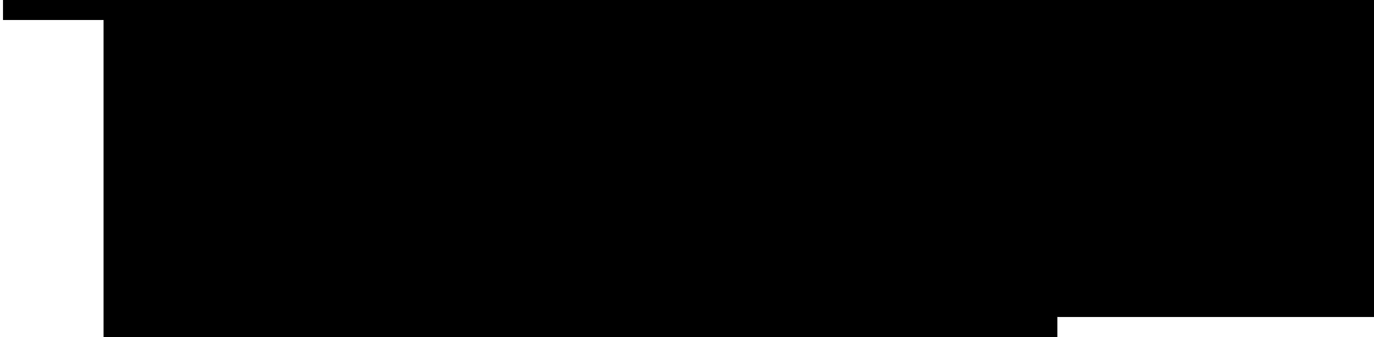
24.1. **Termination by Company**.

Without prejudice to Company's other termination rights set forth in this Agreement:

(i) ***Before the Delivery Date.*** Company may terminate this Agreement at any time prior to the Delivery Date by giving Contractor no less than ninety (90) Days prior written notice of termination, provided that the Charter is also terminated under its terms at the same time.

(ii) ***After the Delivery Date*** and provided that the Charter is also terminated under its terms at the same time, Company may, by written notice to Contractor, terminate this Agreement at any time after the Delivery Date and before the expiration of the Primary Term or any Secondary Term; provided, if this Agreement is in the Primary Term, Company shall give Contractor at least six (6) months prior written notice and if this Agreement is in a Secondary Term, Company shall

give Contractor at least three (3) months prior notice. If either of such events occurs, the termination date of this Agreement shall be the Day six (6) months (if in the Primary Term) or three (3) months (if in the Secondary Term), as the case may be, after the Day on which Contractor receives Company's notice of termination.



24.2. **Other Company Termination Rights**. If:

(i) Contractor is in breach of any of its material obligations under this Agreement and fails to resolve such breach to Company's satisfaction pursuant to the procedures and within the time limits set forth in Clause 24.5;

(ii) Contractor suspends payment of its debts or is unable to pay its debts as they become due, a petition is filed or an order is made or entered (and is not stayed within thirty (30) Days of service thereof) or a resolution is passed or an involuntary petition is filed or threatened to be filed for the winding up, receivership, bankruptcy or reorganization of Contractor, or Contractor makes an assignment for benefit of all or substantially all of its creditors, or a receiver or administrator is appointed to all or substantially all of its assets;

(iii) Unless otherwise mutually agreed in writing by the Parties, Shutdown occurs and continues for a period of ninety (90) consecutive Days at any time during the Term, plus any unused hours of Annual Maintenance Allowance, as such hours are reflected on the Annual Maintenance Allowance Schedule (unused by Owner or Contractor) for the contract year or contract years in which such ninety (90) consecutive Days of Shutdown occurs;

(iv) Subject to the provisions of Clause 24.1(iii) regarding the Option purchase right of Charterer, the Charter terminates for any reason, this Agreement shall also terminate, provided that in connection with any termination under this subclause (iv), Company shall be required to pay to Contractor Demobilization Costs if such termination of the Charter is for reasons which under the provisions of the Charter would require Charterer to pay Demobilization Costs (provided that Company shall never be required to make duplicate payments of such amounts);

(v) Contractor makes any assignment prohibited by Clause 25.3 of this Agreement;

(vi) Insurance required of Contractor under this Agreement is not obtained, properly maintained or lapses (provided, however, that, in the case of any insurance renewal, if Contractor demonstrates to Company's reasonable satisfaction prior to any such renewal that insurance coverages in any specified amount or for any specified risk listed in Article 28 is not available in the marketplace or from Owner's P&I Club at the time of any renewal, and Company and Contractor agree in writing to alternative amounts or coverages prior to any such renewal, then Contractor shall not be in breach under this Clause 24.2(vi), as long as no agreed insurance lapses or ceases to be in effect at any time);

(vii) The legal status of Contractor terminates;

(viii) Any representation or warranty of Contractor under this Agreement:

(a) shall prove to be untrue, false or materially misleading when made or for the time covered; and

(b) as a consequence shall materially and adversely affect Company's rights or benefits under this Agreement; and

(c) which Contractor has failed to remedy to Company's satisfaction within thirty (30) Days after written notice from Company;

(ix) The Contractor Guarantor:

(a) suspends payment of its all or substantially all of debts or is generally unable to pay its debts in the ordinary course of its business;

(b) passes a resolution, commences proceedings or has proceedings commenced against it (which are not stayed within twenty-one (21) Days of service thereof on the Contractor Guarantor) in the nature of bankruptcy or reorganization resulting from

insolvency or for its liquidation or for the appointment of a receiver, trustee in bankruptcy or liquidator of its undertaking or assets; or

(c) enters into any composition or scheme or arrangement with its creditors;

(x) The Contractor Guarantee ceases to be in full force and effect before the expiry of its agreed term (as agreed in writing by Company) (unless, within ten (10) Business Days thereafter, a replacement Contractor Guarantee, by an entity and a form satisfactory to Company, is executed and delivered to Company in substitution for the original Contractor Guarantee);

(xi) [Intentionally Left Blank];

(xii) [Intentionally Left Blank];

(xiii) Contractor permits or suffers to exist any Encumbrance or other consensual or non-consensual security interest in respect of the FPSO (other than a Permitted Encumbrance), and such encumbrance or other security interest interferes with Company's operations at the FPSO Site or its other operations in the Kikeh Field and such Encumbrance or other security interest has not been removed by Contractor within forty (40) Days after written notice requesting its removal has been given by Company to Contractor; or

then and in such event:

Company, in addition to any other rights it may have under this Agreement, shall have the right to immediately terminate this Agreement on demand by giving Contractor fourteen (14) Days written notice at which time this Agreement shall terminate without further obligation on either Party except, for the Company's accrued obligations hereunder incurred up to the termination date, including but not limited to O&M Compensation which has been earned but not paid (whether or not invoiced). Subject to any offset under this Agreement, Company shall, as of such termination date, be relieved of all further obligations under this Agreement.

24.3. **<u>Contractor Termination Rights</u>**. If:

(i) Company shall, for any reason, fail to make a payment due under this Agreement (other than disputed amounts) and such default continues after receipt by Company of Contractor's ultimate written demand for payment given pursuant to the provisions of Clause 16.3(ii);

(ii) Company is in breach of any other of its material obligations under this Agreement, and, such failure or breach continues for a period of thirty (30) Days after written notice has been received by Company and such breach or failure has not been remedied by Company within such thirty (30) Day period;

(iii) Company generally suspends payments of its debts or is unable to pay its debts as they become due, a petition is filed or an order is made or entered (and not stayed within thirty (30) Days of Service) or an involuntary petition or an order is made or a resolution is passed for the winding up or bankruptcy of Company, or Company makes an assignment for benefit of creditors, or a receiver or administrator is appointed to its assets; or

(iv) (a) Company Guarantor suffers or initiates any of the events outlined in Clause 24.2(ix) above with respect to Company Guarantor or its operations, or (b) the Company Guarantee ceases to be in full force and effect and is not replaced with a Company Guarantee satisfactory to Owner within the time period set forth in Clause 24.2(x);

then and in such event:

Contractor may, at its option, terminate this Agreement (a) in the case of Clause 24.3(i), upon seven (7) Days, (b) in the case of Clause 24.3(ii) or (iii), upon sixty (60) Days, and (c) in the case of Clause 24.3(iv), upon fourteen (14) Days prior written notice to Company. If this Agreement is terminated as aforesaid, Company shall remain liable to Contractor for all amounts owing, earned and unpaid under Article 16 (whether or not invoiced) less any credits or offset under Article 16 for all Services performed until the date of termination plus Contractors' Demobilization Costs.

24.4. **Article 32 Termination**. Contractor's duties and Services under this Agreement may also be terminated by Company in accordance with the provisions of Clause 32.3, and by Contractor in accordance with the provisions of Clause 32.4.

24.5. **Contractor's Material Breach - Procedures**. In the event of Contractor's material breach under Clause 24.2(i) above, Company shall notify Contractor in writing to cure such breach. Contractor shall then use Best Efforts to cure the breach within thirty (30) Days after it receives such written notice from Company. If it fails to either (i) cure such breach, or (ii) demonstrate to Company's reasonable satisfaction, by delivering a detailed written proposal to Company, that it will be able to cure such breach within a reasonable period of time, Company may terminate this Agreement by giving Contractor a further fifteen (15) Days written notice, upon the expiration of which notice, this Agreement shall terminate

24.6. **Termination Procedures**. In addition to the other provisions of this Agreement which apply to Redelivery on termination of the Charter, or Contractor's duties and Services under this Agreement, the following shall be applicable:

(i) Contractor shall conduct Redelivery of the FPSO, to Company or to Owner, as instructed by Company in writing, as soon as possible in accordance with Company's instructions, and the terms of this Agreement. Redelivery shall be subject to the provisions of Article 3 hereof and those of Article 8.

(ii) The FPSO's logbooks shall, following the termination of this Agreement, remain onboard the FPSO. Company shall, following termination of this Agreement, have the right to make a photostatic copy of the logbooks covering the Term and the period prior thereto.

24.7. **Redelivery of FPSO**. Contractor shall return the FPSO to the Owner, or as otherwise specified by Company, to Company, if Company has exercised the Option and Closing has occurred, as soon as possible and in accordance with Company's instructions upon termination of the Charter and, subject to the provisions of Clause 24.1(iii), Contractor's duties and Services under this Agreement. Termination of this Agreement by either Contractor or Company shall be without prejudice to the Parties' rights under this Agreement accrued up to the termination date, including Contractor's right to receive O&M Compensation payable under this Agreement pursuant to its terms less any credits or offsets under Article 16 for the Services performed until the date of termination.

24.8. **Demobilization Costs**. On termination of this Agreement, unless it is a termination by Company pursuant to the provisions of Clause 5.7(ii)(a) (for reasons in Clause 5.7(i)(a) or Clause 5.7(i)(c), or Clause 24.2 (except for the requirements of Clause 24.2(iv)) or Article 29 or Article 30, Company shall pay to Contractor the Demobilization Costs (as permitted by Attachment B) which are associated directly with Contractor's performance of the Services required to demobilize the FPSO. Demobilization shall be deemed to have occurred whenever the FPSO proceeds or is transported to an anchorage, berth or lay-up site for any period of time, standby or lay-up.

25. ASSIGNMENT AND SUBCONTRACTING

25.1. **Company Assignment**. Company may not assign its rights and obligations under this Agreement to any other Person except:

(i) to an Affiliate of Company (in respect of which, at the time of the assignment, there is no intention or expectation that it will cease to be an Affiliate); or

(ii) to any party other than an Affiliate of Company with the prior written consent of Contractor, which shall not be unreasonably withheld or unduly delayed.

Any assignment referred to in this Clause 25.1 shall be subject to the further condition that the Charter shall have been similarly assigned and that the assignee shall perform all the obligations of Company under this Agreement from the effective date of the assignment. Further, Company shall provide and keep in effect the Company Guarantee or shall cause equivalent security to be furnished with respect to the assignee's obligations hereunder.

Notwithstanding any provision to the contrary contained in this Agreement, no prior consent shall be required in the event of a corporate merger or consolidation or sale of stock or other conveyance where the principal effect of such transaction is the change of control or corporate merger or

consolidation of the ultimate owner of either Party with or into another Person provided that the resulting entity is of the same or better credit rating than Company, as determined by Standard and Poor's Rating Services or by Moody's Investor's Services immediately after such merger or consolidation and such entity agrees to obtain and provide a guarantee in substantially similar format to that provided by Company.

25.2. **No Release of Prior Liability**. Except with respect to an assignment to an Affiliate, with effect from the effective date of an assignment pursuant to Clause 25.1, Company shall be relieved from directly performing its obligations under this Agreement but no such assignment shall relieve Company from any liability of Company prior to the effective date of such assignment or any liability of Company Guarantor under the Company Guarantee.

25.3. **Assignment to Affiliate of Contractor**. Except as otherwise provided below, Contractor shall have no right to assign any or all of its rights, obligation, duties or Services under this Agreement to any other Person; except that (i) Contractor may assign all of its rights and obligations hereunder to an Affiliate if the provisions of Clause 4.11 continue to be satisfied pursuant to its terms and the requirements of Clause 25.4 are satisfied in full. Any such assignment shall not relieve Contractor of its obligations hereunder except as may be otherwise provided in the Novation Agreement. Contractor shall be expressly entitled to assign all or part of its O&M Compensation and/or insurance proceeds under this Agreement to Owner's lenders. Contractor shall have the right to subcontract its obligations in respect of parts of the Services and its obligations to reputable Subcontractors, and Contractor shall periodically provide to Company a current list of all Subcontractors. Any such assignment or subcontract shall not:

(i) relieve Contractor or Contractor Guarantor of any of the obligations or liabilities under this Agreement;

(ii) remove Contractor's responsibility for the acts or omissions of any assignee or Subcontractor or other members of Contractor Group; nor

(iii) require Company to pay any compensation whatsoever other than that payable in accordance with this Agreement.

25.4. **Novation Agreement**.

(i) In the event Contractor elects to assign all of its rights and obligations under this Agreement to an Affiliate, Company, Contractor and such Contractor Affiliate shall enter into a Novation Agreement (the form of which is appended hereto as Attachment I), which Novation Agreement shall, with respect to this Agreement and the Services to be assigned, set forth the parties rights and obligations thereunder with respect to such assignment but Contractor shall, if a substitute or equivalent guarantee acceptable in writing to Company is not provided by Contractor under the Novation Agreement, guarantee performance by any permitted assignee of all of Contractor's obligations under this Agreement, which obligations shall continue to be supported by the Contractor Guarantee which shall remain in full force and effect.

(ii) If any of the Services and this Agreement have been novated to an Affiliate in connection with a transfer as permitted hereby:

(a) Contractor shall procure that no material right of the Company under any contract or subcontract for the Services or the O&M FPSO Work is waived; and

(b) unless this Agreement has been terminated, Contractor shall procure that no contracts or subcontracts for the Services or O&M FPSO Work are, by reason of such novation, terminated.

25.5. **Company's Right to Review Subcontracts**. Without prejudice to the provisions of Attachment B hereto, prior to execution of a subcontract, Contractor shall, following the Contract Date, submit for Company's review, comment and prior written approval such subcontract, in its final unredacted form, that Contractor proposes to enter into for the performance of any aspect of the Services.

25.6. **Breach of Agreement by Contractor or Subcontractor**. No subcontract or breach or default of or by any Subcontractor or other member of Contractor Group shall relieve Contractor from any obligation under this Agreement, and Contractor shall be responsible for any act, neglect, or omission of any Subcontractor or other member of Contractor Group as though such act, neglect, or omission were that of Contractor under the provisions of this Agreement.

26. PATENT INDEMNIFICATION

26.1. **Contractor's Indemnification Obligations**. ***Contractor shall save, indemnify, defend, protect and hold harmless Company Group from any Claims suffered or incurred by Company Group based on a claim that the FPSO, or any design or technology with respect thereto, or any item of equipment or part thereof furnished hereunder by Contractor Group (including all Contractor Property) or their use by Company infringes any intellectual property rights or patents of any Third Party.*** Company shall notify Contractor promptly in writing for the defense of same. Contractor shall pay all damages and costs awarded therein against Company and in addition shall reimburse Company for its legal costs and expenses incurred in connection with such claim. In case the FPSO, or any design or technology with respect thereto, or any item of equipment or any part thereof or their use by Company is held in such suit to constitute infringement or if Company is restrained by any court order from keeping or using the same, Contractor shall, at its own expense, either procure for Company the right to continue using the FPSO or said design, technology or equipment in the same manner as before, or replace the same with non-infringing components or equipment, or modify it so it becomes non-infringing, in both cases without diminishing the efficiency or effectiveness of the FPSO or other equipment.

26.2. **Company's Indemnification Obligations**.

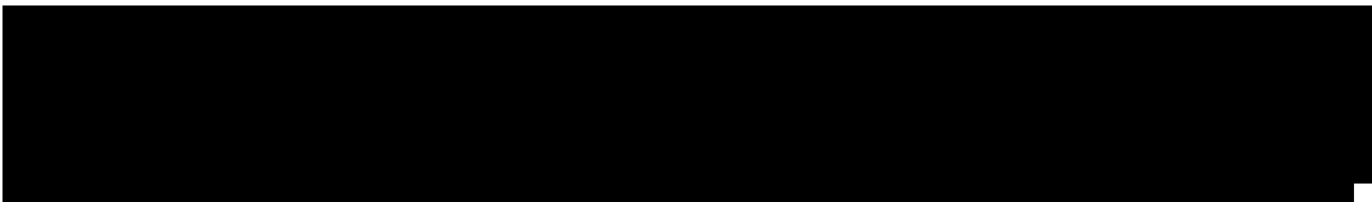
26.3. **Intellectual Property Ownership and License**. All intellectual property made discovered or developed solely by Contractor prior to, in course of, or by reason of, the performance of the Services for Company required by the terms of this Agreement shall be and remain the property and copyright of Contractor and is to be considered to be confidential information of Contractor (to which Article 35 will apply). Contractor shall grant and does hereby grant to Company and the Co-Venturers a worldwide, non-assignable, non-exclusive, royalty free, irrevocable and perpetual license to use such intellectual property for any of its operations under this Agreement.

26.4. **Improper Use**. Notwithstanding the foregoing, neither Contractor nor Company shall have any liability to the other for any indemnification and hold harmless provisions hereunder with respect to any infringement claim based on use of the product or equipment in question either (i) with other equipment, products or software not within the Specifications; or (ii) in any manner inconsistent with the terms of this Agreement. .

27. INDEMNITIES AND LIABILITIES

Under this Agreement, the indemnities and hold harmless provisions set forth in the Clauses of this Article 27 set out below shall apply to and bind the Parties.

27.1. **Indemnification**.



27.14. <u>Indemnities Covered by Insurance</u>.

Each Party agrees that it has and during the Term will maintain, and will cause each Subcontractor, to have and maintain adequate insurance to cover all of its indemnity obligations under this Agreement and all other contracts and agreements executed or contemplated in connection herewith.

27.15. <u>No Reimbursement</u>. In no event shall any cost or expense of any member of the Contractor Group incurred in connection with any aspect of the Article 27 regarding Contractor’s indemnification obligations to Company, qualify for reimbursement hereunder as a Reimbursable Cost, a Time Rate, or any component of the Fixed Fee unless such cost or expense, reasonably construed, would qualify as a Reimbursable Cost in accordance with the principles set forth in Attachment B, Part A, Section B.

27.16. <u>Survival of Indemnification</u>. This Article 27 shall survive termination of this Agreement.

28. INSURANCE

28.1. <u>General</u>.

Without limiting any of its obligations and responsibilities under this Agreement, including without limitation Article 27, with effect from the Contract Date (unless otherwise specifically provided in this Article 28), Contractor shall obtain and maintain, or cause to be obtained and maintained, in full force and effect, insurance with a financially sound and reputable insurance company or companies and a protection and indemnity club acceptable to Company on terms and conditions and with policy limits that are customary for owners and operators of an FPSO in similar circumstances and as provided hereafter, and shall comply with all requirements of the national, local and/or other governmental authority(ies) and/or appropriate and/or regulatory authority(ies) where the FPSO Work and the other Services are to be performed and the FPSO Site is located. All such insurance shall be primary and noncontributory and shall be exclusive of any existing valid and collectible insurance carried by Company Group for those risks and liabilities expressly assumed by Contractor under this Agreement. Reasonable deductibles are acceptable and shall be for the account of the responsible Party in accordance with this Agreement unless otherwise provided in the Charter. Contractor shall be entitled to assign all or any of its rights under the insurances to be obtained and maintained by Contractor, by way of security, to Owner or Contractor’s lenders.

28.2. <u>Policy Provisions with Respect to all Policies and Coverages.</u>

(i) ***30-Day Notice Provisions***. All of the policies required to be obtained by Contractor shall contain thirty (30) Day notice provisions for material change or cancellation to be provided to Company by insurers (or, if insurers will not provide direct notice, such notice will be provided to Company by Contractor), except in respect of war and terrorism coverage where customary notice of cancellation provisions shall apply, and such policies shall have adequate territorial and navigation limits for the location of the FPSO Work and the other Services, including, without limitation, off-shore operations at the FPSO Site.

(ii) ***Certificates of Insurance***. Within twenty (20) days of the Contract Date, Contractor shall furnish to Company certificates of insurance coverage for the insurance the Contractor is obligated to provide under this Article 28 (except for those insurances Contractor is not required to obtain until a later date pursuant to the terms of this Article 28 which shall be provided by Contractor at such times), signed by an authorized representative of the broker or insurers evidencing the coverages, limits, endorsements and extensions required under this Agreement. Commencement or performance of FPSO O&M Work or Services without delivering such certificate of insurance shall not constitute a waiver of Contractor's obligation to provide the required insurance. Company shall have the right to withhold payment of Contractor's invoices for any payments under this Agreement until receipt of such certificates. Renewal certificates shall be obtained by Contractor as and when necessary and forwarded to Company as soon as they are available, but in any event within fourteen (14) Days prior to each renewal date. Contractor shall furnish the Company from time to time on request, and in any event at least annually, with copies of all insurance policies, cover notes and other documents evidencing the creation and renewal of the insurance required under this Agreement.

(iii) ***Contractor's or Subcontractor's Insurance***. Contractor shall ensure that any Subcontractor engaged by Owner or Contractor procures and maintains insurance consistent with but not overlapping with the insurance provided in this Article 28 (having regard to the nature of the work performed by Contractor or any such Subcontractor), together with such other insurance as may be required by law. Any deficiencies in the coverage or limits of their Subcontractors' insurance and any and all deductibles shall be the sole responsibility of Contractor.

(iv) ***Minimum Requirements***. The limits specified in Clauses 28.3 and 28.4 are minimum requirements and shall not be construed as being a limitation of either liability or indemnity or as constituting acceptance by Company of responsibility for financial or other liabilities or indemnities in excess of such limits

(v) ***Charterer's Rights on Owner's Failure to Provide Insurance***. If Contractor fails or refuses to obtain any insurance required under this Article 28 or to provide Company with written evidence of insurance when required, Company shall have the right but not the obligation, to procure this insurance at Contractor's expense (to the extent of additional insurance costs thereby arising), and any amounts paid by Company for this purpose shall immediately become due and payable by Contractor to Company.

(vi) ***Notice of Claims***. Contractor shall notify Company immediately upon receipt of any notice of claims, incidents or demands or of any situation which may give rise to such claims or demands being made under the insurance required under this Article 28. Written notice shall be given as soon as possible and not later than five (5) calendar Days after the Contractor becomes aware of the occurrence of any accident. For serious accidents (including but not limited to death or serious injuries) notice shall be given immediately after the Contractor becomes aware of the occurrence of any such accident and shall be confirmed in writing by Contractor.

(vii) ***Assistance by Each Party***. Each Party shall give to the other all reasonable assistance that may be required for the preparation and negotiation of insurance claims.

(viii) ***Prevention of Loss or Damage***. Contractor shall at all times take all necessary precautions to prevent loss or damage to the work performed in connection with the O&M FPSO Work, the other Services, the FPSO, or any part thereof, the Additional Equipment and other Company Property and Contractor shall not do anything or permit any of its Subcontractors and Contractor and Contractor Group to do anything whether on or off the FPSO Site which would or might render void or voidable any policy of insurance required under this Article 28.

28.3. Insurances and Coverages

(i) Intentionally Left Blank

(ii) Intentionally Left Blank

(iii) ***Required Coverages After Delivery Date***. After the Delivery Date, all relevant insurance required of Contractor (and, where applicable, its Subcontractors and Contractor and its Subcontractors) under this Agreement shall also be endorsed to include the following:

(iv) ***Additional Insured/Joint Entrant Provisions***. All insurance required of Contractor and its Subcontractors under this Agreement shall also contain endorsements that insurers will have no rights of recovery or subrogation against Company in respect of claims which are the responsibility of Contractor under this Agreement. In addition, after the Delivery Date, with respect to Company interest in such insurance, Company shall be named as an additional insured and shall be entered as a joint entrant with respect to all protection and indemnity club coverage. Other than in respect of pollution after the Delivery Date, Company shall not be entitled to assert a claim against Contractor's P&I Club insurance and other insurances with respect to liabilities and losses assumed by Company or as to which Company indemnifies Contractor under Article 27.

(v) ***Marine Hull and Machinery Coverage***. Contractor shall obtain and maintain Marine Hull and Machinery Insurance on the FPSO (and Additional Equipment) and on all other vessels and marine craft (whether navigable or not) and equipment, including but not limited to hull and machinery owned, leased, chartered or hired by Contractor, for no less than the replacement value of such vessels and marine craft insurance providing coverage against losses or damage by such perils and risks on "new for old" conditions, including war, strikes and confiscation cover. Such Marine Hull and Machinery Insurance coverage on the FPSO and Additional Equipment shall commence on and from the Contract Date.

(vi) ***P&I Coverage.***

From the Delivery Date. On and after the Delivery Date, Protection and Indemnity Insurance for the FPSO (including Additional Equipment) and all other Contractor owned, non-owned or hired waterborne craft/vessels including but not limited to crew (including Company's Personnel on board which have been approved by insurers, unless Company is named as a joint entrant), Third Party liability,

pollution, wreck, collision, tower's liability, anchor handling liability and contractual liability arising from or in connection with the FPSO O&M Work and other Services under this Agreement to the standard scope and limits of P&I cover and in the case of the FPSO cover for an FPSO entry up to [redacted] amount per occurrence, (such amount is referred to as "***Pollution Limit***"). Contractor's right to limit pollution liability by statute, convention, law or regulation shall be as set forth in Clause 27.5(i).

(vii) ***General Liability and Umbrella Coverage.***

(a) *From Delivery Date*. General Liability/ Excess Liability on a per accident basis against claims for Third Party property damage (including loss of use arising therefrom) and personal injury (including bodily injury or death) relating to the FPSO, and as may be required and to the levels required by statute or similar regulation in countries where any such Services are to be performed, shall be obtained by Contractor, subject always to a combined single limit of [redacted] for each accident with respect to Third Party bodily injury and/or property damage (except to the extent this is satisfied by the Protection and Indemnity Insurance in which case this limit does not apply) Such General Liability/ Excess Liability coverage shall cover Company (to the extent of Owner and Contractor's responsibility under the Charter and this Agreement), Owner, Contractor, and Owner and Contractor's relevant Affiliates.

(b) *Additional General Liability Coverages*. Such insurance in sub-clauses (a) of this Clause 28.3(vii) shall include coverage for: contractual liability; broad form property damage; independent contractors; products liability and completed operations liability; severability of interest; in rem; and personal injury; shall be subject to watercraft exclusion, provided that watercraft are not excluded under Contractor's P&I coverage.

28.4. <u>Other Required Insurance Provisions, Limits and Coverages</u>

All insurance required of Contractor under this Agreement shall include the following with limits not less than and coverage not inferior to those specified below, all acceptable to Company:

(i) ***Workers' Compensation/Employer's Liability***. Workers' Compensation and Employer's Liability Insurance (including but not limited to maritime liability coverage) or similar statutory social insurance as required by applicable law at the FPSO Site and all other sites where the Services will be performed or P & I coverage (in respect of employer's liabilities to crew) providing coverage for all Contractor's employees and agents engaged in accomplishing the Services. Contractor shall ensure that its Subcontractors maintain

insurance for such purpose in respect of their employees. Such insurance shall be endorsed so that claims formulated by Owner Group's Personnel against Charterer are treated as claims against Contractor and covered by such insurance. Such insurance may, with respect to, the FPSO crew be substituted by cover under Protection and Indemnity Insurance. All such insurance shall be endorsed so that claims by Contractor Group's Personnel against Company are treated as claims against Contractor and covered by Contractor's insurance.

(ii) ***Automobile Coverage***. At all times during the Term, Automobile Liability Insurance covering all owned, hired, leased, rented and non-owned automobiles and automotive equipment, used by Contractor Group in connection with the execution of the Services, as may be required and to the levels required by statute or similar regulation in countries where such Services are to be performed.

(iii) ***Removal of Debris Coverage***. From and after the Delivery Date, there shall be included under the Protection and Indemnity Insurance or the Marine Hull and Machinery Insurance or other insurance, a separate limit of ████████ of voluntary removal of debris coverage, which shall apply if Company reasonably determines that the wreck or debris from the FPSO interferes with Company's current or expected operations or wreck or debris from the FPSO subjects Company to potential liability or damage.

(iv) ***Other Insurance***. Any other insurance which may be required by applicable law.

28.5. Insurance Proceeds.

Subject always to any lender's rights to receive assigned insurance proceeds in accordance with Clause 28.1, in the event of an actual or constructive total loss of the FPSO, Contractor shall pay to Company all insurance amounts due and owing to Company, if any, under this Agreement within fifteen (15) days after Contractor receives payment from insurers (under its coverage described in this Article 28) as a result of the risks referred to in this Article, if its insurers make such payment.

28.6. No Duplication

In the event Owner obtains and/or maintains on Contractor's behalf, any insurance Contractor is otherwise required to obtain and maintain pursuant to the terms of this Article 28, and the premiums Owner pays to obtain and/or maintain such insurance are recovered by Owner under the terms of the Charter as an Insurance Reimbursable or Pre-Payments (as said terms are defined in the Charter), the costs of such insurance and the premiums paid therefor shall not be recoverable by Contractor as a Reimbursable Cost under this Agreement.

28.7. No Reimbursement

O&M Compensation due Contractor hereunder shall expressly exclude all costs and expenses (in their entirety) incurred by Contractor or by Owner, on Contractor's behalf, in connection with obtaining and maintaining the FPSO Insurance Cover (required by the terms of this Article 28) from the Contract Date through the Day preceding the Delivery Date. From and after the Delivery Date and thereafter throughout the Term, the costs of Contractor's procurement and maintenance of the FPSO Insurance Cover shall, subject to the terms of Article 15, be recoverable as a Reimbursable Cost pursuant to the terms of Attachment B.

29. REQUISITION OR SEIZURE

29.1. Government Action. In the event that the FPSO or title to the FPSO should be requisitioned for use or seized by the Government or any governmental authority on any basis (or the FPSO should be seized by any Person or governmental authority under circumstances which are equivalent to requisition of use or title), Company shall continue to pay full O&M Compensation for a period not exceeding sixty (60) Days after such requisition or seizure. If such requisition or seizure continues for a period longer than sixty (60) Days, all O&M Compensation and other payments due under this Agreement shall cease as of the sixty-first (61st) Day (except for any O&M Compensation due Contractor under this Agreement which has accrued but remains unpaid) and this Agreement shall terminate at such time without any notice from Company to Contractor and without payment of any Demobilization Costs by Company.

29.2. Indemnification.

30. ACTUAL OR CONSTRUCTIVE TOTAL LOSS

30.1. **Total Loss Termination.** In the event of actual or constructive total loss of the FPSO occurring for any reason whatsoever at any time during the Term, this Agreement shall be deemed terminated as of such loss, but Company shall continue to pay full O&M Compensation if any is due under this Agreement for a period of sixty (60) Days after the date of said loss (or if the time of such loss is uncertain, then such loss shall be deemed to have occurred on the date the FPSO was last heard from). On the sixty-first (61st) Day after such loss, all O&M Compensation and other compensation due under this Agreement shall cease without any notice from Company to Contractor. After such loss, Contractor shall file and use Best Efforts to pursue all insurance claims it might have pursuant to any insurances it has on the FPSO. Should Contractor receive any insurance proceeds for the loss of the FPSO, Contractor shall promptly reimburse Company the amount of all O&M Compensation and other payments made by Company to Contractor after the date of such loss. Any amounts owing by Contractor to Company under this Clause 30.1 shall constitute a debt of Contractor to Company until same is paid in full. In the case of any termination under this Clause 30.1, the Demobilization Costs shall not be payable. No other payments shall be due from Company other than accrued but unpaid O&M Compensation to the date of such loss.

30.2. **Removal of Wreck and/or Debris.** In the event that prior to the Delivery Date, during the Term or following termination of this Agreement, the FPSO suffers an actual, total or partial loss or becomes a total or constructive total loss (as defined in the terms and provisions of the insurance policies covering the FPSO) or the FPSO is damaged, Contractor shall remove or shall cause its Subcontractor to remove the FPSO wreck and/or debris if, and to the extent that, it is required to do so by applicable laws.

30.3. **Mitigation of Company's Exposure.** Contractor shall use Best Efforts to mitigate the exposure of Company in the event of a constructive total or partial loss of, or in the event of damage to, the FPSO or the Additional Equipment under this Article. Contractor shall reimburse to Company all amounts owing to Company under this Agreement, if any, in the event of such loss within fifteen (15) Days after Contractor receives payment from underwriters (under its insurance coverage described in Article 28 of this Agreement) of any such amount collected in connection with the Services and the constructive or total loss of the FPSO.

31. RISK ZONE

31.1. **Dangerous Location.** The FPSO shall not be required to continue to or remain in any place (including the Field or FPSO Site if applicable) nor be used for any service which will cause the FPSO to be within an area which is dangerous or hazardous to the FPSO, Master or crew on board the FPSO as reasonably determined by Contractor or the Master ("***Risk Zone***"), due to any

actual or threatened act of war, hostilities, warlike operations, acts of piracy or of hostility or malicious damage against the FPSO or its cargo by any Person whatsoever, revolution, civil war or civil commotion.

31.2. **Increase in Costs.** If the FPSO is in, or brought in or ordered within a Risk Zone (even though the FPSO may already be at the Operating Area), and if the wages of the Master and/or officers and/or crew and/or the cost of provisions and/or stores for deck and/or engine room or other costs to provide the Services (including the cost of the FPSO Insurance Cover to be provided by Contractor pursuant to the requirements of Article 28), are increased by reason of or during the FPSO's presence in a Risk Zone, Contractor shall notify Company of any such increase, and such increased amount, , will be added to O&M Compensation and paid by Company on production of Contractor's invoice (and proper documentation) in accordance with Article 16. This Agreement shall terminate if the Charter is terminated in accordance with Clause 35.2 thereunder.

31.3. **Risk Zone Payments.** Notwithstanding the provisions hereof concerning Downtime and Shutdown contained elsewhere in this Agreement, the O & M compensation shall continue to be payable during the FPSO's presence in the Risk Zone and any transportation to a safe location until termination of this Agreement.

32. FORCE MAJEURE

32.1. **Force Majeure.** Subject to the provisions of Clause 32.2, neither Party shall be liable for any failure to perform any of its obligations under this Agreement (except for Company's obligation to pay O&M Compensation as set forth in Clause 32.2 below, and any other payments owed Contractor by Company under this Agreement, and, in the case of Company, any payments or other amounts owed or to be credited by Contractor to Company), or for any delay in performing any such obligations to the extent that such failure arises due to an event of Force. To the extent that a Party is delayed in performing or unable to perform its obligations under this Agreement due to an event of Force Majeure, such inability shall not be deemed a breach of this Agreement; provided, however, such Force Majeure shall not relieve that Party of liability in the event of its failure to use due diligence to remedy the situation and remove the Force Majeure in an adequate manner and with all reasonable dispatch, nor shall such event of Force Majeure relieve a Party of liability unless it gives written notice of the full particulars of the same to the other Party as soon as reasonably possible after the occurrence relied on, and like notice shall be given upon termination of such Force Majeure conditions. Both Parties shall use their Best Efforts to reduce unnecessary costs associated with any event of Force Majeure.

32.2. **O&M Compensation During Force Majeure.** Notwithstanding any other provisions to the contrary contained in this Agreement, during any event of Force Majeure occurring after the Ready for Risers Date and thereafter during the Term, O&M Compensation (less all Rate Savings realized by Contractor) shall continue to accrue and, following the Delivery Date or Early Payment

Commencement Date, the components of such O&M Compensation shall be paid to Contractor for the periods set forth below:

(i) For the first thirty (30) consecutive Days of Force Majeure, Contractor shall receive from Company, one hundred percent of the O&M Compensation due Contractor hereunder (including the Fixed Fee due for such period);

(ii) From and after the thirty-first (31st) consecutive Day of Force Majeure through the one hundred eightieth consecutive Day of Force Majeure, Contractor shall receive from Company, one hundred percent (100%) of Reimbursable Costs and Time Rates, and ninety percent (90%) of the Fixed Fee due Contractor hereunder;

(iii) From and after the one hundred eighty-first (181st) consecutive Day of Force Majeure, Contractor shall receive from Company [redacted] of Reimbursable Costs and Time Rates, and [redacted] of the Fixed Fee due Contractor hereunder; and

(iv) For all periods of Force Majeure under this Agreement, Contractor shall not be entitled to any Bonus, nor be liable for any Assessment, in each case calculated with respect to the Fixed Fee as set forth in Attachment B.

If any Force Majeure occurs during the period when any reduced Fixed Fee is in effect under the terms of this Agreement (other than this Clause 32.2), the percentages payable as above shall be deemed to be expressed as a percentage of such reduced Fixed Fee. Contractor shall reimburse to Company such amounts paid by Company to Contractor under this Clause 32.2 within thirty (30) Days after Contractor receives payment from underwriters with respect to such amounts (under the insurance coverage described in Article 28), if underwriters make such payment. Contractor agrees that for any Force Majeure period it will file and use Best Efforts to obtain insurance recoveries from its underwriters or club for all insured losses due to such Force Majeure event.

32.3. **Force Majeure Termination Rights.** If any condition of Force Majeure continues for a period of ninety (90), or more, consecutive Days Company shall have the right to terminate this Agreement at any time after such ninetieth (90th) Day by providing Contractor with thirty (30) Days advance notice of such election to terminate. A termination of this Agreement under the provisions of this Clause 32.3 shall be subject to payment by Company to Contractor of the Demobilization Costs.

32.4. **Contractor's Force Majeure Termination Right.** If any condition of Force Majeure continues for a period of two hundred and forty (240), consecutive Days, or more, and Company has not terminated this Agreement hereunder, Contractor may request in writing that the percentage of Fixed Fee payable to Contractor be increased from its then current reduced rate of [redacted] (pursuant to Clause 32.2 above) to [redacted] with effect from the two hundred and forty first (241st) Day of such Force Majeure event onwards. Company

shall reply in writing within seven (7) Days after receipt of such notice from Contractor either accepting or rejecting such request. In the event Company rejects such request or fails to respond to such request within seven (7) Days after receipt of this request, Contractor may terminate this Agreement upon providing ten (10) Days' prior written notice of termination to Company, and Company shall be required to pay Contractor the Demobilization Costs on termination as set forth in Clause 32.3. In the event Company accepts Contractor's request, Company shall pay Contractor [redacted] of the Fixed Fee from the two hundred and forty first (241st) Day of such Force Majeure onwards until the Force Majeure event ceases; provided, however, that Contractor may at any time after three hundred (300) consecutive Days of such Force Majeure elect to terminate this Agreement by notice to the Company, and shall be entitled to be paid the Demobilization Costs.

33. HOST COUNTRY REQUIREMENTS

33.1. **Citizens of Malaysia.** In addition to the terms, conditions and obligations contained within this Agreement (inclusive of the Attachments), the following shall apply:

(i) Contractor shall and shall cause Contractor Group to make all reasonable efforts to employ and train citizens of Malaysia in connection with the Services. Contractor may employ citizens, lawful permanent residents or other lawful temporary residents, if in the opinion of Company and not contested by the appropriate ministry, no Malaysian citizens can be found with sufficient skill and technical qualifications. Contractor shall promptly provide to Company upon Company's written request details on the personnel employed and their residence when employed.

(ii) In the performance of the Services, Contractor shall and shall cause Contractor Group to give preference to goods and services that are produced in Malaysia or rendered by the citizens or lawful permanent residents or other lawful temporary residents of Malaysia, provided such goods and services are offered at equally advantageous conditions with regard to quality, price and immediate availability in quantities and to the specifications required.

(iii) Contractor shall and shall cause Contractor Group to make positive efforts to maintain good relations with the public and the Government authorities of Malaysia during the whole course of performance of Services under this Agreement.

(iv) In the procurement of facilities, supplies, and services required for the Services, Contractor shall use its Best Efforts to observe the following:

(a) the enhancement of effective local (especially Bumiputra) participation in the Services and O&M FPSO Work;

(b) the transfer of technology to local (especially Bumiputra) firms and companies with the objective of developing local technical and managerial capabilities; and

(c) the need to minimize outflow of foreign exchange.

(v) In pursuance of the provisions of subclause (iv) above, Contractor shall, unless otherwise approved in writing by Company, use Best Efforts to comply with the following:

(a) give priority to locally-manufactured goods in the procurement of facilities, goods, materials, supplies, and services;

(b) give priority to Malaysian suppliers or manufacturers for facilities, goods, materials, and supplies; and

(c) give priority to services and research facilities, professional or otherwise, which are rendered by Malaysians or firms or companies incorporated or licensed in Malaysia,

in all cases provided that such goods or services are competitive in terms of price, quality, availability, terms and conditions of supply or service, and reliability.

34. NOTICES

All notices by either Party to the other Party shall be in writing and shall be by personal delivery, registered letter or by facsimile.

If such notice is to Contractor, it shall be addressed to:

Malaysia International Shipping Corporation Berhad
Level 28, Melara Dayabumi,
Jalan Sultan Hishamuddin,
50050 Kuala Lumpur

with a copy to:

If such notice is to Company, it shall be addressed to:

Murphy Sabah Oil Co., Ltd.
Level 26, Tower 2, Petronas Twin Towers
Kuala Lumpur City Centre, 50088
Kuala Lumpur, Malaysia

Any notices provided for herein shall be deemed to have been given or delivered, unless otherwise expressly provided herein, at the time of receipt when delivered in person or by courier at the specified address of the other Party, as shown by personal messenger's or courier's delivery or tracking receipt. Time of receipt in this context shall be construed to be the following normal Business Day as at the location of the recipient if received after normal working hours in such location. Notices sent by registered letter shall be deemed delivered on the third (3rd) Business Day after the registered letter's post mark. Notices sent by facsimile shall be deemed received at the time of receipt in a legible form if sent by facsimile addressed to the recipient at the facsimile number at which it is to receive facsimiles. Time of receipt in this context shall be construed to be the following normal Business Day at the location of the recipient if received after normal business hours in such location. Either Party may change its address or facsimile number for receiving notices by giving not less than fourteen (14) Days prior notice in writing to the other Party of such change.

35. CONFIDENTIAL INFORMATION AND DATA

35.1. **Confidential Information and Data.** Contractor acknowledges that all commercial and technical information and data and any other information and data reasonably understood to be of a confidential nature (whether written, verbal or in electronic form) obtained by Contractor Group, or disclosed to Contractor Group in the performance of the Services or otherwise under this Agreement from Company or Company Group and/or the Government is confidential information. Contractor warrants that Contractor Group shall hold such confidential information strictly confidential and shall not disclose such confidential information to anyone without the prior written consent of Company. Moreover, Contractor warrants that Contractor Group shall not in any manner use such confidential information in a manner injurious to Company or detrimental to the achievement of Company's objectives. Subject to Clause 26.3, all data, logs, charts, drawings, tracings, documents, calculations, computer printouts and items of a similar nature, produced or developed from Company confidential information in connection with this Agreement shall be Company's property, and shall be furnished to Company at any time at Company's request and not later than Redelivery of the FPSO; and Company shall thereafter have the unrestricted right to use such items. The above confidentiality obligation shall not apply to confidential information that is provided or disclosed by Contractor to:

(i) an Affiliate, provided such Affiliate agrees in writing to be bound by the provisions of this Article;

(ii) the extent such confidential information is required to be furnished in compliance with any applicable laws, or pursuant to any legal proceedings or because of any order of any court or arbitration tribunal binding upon Contractor (but with prior notice to Company);

(iii) outside professional consultants or contractors of Contractor provided that they agree in writing to keep the confidential information confidential and agree not to disclose the same or use it for any purpose other than that for which it was disclosed;

(iv) a bank or other financial institution to the extent appropriate to Contractor's financing arrangements provided that such bank or financial institution agrees in writing to keep the confidential information confidential and agrees in writing not to disclose the same or use it for any purpose other than that for which it was disclosed;

(v) the extent confidential information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over Contractor, or its Affiliates; or

(vi) extent that any data or information which, through no fault of Contractor becomes a part of the public domain.

35.2. Reciprocal Provisions. Company agrees to similarly hold and keep confidential all information and data owned by Contractor and Contractor Group pursuant to Clause 26.3. The rights and obligations of Contractor set out in Clause 35.1 with respect to all Company confidential information shall likewise be deemed to apply to Company with respect to Contractor confidential information as if incorporated, *mutatis mutandis*, in this Clause 35.2 for the benefit of Contractor Group.

35.3. Press Releases; Announcements. Contractor shall ensure that no member of Contractor Group makes any press release or public announcement or publishes any information relating to the Services or this Agreement without the prior written authorization from Company; provided, however, Contractor shall not be prohibited from making any press release or public announcement if necessary to comply with the applicable laws, rules or requirements of any government or stock exchange having jurisdiction over Contractor or its Affiliates.

35.4. Confidentiality Provisions Survival. This Article shall survive termination of this Agreement for any cause.

36. ENGLISH LANGUAGE AND INTERPRETATION

36.1. Communications. The English language shall be used throughout in communications, reports, correspondence and other documentation as transmitted between the Parties.

36.2. Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.

36.3. Singular/Plural. Reference to the singular includes a reference to the plural and vice versa.

36.4. Gender. Reference to any gender includes a reference to all other genders.

37. APPLICABLE LAW AND ARBITRATION

37.1. **<u>Governing Law</u>.** This Agreement and all Attachments hereto shall be governed, construed and interpreted exclusively by the laws of Malaysia applying the general principles of international law, excluding any choice of law or conflicts of law rules that would require the application of the laws (other than the general principles of international law) of another jurisdiction.

37.2. **<u>Dispute Resolution</u>**.

(i) Subject to Clause 37.3, any dispute, controversy or Claim arising out of or in relation to or in connection with this Agreement and all Attachments, including without limitation any dispute as to the construction, validity, interpretation, enforceability, performance, expiry, termination or breach of this Agreement whether based on contract, tort or equity, shall be exclusively and finally settled by arbitration without the right to appeal in accordance with the UNCITRAL ARBITRATION RULES, currently in force as of the date of this Agreement, and with this Article 37. The appointing and administering authority shall be the Malaysian Regional Center of Arbitration ("***RCA***"). Either Party may submit such a dispute, controversy or claim to arbitration by notice to the other Party.

(ii) The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within fifteen (15) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within thirty (30) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal or one Party refuses to appoint its Party-appointed arbitrator within said thirty (30) Day period, the appointing authority for the implementation of such procedure shall be the RCA, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

(iii) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

(a) The arbitration proceedings shall be held in Kuala Lumpur, Malaysia;

(b) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;

(c) The arbitrator(s) shall be and remain at all times wholly independent and impartial;

(d) The arbitration proceedings shall be conducted under the UNCITRAL Rules, as amended from time to time (the "***Uncitral Rules***"), which Rules are deemed to be incorporated by reference into this Article 37;

(e) Any procedural issues not determined under the UNCITRAL Rules shall be determined by the applicable laws of England, other than those laws which would refer the matter to another jurisdiction;

(f) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrators;

(g) The decision of a majority of the arbitrators shall be: (i) reduced to writing; (ii) final and binding without the right of appeal; (iii) the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrators; and (iv) made and promptly paid in United States dollars free of any deduction or offset;

(h) Any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law be charged against the Party resisting such enforcement;

(i) Except as provided in Clause 27.8 special, incidental, indirect, consequential, exemplary or punitive damages (including loss of profit, loss of production, etc.) shall not be allowed;

(j) The award shall include interest from the date determined by the arbitration award, and from the date of the award until paid in full, at the Agreed Interest Rate;

(k) Judgment upon the award may be entered in any court having jurisdiction over the Person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be;

(l) The arbitration shall proceed in the absence of a Party who, after due documented and verified notice, fails to answer or appear. An award shall not be made solely on the default of a Party, but the arbitrator(s) shall require the Party who is present to submit such evidence as the arbitrators may determine is reasonably required to make an award; and

(m) If the Parties or others who are bound to this or another similar agreement initiate multiple arbitration proceedings, the subject matters of which are related by common questions of law or fact and which should result in conflicting awards or obligations, then the Parties hereby agree that all such proceedings shall be consolidated into a single arbitral proceeding.

37.3. **Small Disputes**. For disputes where the total amount claimed by either Party does not exceed one hundred thousand United States dollars (U.S. $100,000) and in the case of any other dispute where the Parties so agree in writing, the arbitration shall be conducted in accordance with the Small Claims Procedure of the London Maritime Arbitration Association.

37.4. **No O&M Compensation.** Notwithstanding any other provision of this Agreement to the contrary, in no event shall any cost or expense of any member of the Contractor Group incurred in connection with any aspect of dispute resolution undertaken or conducted pursuant to the arbitration provisions of this Article 37 or otherwise, qualify for reimbursement hereunder as a Reimbursable Cost, a Time Rate, or any component of the Fixed Fee.

37.5. **Arbitration Provisions Survive.** Article 37 shall survive termination of this Agreement for any cause.

38. ENTIRE AGREEMENT

38.1. **Entirety.** This Agreement together with its Attachments represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement or understanding between the Parties (whether oral or written) with respect to the matters set forth in this Agreement. In the event of any conflict between the provisions of this Agreement with the terms or provisions of any Attachment, the terms and provisions of this Agreement shall prevail and control.

38.2. **Failure to Perform.** Whenever the same obligation is required to be performed under the provisions of both the Charter and this Agreement, performance of such obligation under either the Charter or this Agreement shall constitute a performance of the required obligation; provided, however, that it shall never be an excuse for failure to perform such obligation under either such contract that either Owner or Contractor was waiting for the other to perform under one or both such contacts. Any such failure to perform shall constitute a breach by the party required to perform such obligation under the provisions of the respective contract.

39. SURVIVAL

The provision in certain Articles and Clauses that such Articles or Clauses shall survive termination of this Agreement shall not affect and shall be without prejudice to the validity of all other Articles and Clauses in the event of a dispute after termination of this Agreement.

40. SUCCESSORS AND ASSIGNS

Subject to Article 25, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of the Parties. The change of control, merger,

reorganization, sale of stock or assets or other transaction affecting ownership, control or structure of Company and its Affiliates, whether by operation of law or otherwise, shall have no effect on this Agreement or the enforceability hereof.

41. WAIVER; CUMULATIVE REMEDIES

41.1. **No Waiver.** It is hereby expressly stated and agreed that no actions taken by or on behalf of Company in checking, verifying, reviewing, consenting to, approving, testing or inspecting the FPSO or any part thereof (hereinafter referred to as "***Company Actions***") at any time shall in any way whatsoever have the effect or be construed as having the effect of waiving or modifying the duties, responsibilities, obligations or liabilities of Contractor Group to properly perform its obligations in accordance with the requirements of this Agreement, or at law, and Contractor shall not be entitled nor shall it seek to rely on Company Actions to excuse, mitigate or defend any failure(s) in performance on its part arising under this Agreement or at law.

41.2. **Waiver in Writing.** Without prejudice to the provisions of Clause 41.1, none of the provisions in this Agreement shall be considered as waived by either Party unless a waiver is given in writing by such Party. No such waiver shall be a waiver of any past or future default, breach or modification of any of the other provisions of this Agreement unless expressly set forth in such written waiver.

41.3. **Powers Cumulative.** Without prejudice to Clause 37.2, and except to the extent otherwise expressly provided in this Agreement, all rights, powers and remedies provided hereunder are cumulative and not exclusive of any rights, powers or remedies provided by law or otherwise.

42. PARTIAL INVALIDITY

The illegality, invalidity or unenforceability of a provision of this Agreement under any law shall not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision or the remainder of this Agreement. Whenever a provision is held to be invalid or unenforceable, the Parties shall negotiate in good faith to adopt a replacement provision to carry out the Parties' original intention to the extent permitted by applicable law.

43. MODIFICATIONS

There shall be no modification of this Agreement except by written consent of both Parties.

44. EXECUTION BY FACSIMILE AND/OR COUNTERPARTS

44.1. **Facsimile Signatures.** The Parties agree that the signature of a Party to this Agreement transmitted by facsimile machine shall be accepted as an original signature. A Party shall promptly furnish an original signature page of this Agreement if requested by the other Party.

44.2. **Counterparts**. The Parties further agree that this Agreement may be executed in duplicate original counterparts, and each such counterpart shall be deemed an original agreement for all purposes; provided neither Party shall be bound to this Agreement unless and until both Parties have executed a counterpart.

45. RIGHTS OF THIRD PARTIES

This Agreement is in no way intended to, and does not confer or grant any rights to, any named or unnamed Third Parties, and any such rights granted to Third Parties under applicable law are hereby excluded except for (i) indemnity, defense and hold harmless rights specifically extended to Contractor Group or Company Group under the provisions of this Agreement and (ii) that Company shall have the benefit of all Subcontractor warranties and indemnities given to Contractor or otherwise in connection with the FPSO and the Services. No provision of this Agreement may be enforced by any Person not a signatory to this Agreement, unless such Person has signed a Novation Agreement agreeing to be bound by the provisions hereof or has taken an assignment and assumed the obligations of either Party hereunder pursuant to the provisions of Article 25.

46. CROSS REFERENCES

Contractor hereby acknowledges and confirms that it has received a copy of the Charter.

47. MISCELLANEOUS

47.1. **General Provisions**. This Agreement shall be construed without regard to the identity of the person who drafted the various provisions hereof. Each provision of this Agreement shall be construed as though both Parties participated equally in its drafting. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting Party shall not be applicable to this Agreement. The word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions.

47.2. **General Survival**. In order that the Parties may fully exercise their rights and perform their obligations arising under this Agreement, such provisions of this Agreement as are necessary to ensure such exercise or performance shall survive the completion or termination of this Agreement for any cause whatsoever.

47.3. **Waiver of Sovereign Immunity**. Each Party hereby agrees that all of the transactions contemplated by this Agreement shall constitute commercial activities. To the extent that either Party may be entitled in any jurisdiction whatsoever to claim for itself or any of its agencies, instrumentalities, properties or assets, immunity, whether characterized as sovereign or a similar type of immunity, or as arising from an act of state or sovereignty, from suit, execution, set-off, attachment or other legal process of any nature whatsoever, it hereby expressly and irrevocably waives such immunity and hereby agrees not to claim or permit to be claimed on its behalf or on behalf of any of its agencies or instrumentalities any such immunity. Without limiting the

generality of the foregoing, the Parties hereby expressly waive any right to claim sovereign or similar immunity under the laws of Malaysia, or any similar law in any other jurisdiction in the world.

48. Lenders Rights

The Parties acknowledge that the QEL under the Charter will contain a reasonable acknowledgement of lenders rights to enforce their security if a default occurs under the Owner's loan arrangements. Irrespective of anything else in this Agreement, each Party agrees that nothing in this Agreement will be construed to prevent Lenders from enforcing their security against the FPSO as mortgagees / assignees if a default occurs under the Owner's loan arrangements and Lenders and Charterers do not agree upon a mutually acceptable way to proceed within 180 days.

49. FTL

In the event Contractor's Affiliate is a contractor or subcontractor for the supply of the Fluid Transfer Line and related services, then, notwithstanding anything to the contrary in this Agreement, any act or omission by such Contractor's Affiliates or its subcontractors ("FTL Affiliate") under such agreement shall not be considered an act, omission, or breach of Contractor or Contractor Group under this Agreement; provided always that Contractor shall not be entitled to rely upon this Clause in circumstances where the FTL Affiliate in performing its scope of work has acted improperly or in bad faith to disrupt or interrupt the Services under this Agreement.

[Signatures on following page.]

EXECUTED by the Parties in two originals by their respective duly authorized and empowered officers.

<u>CONTRACTOR</u>:

MALAYSIA INTERNATIONAL SHIPPING CORPORATION BERHAD

By: ______________________________

Witness:

By: ______________________________

<u>COMPANY</u>:

MURPHY SABAH OIL CO., LTD.

By: ______________________________

Witness:

By: ______________________________

EXHIBIT 10.6

ENGINEERING, PROCUREMENT,

CONSTRUCTION, INSTALLATION AND COMMISSIONING

OF DRY TREE UNIT (DTU)

CONTRACT

BETWEEN

MURPHY SABAH OIL CO. LTD.

AND

TECHNIP MARINE (MALAYSIA) SDN. BHD.

CONTRACT REFERENCE MURPHY/KIKEH/K004

Engineering, Procurement, Construction,
Installation and Commissioning of Dry Tree Unit (DTU), Contract

KIKEH AREA DEVELOPMENT

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ENGINEERING, PROCUREMENT, CONSTRUCTION, INSTALLATION AND COMMISSIONING OF DRY TREE UNIT (DTU), CONTRACT

KIKEH AREA DEVELOPMENT

This CONTRACT is entered into this 7th day of February, 2005, effective as of the 10th day of December, 2004, (the EFFECTIVE DATE) by and between **Murphy Sabah Oil Co., Ltd** (hereinafter called "COMPANY"), a company incorporated under the laws The Bahamas and having its office at Level 26 Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia, and **Technip Marine (Malaysia) Sdn. Bhd.** (hereinafter called "CONTRACTOR"), a company incorporated under the laws of Malaysia having its office at 2nd Floor, Wisma Technip, 241 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

WITNESS THAT:

For and in consideration of the mutual covenants and obligations contained herein, it is agreed by and between COMPANY and CONTRACTOR as follows:

ARTICLE 1 - DEFINITIONS

1.1 For all purposes of this CONTRACT, except as otherwise expressly provided herein or unless the context otherwise requires, the terms defined below shall have the meaning assigned to them as follows:

1.1.1 "AFFILIATE" means any company or other entity that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control of, or with, a party. "Control" means ownership, whether direct or indirect, of fifty percent (50%) or more of the issued voting stock of a company entitled to vote or ownership of equivalent rights to determine the decisions of such company or other entity. Additionally, in the case of COMPANY, AFFILIATE shall mean any CO-VENTURER of COMPANY in the KIKEH Development Project.

1.1.2 Not used.

1.1.3 "COMPANY GROUP" means COMPANY, CO-VENTURERS, its and their AFFILIATES, contractors (other than CONTRACTOR) and subcontractors of any tier, and its and their respective employees, officers, directors and agents.

1.1.4 "CONTRACTOR GROUP" means CONTRACTOR, its AFFILIATES, contractors, suppliers and subcontractors and their respective employees, officers, directors and agents.

1.1.5 "CO-VENTURERS" means PETRONAS CARIGALI SDN BHD and/or any other party having a legal interest in the operations of COMPANY to which the WORK or part thereof relates.

1.1.6 "CHANGE ORDER" means any change to the WORK of a type specified in Article 8.

1.1.7 "BONUS MILESTONE DATE(S)" means the date(s) stipulated in [redacted] for completing the milestone activities associated therewith, the achievement of which shall entitle CONTRACTOR to bonus sums as described in Article 5.8.

1.1.8 "FINAL COMPLETION DATE" means the date the WORK including the FACILITY, being complete in all respects in full accordance with this CONTRACT, is to be delivered to and accepted by COMPANY in accordance with Article 6.2 and Article 6.3.

1.1.9 "ACTUAL FINAL COMPLETION DATE" means the date FINAL COMPLETION DATE has been actually achieved.

1.1.10 "CONTRACT PRICE" means the sum specified as such in Article 7 and [redacted] hereto, as such sum may be increased or decreased specifically in accordance with the terms of this CONTRACT.

1.1.11 "PRELIMINARY ENGINEERING DOCUMENTS" means the various drawings, engineering data and documents referred to in [redacted] hereto which are provided by COMPANY to CONTRACTOR, as such may from time to time be supplemented, amended, revised or otherwise modified in accordance with the applicable terms hereof.

1.1.12 "DESIGN SPECIFICATIONS" means the functional data and information referred to in [redacted] hereto which are provided by COMPANY to CONTRACTOR as a basis for designing the FACILITY and which must be met with in all respects unless modified in accordance with the applicable terms hereof.

1.1.13 "DTU" means the Dry Tree Unit, being the SPAR, integrated with the Hull, Topsides, and mooring system, production and injection trees, and all other items described in Article 2 herein, having been designed, engineered, developed, procured, fabricated, constructed, installed, hooked-up, completely commissioned with the Certificate of Delivery and Acceptance, and made ready for drill rig installation to commence, together with RISER SYSTEM 1 having been delivered in accordance with this CONTRACT.

1.1.13A "DTU COMPLETION DATE" means the date, as specified in [redacted], the DTU is to be delivered and accepted in accordance with this CONTRACT.

1.1.13B "ACTUAL DTU COMPLETION DATE" means the date DTU COMPLETION DATE has actually been achieved.

1.1.13C "RISER SYSTEM" means the relevant system of production and injection risers including subsea wellhead connectors, dry wellhead and trees, as described in [redacted]

1.1.13D "SPAR" shall mean a deep draft floating caisson or spar which can be designed to support drilling and/or production equipment and/or to store oil, as designed and generally described but without limitation in U.S. Patent No. 4,702,321 dated October 27, 1987, U.S. Patent No. 4,740,109 dated April 26, 1988, U.S. Patent No. 5,558,467 dated September 26, 1996, and Cell Spar technology described in 10/059757 U.S. Patent Application dated 29 January 2002, and foreign patents and patent applications related thereto together with various disclosures on file. A SPAR's other distinguishing features generally include a natural period in heave which in the operating or moored condition is longer than the wave periods and a center of gravity which is below the center of buoyancy. The term "SPAR" shall include structures regardless of the material of construction, including but not limited to steel and concrete hulls. The term "SPAR" does not include fixed towers, semi-submersible platforms, jack-up platforms, or tension leg platforms.

1.1.14 "FACILITY" means the DTU, together with RISER SYSTEM 2 and, at COMPANY's option, RISER SYSTEM 3 having been delivered in accordance with this CONTRACT.

1.1.15 "SITE" means the FACILITY location in Production Sharing Contract (PSC) Block K, offshore Malaysia.

1.1.16 "JOBSITE" means any place or area away from the SITE where the WORK is being carried out.

1.1.17 "SCOPE OF WORK" means the totality of [redacted] hereto including all requirements specified therein including the appendices and other information set forth in attached or referenced documents, recommendations or requirements as such may from time to time be supplemented, amended, revised or otherwise modified in accordance with the applicable terms hereof.

1.1.18 "PROPRIETARY INFORMATION" means information as defined in Article 21 herein.

1.1.19 "WORK" means all the works to be completed by CONTRACTOR as defined in Article 2.

1.1.20 "COMPANY REPRESENTATIVE" means the person as designated by COMPANY in writing who shall have the duties, rights and obligations set forth in Article 3.2.

1.1.21 "COMPANY SITE REPRESENTATIVE" means the person appointed by the COMPANY REPRESENTATIVE under Article 3.2.2 who shall have the day-to-day monitoring of CONTRACTOR in carrying out the WORK on the SITE or if the WORK is carried out in the JOBSITE, the day-to-day monitoring of the CONTRACTOR in carrying out the WORK on the JOBSITE.

1.1.22 "USD" means United States Dollars.

1.1.23 "EFFECTIVE DATE" means the effective date of this CONTRACT, being the 10th of December 2004.

1.1.24 "CONTRACTOR'S BID PROPOSAL" means the bid proposal submitted by CONTRACTOR to COMPANY pursuant to the Invitation To Bid documents pertaining to this CONTRACT issued by COMPANY on 24 May 2004.

ARTICLE 2 - THE WORK

2.1 The WORK shall consist of the complete management, engineering, procurement, construction, transportation, installation and commissioning of the FACILITY as a total integrated turnkey package, all as more fully described in this [REDACTED] hereto.

2.2 CONTRACTOR shall provide or arrange to have provided all management, engineering, design, services, personnel, labor, facilities, supervision, testing, commissioning, quality control, materials, equipment, construction equipment needed to perform and complete the WORK, as more fully described in [REDACTED]

2.3 [REDACTED] with its appendices, attachments and references therein, attached hereto is an integral part of this CONTRACT.

2.4 In the event of any conflict between the text of this CONTRACT [REDACTED], the text of this CONTRACT, to the extent of the conflict, shall govern.

In case of any conflict or inconsistency within an Exhibit itself, or among any of the Exhibits that is not resolved by the order of precedence shown below, CONTRACTOR shall bring this to the attention of COMPANY which shall resolve the conflict in writing at no cost to COMPANY. The order of precedence shall be:

2.5 All references to this CONTRACT shall be deemed to include all documents incorporated herein, unless such reference specifically provides otherwise.

2.6 It is the intent of this CONTRACT that CONTRACTOR is to design, engineer and provide a completely finished, outfitted, equipped, tested, commissioned and installed FACILITY complete and meeting with all DESIGN SPECIFICATIONS as required in the SCOPE OF WORK. CONTRACTOR will retain full design and engineering, procurement, construction, installation, commissioning, and start-up assistance responsibility associated with the WORK.

2.7 The Hull including its Mooring System, machinery and equipment and the Topsides structure, marine and safety equipment shall be designed and built under special survey and inspection of a recognized Classification Society.

Classification Society review of drawings, calculations, and documentation as appropriate shall be arranged by CONTRACTOR. All fees and charges incidental to Classification and to comply with the appropriate rules, regulations and requirements of the Classification Society shall be for the account of CONTRACTOR.

ARTICLE 3 - RESPONSIBILITIES OF COMPANY

3.1 COMPANY shall:

3.1.1 Furnish the SITE at which the offshore field work is to be performed to which CONTRACTOR shall have access within agreed notification mechanism.

3.1.2 Provide, or assist CONTRACTOR in providing, such technical and process data and design basis as may be necessary for CONTRACTOR to perform the WORK.

3.1.3 provide assistance to the CONTRACTOR in securing necessary permits or data from Malaysian governmental authorities and/or agencies when required under this CONTRACT to be in CONTRACTOR's name. CONTRACTOR retains ultimate responsibility for securing the necessary permits or data.

3.1.4 Not used.

3.1.5 Not used.

3.1.6 Not used.

3.2 The COMPANY REPRESENTATIVE shall have the following duties, rights and obligations:

3.2.1 The COMPANY REPRESENTATIVE shall notify CONTRACTOR in writing of all information, instructions and decisions of COMPANY made under the provisions of

this CONTRACT. All information, instructions and decisions from the COMPANY REPRESENTATIVE shall be as if from COMPANY and shall commit COMPANY.

3.2.2 The COMPANY REPRESENTATIVE may from time to time appoint a COMPANY SITE REPRESENTATIVE who shall have the day-to-day monitoring of CONTRACTOR in carrying out the WORK on the SITE or if the WORK is carried out in the JOBSITE, the day-to-day monitoring of CONTRACTOR in carrying out the WORK on the JOBSITE, and may at any time withdraw such appointment. The COMPANY REPRESENTATIVE shall notify the CONTRACTOR in writing of the appointment, or the withdrawal of the appointment, of the COMPANY SITE REPRESENTATIVE, and where applicable, for a designated area. The COMPANY SITE REPRESENTATIVE shall represent and have the authority to commit the COMPANY in all aspects during the execution of this CONTRACT.

3.2.3 The COMPANY REPRESENTATIVE and the COMPANY SITE REPRESENTATIVE shall, at COMPANY's cost, have safe access at all reasonable times to the SITE or JOBSITE, as the case may be, and CONTRACTOR shall afford every facility for and every assistance in obtaining the right of access. The COMPANY REPRESENTATIVE shall co-ordinate with the CONTRACTOR the access requirements to the SITE or JOBSITE, as the case may be.

3.2.4 Only the COMPANY REPRESENTATIVE, and the COMPANY SITE REPRESENTATIVE, shall receive on behalf of the COMPANY, notifications, information and decisions of the CONTRACTOR under the provisions of this CONTRACT.

3.2.5 The COMPANY shall have the right to change the COMPANY REPRESENTATIVE at any time at its sole discretion and shall notify the CONTRACTOR accordingly.

3.2.6 Instructions, information and decisions from anyone other than the COMPANY REPRESENTATIVE, and the COMPANY SITE REPRESENTATIVE, shall have no contractual force or validity even if they are written on COMPANY headed notepaper.

3.2.7 All instructions, information and decisions from the COMPANY SITE REPRESENTATIVE shall be in writing and require a signed and returned receipt acknowledgement within forty eight (48) hours.

3.3 The signing, countersigning or other endorsements of any drawings and documentation by COMPANY's representatives, agents or employees shall not be interpreted as implying that COMPANY's representatives, agents or employees assume the responsibility for the correctness of such documents nor relieving the CONTRACTOR of its obligations pursuant to ARTICLE 4, to review all information, data, drawings and specifications provided by COMPANY.

3.4 No approval, consent or failure to disapprove, or comment on, any matter by, or the submission of drawing, programme, schedule, plan or any other document to, or

acquiescence on the part of COMPANY or COMPANY REPRESENTATIVE shall relieve CONTRACTOR of any liability or any of its obligations under this CONTRACT or otherwise.

ARTICLE 4 - RESPONSIBILITIES OF CONTRACTOR

4.1 CONTRACTOR:

4.1.1 shall possess the required skills, capacity and financial capability to perform, and shall perform, and complete the WORK in a professional manner utilizing sound engineering, procurement, construction, installation and commissioning principles, project management procedures, and supervisory procedures all in accordance with generally acceptable practices in the offshore petroleum industry.

4.1.2 shall prosecute the WORK in a diligent manner using qualified and competent personnel and timely complete the WORK in accordance with the provisions of this CONTRACT.

4.1.3 has examined all parts of this CONTRACT and has obtained full knowledge and understanding of the WORK, has reviewed the SCOPE OF WORK, and other data supplied by COMPANY about the SITE and shall, subject to Article 8.1.1, be fully responsible for interpreting, checking and verifying such data and for obtaining such additional data to the extent it considers necessary in order for it to fulfill its obligations under this CONTRACT. CONTRACTOR agrees that it is familiar with all such conditions, risks, contingencies and other circumstances (including, without limitation, labor relations, supply of material, weather and COMPANY'S operational requirements) as may affect the performance of the WORK and has taken them into account in agreeing to the fixed price amount addressed in Article 7, and the sums and rates and prices set forth in [redacted], and has fully satisfied itself as to the correctness and sufficiency of said amount(s) for the execution of the WORK.

4.1.4 shall obtain and pay for all permits and licenses, which must be in CONTRACTOR'S name, necessary for the performance of the WORK.

4.1.5 shall have knowledge of all of the legal requirements, and business practices and rules and regulations which must be followed in performing the WORK and shall perform the WORK in compliance with all applicable governmental, local and other competent authorities' laws, regulations and orders presently in effect and becoming effective during the performance of the WORK, subject however to Article 8.2.

4.1.6 is the designer of the FACILITY and accepts full responsibility for the design, the accuracy and completeness of the PRELIMINARY ENGINEERING DOCUMENTS included in [redacted] ; and that CONTRACTOR will complete and correct any errors or omissions in the

design and/or the PRELIMINARY ENGINEERING DOCUMENTS and any resulting impact on the WORK at no cost to COMPANY.

4.1.7 shall defend, indemnify and hold COMPANY harmless from any fees, charges, fines, customs duties and penalties as may arise from its non-compliance with Section 4.1.5 herein.

4.1.8 shall furnish COMPANY complete, accurate and proper documentation necessary to enable COMPANY to pay any costs for local or export taxes, Malaysian import duties, or other Malaysian taxes resulting from fabrication or supply of equipment or material from outside of Malaysia that are within the responsibility of COMPANY under Article 31. COMPANY shall be solely responsible for Malaysian import duties pursuant to Article 31.2.2.

4.1.9 within (14) days of the execution of this CONTRACT shall provide to COMPANY, a Performance Guarantee in respect of the performance of the WORK in a format per [redacted] .

4.1.10 shall provide all necessary safeguards for the protection of the FACILITY and of all persons and other property related thereto whilst in CONTRACTOR's care, custody and control, until ACTUAL FINAL COMPLETION DATE.

4.1.11 is an independent contractor and nothing contained herein shall be construed as constituting any other relationship with COMPANY, nor shall this CONTRACT be construed as creating any relationship whatsoever between COMPANY and CONTRACTOR'S employees; CONTRACTOR has sole authority and responsibility to employ, discharge and otherwise control its employees, and that neither CONTRACTOR, nor any of its employees, are or shall be deemed to be employees of COMPANY; CONTRACTOR shall comply with all laws, rules, regulations and ordinances applicable to it as such employer; and CONTRACTOR shall accept complete responsibility as a principal for its agents and subcontractors.

4.1.12 comply with COMPANY's applicable safety rules and regulations as specified in DESIGN SPECIFICATIONS.

4.1.13 shall arrange for complete handling, storage and preservation of all materials, equipment and construction equipment (including COMPANY-furnished equipment) including inspection, expediting, shipping, unloading, and receiving.

4.1.14 shall provide all temporary materials, equipment, supplies, and construction utilities.

4.1.15 shall provide such reasonable assistance as requested by COMPANY in preparing licences, permits, custom duties exemption applications and supporting data and documents required to be provided by COMPANY, for the performance of the WORK or otherwise required hereunder which are required to be taken out

in COMPANY’s name. COMPANY shall use good faith efforts to minimize the extent of such assistance requested.

4.1.16 shall replace any of its personnel or its subcontractor’s personnel performing the WORK whom COMPANY requests CONTRACTOR to replace. COMPANY will not unreasonably make such requests.

4.1.17 in performing the WORK and in accordance with Article 10 herein, shall establish, use and enforce Quality Control and Assurance Programs which ensure compliance with the SCOPE OF WORK and comply with all necessary regulations, codes and practices applicable to the type of Facility which is the subject of this CONTRACT. COMPANY shall, at all times, have the right of review and acceptance of such Quality Control and Assurance Programs. CONTRACTOR shall ensure that such Quality Control and Assurance Programs are passed on to and established, used and enforced by all of its subcontractors.

4.1.18 shall provide such office space, furniture and facilities including communications equipment, utilities, supplies, parking, and services at all JOBSITES for use by COMPANY, throughout the period of this CONTRACT as required by [REDACTED] [REDACTED], and it shall provide all marine and air transportation to and from shore base, accommodations, messing, communications and other support services as may be required for CONTRACTOR and COMPANY personnel and/or their designees onboard marine vessels used in the performance of the WORK.

4.1.19 shall observe and enforce, and shall ensure that all its subcontractors and agents observe and enforce all applicable safety rules and regulations. CONTRACTOR shall also take all precautions and measures prescribed by any applicable laws, rules and regulations to ensure the safety of its own and all other persons including, without limitation, the provision of all necessary barriers, guards, temporary badges, lights, watchmen and all similar items.

4.1.20 shall fulfill and enforce its obligations in this Article at the SITE and the JOBSITE(S), offices and any other place, construction facility or factory, where any aspect of the WORK or related activities are performed.

4.1.21 shall afford to COMPANY at all times during the performance of the WORK and thereafter until final acceptance pursuant to Article 10.15, safe access to all locations where WORK is being performed, including any location where an item which is to form a part of the FACILITY is being fabricated, constructed, assembled, mounted, tested, inspected, transported installed or stored.

4.1.22 shall afford such safe access, assistance and equipment as may be required by COMPANY in order to permit COMPANY, any other contractor engaged by COMPANY or any representative of any governmental, certifying or other appropriate authority, to carry out such inspections, surveys or work (other than the WORK) in connection with or relating to the WORK as may be appropriate.

4.1.23 shall, subject to Article 3.1.1, ensure that every aspect of, and all operations connected with the performance of the WORK are carried out so as not to damage or to interfere unnecessarily or improperly with, any of COMPANY's existing facilities or any of COMPANY's operations or with any convenience of the public or any access to or use or occupation of any public or private property or way, including, without limitation waterways, moorings, submerged pipelines and cables and other such places and structures.

4.1.24 with the exception of existing waste material and rubbish, shall at all times keep the SITE and JOBSITE(S) free of waste material and rubbish and upon the completion of the WORK it shall clear away and remove from the FACILITY, JOBSITE(S) and the SITE, CONTRACTOR GROUP's waste material and rubbish and all surplus materials, equipment, structures, and tools not the property of COMPANY, leaving the whole of the FACILITY clean and in an as-new condition and the JOBSITE(S) and the SITE clean to the reasonable satisfaction of COMPANY.

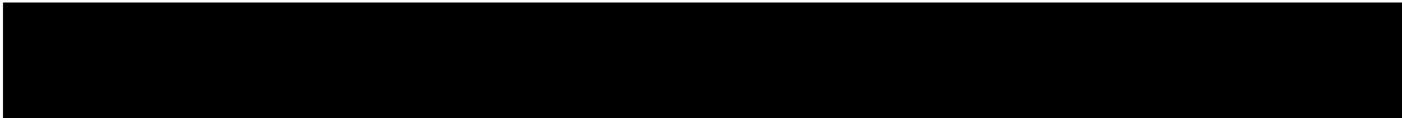
4.1.25 shall, forthwith and with dispatch, buoy, light, raise and remove all or any portion of the FACILITY, or any other plant, scrap, objects, tools, materials, equipment, vessel or craft that may be sunk, dropped overboard, abandoned on the seabed or otherwise lost in the course of the CONTRACTOR's performance of the WORK as soon as practicable, and in any event so as to comply with all governmental laws, regulations, rules and orders and to avoid any hazard to navigation or hazard to the FACILITY and to avoid any delay in the completion of the WORK. The fact that the sunken item is insured or has been declared a total loss shall not absolve CONTRACTOR from its obligations under the terms of this Article nor shall it relieve CONTRACTOR of its obligation to complete the WORK in accordance with the terms of this CONTRACT.

4.1.26 shall be solely responsible for ensuring that all of its foreign employees, if any, comply with applicable immigration laws.

4.1.27 reserves the right to substitute vessels, equipment, facilities, resources, personnel with equal or equivalent replacements subject to approval by COMPANY, such approval will not be unreasonably withheld.

4.1.28 shall comply with the requirements of the Classification Society.

4.2 CONTRACTOR shall:



4.2.2

ARTICLE 5 - COMPLETION AND DELIVERY DATES

5.1

5.2 Within thirty (30) days from the EFFECTIVE DATE of this CONTRACT, CONTRACTOR shall submit to COMPANY for approval, a Preliminary Resource Loaded (Level 4) Project Schedule, Staffing Plan and "S" Curve showing the sequence of events, staffing requirements and planned progress through all phases of the WORK. Within sixty (60) days from the EFFECTIVE DATE of this CONTRACT, CONTRACTOR shall submit to COMPANY for approval, a Final Resource Loaded (Level 4) Project Schedule, Staffing Plan and "S" Curve showing the sequence of events, staffing requirements and planned progress through all phases of the WORK. CONTRACTOR shall incorporate the key dates for commencement and completion of all significant activities of engineering, procurement, construction and installation. The schedule submitted by CONTRACTOR shall be a Critical Path Method Schedule or other scheduling technique approved by COMPANY. CONTRACTOR shall implement the WORK in accordance with the Project Schedule and shall mitigate the impact of any delay. CONTRACTOR shall provide regular updates of the Project Schedule on a monthly basis indicating actual progress compared to planned progress and furnish additional details and information relating to such schedule as COMPANY may from time to time reasonably require. The Project Schedule shall clearly indicate the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE.

5.3 CONTRACTOR shall commence performance of the WORK immediately upon execution of this CONTRACT, and shall continue the same in a diligent and expeditious manner and in accordance with the Project Schedule. CONTRACTOR shall make best efforts at all times to afford the WORK the highest priority.

5.4 Neither the submission to nor approval by COMPANY of the Project Schedule nor the furnishing of such additional details and information thereto, shall relieve CONTRACTOR of any of its other obligations under this CONTRACT.

5.5 The mode, manner and speed of performance of the WORK are to be such as to ensure COMPANY that the Project Schedule will be met. Should COMPANY have reason to believe that the Project Schedule will not be met, COMPANY shall have the right (but not

the obligation) to so notify CONTRACTOR, and thereupon CONTRACTOR shall work such additional overtime and/or engage such additional personnel and/or take such other measures as may be necessary in order to complete the WORK within the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE. Subject to CONTRACTOR's entitlement to additional cost and/or time under Article 8, and for delays caused by COMPANY GROUP, all costs related to such overtime, additional personnel and other measures shall be borne by CONTRACTOR.

5.6 If at any time during the course of its performance of the WORK, CONTRACTOR should have reason to believe that the WORK (or any applicable part thereof) cannot be completed within the Project Schedule, CONTRACTOR shall promptly, but in any event not later than ten (10) days of the date it first has cause to believe that the WORK may be delayed, notify COMPANY in writing of such possible delay, indicating the amount of delay CONTRACTOR believes will or could be incurred and within thirty (30) days notify COMPANY in writing of the proposed remedy to complete the WORK within the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE, and thereupon CONTRACTOR shall work such additional overtime and/or engage such additional personnel and/or take such measures as may be necessary in order to complete the WORK within the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE. Subject to CONTRACTOR's entitlement to additional cost and/or time under Article 8, and for delays caused by COMPANY GROUP, all costs related to such overtime, additional personnel and other measures shall be borne by CONTRACTOR.

5.7 Further to Article 5.6, CONTRACTOR shall provide to COMPANY a final estimated sail-away date of the DTU from the JOBSITE to the SITE in accordance with the following notification schedule:

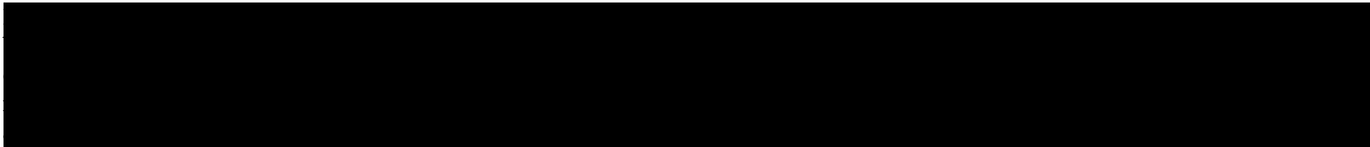
If the portion of the WORK scheduled for completion at the JOBSITE is not completed at that time, COMPANY has the right to instruct CONTRACTOR to complete the remaining WORK offshore at CONTRACTOR's cost.

5.8. BONUS ENTITLEMENTS FOR EARLY COMPLETION

Subject to Article 7.2.18, CONTRACTOR shall be entitled to be paid the relevant bonus sums upon having achieved the following milestones:

5.9 CONTRACTOR shall give to COMPANY sixty (60) days prior notice of the estimated achievement of the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE as stipulated in 5.1 above for COMPANY'S planning purposes.

5.10 LIQUIDATED DAMAGES FOR LATE ACHIEVEMENT OF BONUS MILESTONE 3 DATE



5.11 CONTRACTOR acknowledges and agrees that actual delays and the cumulative effect of actual delay in activities which, according to the Project Schedule, do not affect any completion dates shown by the critical path in the network, do not have any effect on the

BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE and therefore will not be the basis for an extension of time, subject to CONTRACTOR's entitlement to additional cost under Article 8.

5.12 The BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE shall be extended in respect of delay to said dates which CONTRACTOR can establish was caused by the following only:

1) The number of calendar days delay which are the aggregate of agreed extensions to the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE specifically resulting from changes to the WORK pursuant to the terms of Article 8 of this CONTRACT.

2) The number of calendar days lost to CONTRACTOR on or after the effective date hereof and prior to the actual BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE specifically caused by (a) Force Majeure delays defined in Article 27; (b) COMPANY's suspension under Article 23.3; or (c) any delay in performance hereunder by or breach of any obligations hereunder of COMPANY GROUP or any other act of prevention of performance hereunder by COMPANY GROUP.

5.13 No period of delay or extension to the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE for any reason shall be valid or taken into account if:

1) The delay was in any way caused by default, error, neglect, act or omission of the CONTRACTOR or does not specifically impact the critical path events.

2) CONTRACTOR has not since the occurrence of the delay taken all reasonable steps open to them to mitigate the effect of the delay upon the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE.

3) The delay was in any way caused by errors, incompleteness, or omissions in the design provided by CONTRACTOR prior to or after execution of this CONTRACT.

5.14 CONTRACTOR'S sole and exclusive remedy in event of any delay in completing the WORK as stipulated hereunder is to receive an extension to the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE as specifically allowed herein and any other rights under Article 8 with no other obligation, cost or payment due from COMPANY.

ARTICLE 5A- LOSS AND EXPENSE CAUSED BY DISTURBANCE OF THE REGULAR PROGRESS OF THE WORK

5A.1 Subject to Article 5A.2, if, upon written application being made to COMPANY by CONTRACTOR, COMPANY and CONTRACTOR mutually agree that CONTRACTOR

has been involved in direct loss and/or expense for which CONTRACTOR would not be reimbursed by a payment under any other provision in this CONTRACT by reason of the regular progress of the WORK or any part thereof having been materially affected by:

(a) changes to the WORK due to COMPANY requested changes pursuant to the terms of Article 8, and/or

(b) any delay in performance hereunder by or breach of any obligations hereunder of COMPANY GROUP or any other act of prevention of performance hereunder by COMPANY GROUP,

and if the written application is made within one (1) calendar month of it becoming apparent that the progress of the WORK or any part thereof has been affected as aforesaid, then COMPANY and CONTRACTOR shall mutually agree the amount of such loss and/or expense and this amount shall be added to the CONTRACT PRICE.

5A.2 The provisions of Article 5A.1 shall not apply where, and to the extent that, the cause of the progress of the WORK or any part thereof having been delayed, affected or suspended is:

(a) default, error, neglect, act or omission of CONTRACTOR GROUP;

(b) failure by CONTRACTOR GROUP to take all reasonable steps to mitigate the effect of the events specified in Article 5A.1(a) and/or Article 5A.1(b); or

(c) errors, incompleteness or omissions in the design provided by CONTRACTOR GROUP prior to or after execution of this CONTRACT.

ARTICLE 6 - DELIVERY AND TITLE

6.1 TITLE:

CONTRACTOR warrants good title to all materials, equipment, tools and supplies furnished by it, its subcontractors and their vendors which become part of the FACILITY or are purchased for COMPANY for the maintenance and/or construction thereof. Title to all or a portion of said materials, equipment, tools and supplies shall pass to COMPANY at (a) the date the FACILITY or any part thereof is delivered to COMPANY or (b) the date payment for all or such portion of said materials, equipment, tools and supplies is made, whichever of the foregoing first occurs. However, CONTRACTOR shall retain care, custody and control of said materials, equipment, tools and supplies and exercise due care thereof to protect them from loss or damage until delivery of the FACILITY or any part thereof, or until termination of this CONTRACT (pursuant to Articles 18.4, 23 or 39.23), whichever first occurs. Said transfer of title shall in no way affect COMPANY'S rights as set forth in other provisions of this CONTRACT.

Any portion of the FACILITY for which title has passed to COMPANY but which remains in the care and custody of CONTRACTOR or subcontractor, including any COMPANY

provided items, shall be clearly identified as being the property of COMPANY and shall be segregated from CONTRACTOR'S property to the extent possible.

For the purpose of protecting COMPANY'S interest in all materials, equipment, tools and supplies with respect to which title has passed to COMPANY but which remain in the possession of CONTRACTOR's subcontractors and vendors, CONTRACTOR shall take or cause to be taken all reasonable steps necessary under the laws of the appropriate jurisdiction(s) to protect COMPANY'S title thereto and interests therein and shall protect, defend and hold harmless COMPANY against claims by other parties with respect thereto.

CONTRACTOR shall cause all conditions of this Article 6.1 to be inserted in all of its subcontracts so that COMPANY shall have all the rights set forth herein with respect to each subcontractor.

6.2 DELIVERY OF DTU

The DTU shall be completed in full accordance with this CONTRACT and the SCOPE OF WORK and then delivered to COMPANY afloat, moored, assembled, installed, integrated, tested and commissioned at the SITE on the DTU COMPLETION DATE, unless such date is extended under provisions of this CONTRACT. Subject to Article 6.1, title to the DTU shall pass to COMPANY upon delivery of the DTU by CONTRACTOR to COMPANY. Such delivery shall be evidenced by the Certificate of Delivery and Acceptance pursuant to this Article 6, subject however to Article 10.15.

All certificates and documents applicable to the WORK and the DTU as set forth herein and in [redacted] and/or as may be required for the intended operation of the DTU, including, but not limited to the following shall be delivered to COMPANY on the ACTUAL DTU COMPLETION DATE of the DTU:

a. Certificate of Delivery and Acceptance signed by CONTRACTOR and accepted in writing by COMPANY REPRESENTATIVE certifying that the DTU is complete in every respect except for COMPANY's agreed punch list of minor outstanding items and in full accord with all provisions hereof and of Exhibit A (SCOPE OF WORK), approved plans and agreed change orders.

b. Bill of Sale.

c. Certificate of Title, if applicable.

d. Inventory of stores and consumables.

e. Inventory of all equipment on the DTU including spare parts and the like.

f. Instruction Books and Operating Manuals pertaining to the DTU and its equipment.

g. Builders Certificate on proper form.

h. Classification certificate from a recognized Classification Society. Note that these certificates may be temporary with the permanent certificates to be delivered to COMPANY as soon as possible thereafter.

i. All other certificates or other approvals, including relevant government approvals or documents required to commence drill rig installation, required or normally to be furnished upon delivery of the DTU pursuant to this CONTRACT.

j. Declaration of Warranty by CONTRACTOR that the DTU is delivered to COMPANY free and clear of any liens, charges, claims, mortgages, taxes or other encumbrances of whatever nature affecting COMPANY'S clear title thereto, as well as of all liabilities of the CONTRACTOR to its suppliers and subcontractors, employees or crew, and of all liabilities arising from work performed offshore, or otherwise prior to delivery.

k. Copies of as-built drawings and other data to the extent complete at the time as specified in and suitably assembled, organized and packaged.

6.3 DELIVERY OF FACILITY

Subsequent to the delivery and acceptance of the DTU pursuant to Article 6.2 above, the delivery by CONTRACTOR of RISER SYSTEM 2, and, at COMPANY's option, RISER SYSTEM 3, in accordance with this CONTRACT and shall constitute delivery of the FACILITY hereunder.

The provisions of Article 6.2 shall, to the extent that they are relevant to RISER SYSTEM 2, and RISER SYSTEM 3, if applicable, apply to the delivery of the FACILITY.

ARTICLE 7 - COST OF THE WORK, INVOICING AND PAYMENT SCHEDULE

7.1 CONTRACT PRICE

As full and complete compensation for the WORK, COMPANY shall pay to CONTRACTOR the CONTRACT PRICE of

in accordance with the schedule specified in Article 7.2.18, along with any amount or credit for any Change Order specifically agreed and documented in accordance with Article 8 hereto, as well as for any bonus entitlements under Article 5.8 or liquidated damages under Article 5.10.

The CONTRACT PRICE shall not be increased as a result of any increase in CONTRACTOR'S costs unless agreed to by COMPANY in writing under Article 8 hereto. The CONTRACT PRICE excludes service tax under the Service Tax Act 1975.

No prices herein shall be subject to escalation.

7.2 INVOICING AND PAYMENTS SCHEDULE

7.2.1 CONTRACTOR shall, for each of the scheduled payment installments specified in Article 7.2.18, submit to COMPANY within seven (7) days of the achievement of the relevant milestone an invoice for the specified amount due for that particular milestone.

7.2.2 COMPANY will indicate in each CHANGE ORDER as per Article 8, the method by which the cost of the CHANGE ORDER shall be invoiced.

7.2.3 Not used.

7.2.4 Any charges made by CONTRACTOR for items reimbursable at actual cost under this CONTRACT or for payments made on COMPANY's behalf shall be properly itemised and shall be net of all discounts and allowances, if applicable. Invoices must be supported by sufficient original documentation to fully support such reimbursement and permit verification thereof by COMPANY. Supporting documents include original service ticket, time sheet and/or man-hour reports verified by COMPANY SITE REPRESENTATIVE, third party invoices and/or other supporting data or information as is required or reasonably necessary to support the charges.

7.2.5 All invoices for WORK performed shall be submitted in duplicate, one (1) original and one (1) copy, each complete with the necessary original supporting documentation verified by the COMPANY SITE REPRESENTATIVE and shall indicate the CONTRACT number and title, location where WORK is performed or materials routed to, the name of COMPANY SITE REPRESENTATIVE authorising the services to be performed or materials to be purchased and shall be supported by relevant documentation to permit verification thereof. Invoicing currency shall be indicated on the invoice as specified in Article 7.2.12.

7.2.6 Invoices shall be addressed to COMPANY as follows: -

MURPHY SABAH OIL CO., LTD
Level 26, Tower 2,
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia.

ATTN. : Manager, Finance and Administration

7.2.7 Payments of correct and undisputed invoiced items shall be made on or before the thirtieth (30th) day after receipt of the invoice by wire transfer. If the thirtieth (30th) day falls on Saturday, Sunday or a gazetted public holiday, the next working day shall be deemed to be the due date for payment. Payments for undisputed invoices received after the due date shall be subject to interest charges at the 3-month LIBOR plus two percent (2%) rate.

7.2.8 COMPANY may dispute an invoice and payment due to CONTRACTOR may be withheld by COMPANY on account of:

7.2.8.1 incorrect invoice(s) without the appropriate supporting documentation required by COMPANY.

7.2.8.2 any defective WORK done and not remedied by CONTRACTOR.

7.2.8.3 performance of this CONTRACT, or completion of any part of the WORK not in accordance with the terms of this CONTRACT.

7.2.8.4 Not used.

7.2.8.5 failure of CONTRACTOR to pay amounts due for wages and/or labour or materials used by CONTRACTOR in performing WORK or amounts due to Subcontractors in the performance of WORK without justification.

7.2.9 COMPANY may withhold payment in respect of disputed items until settlement of the dispute. In the event that COMPANY disputes any item on a particular invoice, COMPANY shall be entitled to withhold from making payment only the actual amount in dispute until the settlement of the dispute. COMPANY shall inform CONTRACTOR of the disputed item(s) within thirty (30) days of the receipt by COMPANY of the particular invoice. COMPANY shall be liable for interest payment on wrongfully withheld items at the 3-month LIBOR plus two percent (2%) rate.

7.2.10 If and when the cause or causes for withholding any such payment has/have been remedied or removed by CONTRACTOR and satisfactory evidence of such remedy or removal has been presented to COMPANY, the payments withheld shall be made forthwith by COMPANY.

7.2.11 Not used.

7.2.12 Subject to CONTRACTOR securing the necessary approvals and CONTRACTOR furnishing documentary evidence to COMPANY that CONTRACTOR is duly authorised by Bank Negara Malaysia to accept payment in USD, all payments to CONTRACTOR by COMPANY under the terms of this CONTRACT shall be in USD.

The CONTRACT PRICE is stated in USD and in the event that CONTRACTOR is not authorised to accept in USD then, for the purpose of converting USD to enable payment to be made in Ringgit Malaysia, the rate of exchange to be used shall be the average of the selling and buying rates of Telegraphic Transfer published in the opening of business rate sheet by Malayan Banking Berhad Kuala Lumpur on the date of payment. If such day falls on a day where the rate is not available, the rate quoted immediately before such day shall be used.

7.2.13 Upon notification of any erroneous billings made by or payments made to CONTRACTOR by COMPANY, CONTRACTOR shall within fourteen (14) days, make appropriate adjustments therein and reimburse to COMPANY any amounts of overpayment still outstanding as reflected by said adjustments. Notwithstanding the foregoing, COMPANY shall be entitled to deduct such amount from payment due to CONTRACTOR upon mutual agreement of the Parties. Accordingly, COMPANY shall pay CONTRACTOR any amount of underpayment subject to verification thereof.

7.2.14 Payment made by COMPANY under this CONTRACT shall not preclude the right of COMPANY to thereafter dispute any of the items invoiced and shall not constitute an admission or waiver by COMPANY as to the performance by CONTRACTOR of its obligations hereunder and in no event shall any such payment affect the obligations by CONTRACTOR. Any payments withheld shall be without prejudice to any other rights or remedies available to COMPANY.

7.2.15 All invoices, financial statements / settlements and billings by CONTRACTOR to COMPANY shall reflect properly the facts relating to all activities and transactions handled for COMPANY's account.

7.2.16 CONTRACTOR shall identify in the invoice the item and the amount subject to service tax under the Service Tax Act 1975 of Malaysia. Such invoice shall be substantiated with the relevant documents specified thereto.

7.2.17 All payment to CONTRACTOR shall be made to:

7.2.18 Invoices for the amount of progress payments shall be submitted by CONTRACTOR to COMPANY in accordance with Article 7.2.1 and

7.3 Subject to Article 7.2, with regard to each of the above progress payments, CONTRACTOR shall submit to COMPANY an invoice which shows:

7.3.1 the CONTRACT PRICE.

7.3.2 documentation of the current status and justification of the installment payment due complete with COMPANY SITE REPRESENTATIVE's signature.

7.3.3 the portion of said CONTRACT PRICE amount invoiced previously.

7.3.4 the payment sum due.

7.3.5 the payment due date.

7.4 Not used.

ARTICLE 8 - CHANGES IN THE WORK

8.1 COMPANY shall have the right to make any changes in the WORK (i.e., alterations, additions or reductions) as it sees fit under the provisions of this Article. Except as specifically provided in this CONTRACT, there shall be no changes to the WORK, SCOPE OF WORK, any particulars of this CONTRACT or the CONTRACT PRICE. For clarification, the following are some of the matters which do not constitute a change in the WORK and shall not affect the CONTRACT PRICE or BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE:

8.1.1 Changes, modifications, corrections and additional drawings or specifications that occur during the engineering/design of the project necessary to develop a conceptual design intent into sufficient detail for the procurement, construction, installation and operational phases of the project in compliance with the SCOPE OF WORK, save for any modifications to the WORK resulting from changes, errors or omissions in the DESIGN SPECIFICATIONS.

8.1.2 Modifications to the WORK resulting from errors or omissions in the PRELIMINARY ENGINEERING DOCUMENTS.

8.1.3 Corrections made necessary due to CONTRACTOR’S noncompliance with the DESIGN SPECIFICATIONS, Classification Society rules and requirements, or other applicable governmental regulations.

8.1.4 Remedial work made necessary by non-compliance of CONTRACTOR or its subcontractors, vendors or agents with instructions, drawings or specifications.

8.1.5 Modifications made necessary to comply with requirements of the CONTRACTOR-nominated Marine Warranty Surveyor.

8.2 If after the date of submission of CONTRACTOR’S BID PROPOSAL there are any mandatory changes to the rules or requirements of the Classification Society or other governmental regulations or laws (including tax laws) which affect the FACILITY and the WORK, then CONTRACTOR shall promptly notify COMPANY thereof and comply therewith. COMPANY shall agree to necessary changes in the SCOPE OF WORK and the WORK which may become necessary as a result of any such mandatory changes to those rules, requirements and regulations or laws (including tax laws).

For the avoidance of doubt, if after the date of submission of CONTRACTOR’s BID PROPOSAL there shall be enacted or promulgated in Malaysia any new tax statute, changes in existing tax laws, codes, treaties or regulations or interpretations thereof, which impact

CONTRACTOR and affects the CONTRACT PRICE, CONTRACTOR shall be entitled to a CHANGE ORDER under the provisions of Article 8 hereof.

8.3 Only changes that would result in extra work, or extra material or equipment, or the rework of completed work or a change or modification in CONTRACTOR's planned performance of the WORK by CONTRACTOR over and above what would have been required had the change not been incorporated can be the cause of extra cost or delay, subject to Article 8.5.

8.4 COMPANY shall have the absolute unfettered right to make changes in the FACILITY and/or SCOPE OF WORK as COMPANY shall see fit and submit same to CONTRACTOR in writing together with such particulars sufficient to describe the changes to CONTRACTOR. CONTRACTOR shall as soon as practicable thereafter, but not longer than twenty (20) days after receipt of such change request (unless a longer period is approved by COMPANY, which approval shall not be unreasonably withheld), notify COMPANY in writing of any adjustment to the CONTRACT PRICE, as calculated in accordance with this Article 8, and any proposed impact on the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE if such change would be implemented. COMPANY shall notify CONTRACTOR in writing within twenty (20) days after receipt of CONTRACTOR'S proposed adjustment, and if COMPANY agrees to the adjustment so proposed, the change shall take effect. In no case shall COMPANY be responsible for the cost of any change, or any impact on BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE unless it has given its specific approval in writing in accordance with provisions of this Article,

PROVIDED however that COMPANY shall be entitled at any time to instruct in writing CONTRACTOR to, and CONTRACTOR shall, upon receiving such written instruction, forthwith proceed with the change, pending agreement on the adjustment to the CONTRACT PRICE pursuant to Article 8.6 or impact on BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE, if any, which agreement shall not be unreasonably withheld by either Party.

8.5 Any proposed adjustment to the CONTRACT PRICE or BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE notified by CONTRACTOR to COMPANY pursuant to this Article shall be accompanied by a detailed breakdown showing how the extra cost was calculated as further described below as well as justification of any impact on the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE.

8.6 Subject to Article 8.10, all cost adjustments resulting from changes to the WORK arising under this Article shall be agreed on a lump sum basis.

8.7 Not used.

8.8 If, pursuant to Article 8.5 and Article 8.6, CONTRACTOR and COMPANY cannot agree on an adjustment to the CONTRACT PRICE, BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE, COMPANY may, at its

option, cancel the change or require that the change be made on the basis that CONTRACTOR shall demonstrate, by reference to the assessed impact of such change on the CONTRACT PRICE, the Project Schedule for the FACILITY referred to in Article 5 hereto currently in force at the time the change is proposed by COMPANY, the actual impact of the change on the CONTRACT PRICE, the BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE whereupon the CONTRACT PRICE, the BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE will be adjusted accordingly. Such demonstration shall include an up-to-date critical path schedule and construction schedule showing where the delay occurred and why it has the effect on the CONTRACT PRICE, the BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE claimed by CONTRACTOR. In no event will an impact on delivery due to a change be used to offset an existing delay for which CONTRACTOR is responsible.

In the event that notwithstanding such demonstration, the parties are still unable to agree upon the impact on the CONTRACT PRICE, the BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE the matter will forthwith be referred to an independent third party expert experienced in such construction, to be mutually agreed by the parties, who shall be required to determine the impact of the change on the CONTRACT PRICE, the BONUS MILESTONE DATES, DTU COMPLETION DATE and/or the FINAL COMPLETION DATE by expert opinion which shall be final and binding on the parties. The cost of such expert shall be borne by the non-prevailing party.

If the Parties fail to agree on the independent third party expert, then the aforesaid matters shall be resolved in accordance with Article 29.3.

8.9 Not used.

8.10 Cost for changes at the SITE during Installation requested by COMPANY in writing shall be at the daily rates stipulated in Appendix 3 Exhibit C (SCHEDULE OF COMPENSATION) which indicate total cost to COMPANY. The provisions of this CONTRACT will continue to apply during extra work at the SITE. CONTRACTOR and COMPANY shall agree as to all time spent on extra work at the end of each day for the SITE and this shall be logged on the daily report. Any disputes arising from failure to agree on what constitutes extra work shall be resolved in accordance with Article 29.3.

ARTICLE 9 - REPRESENTATIONS, WARRANTIES AND GUARANTEES

9.1 CONTRACTOR represents, warrants and guarantees that the WORK shall meet all of the requirements set forth in this CONTRACT including the incorporated documents and shall conform to the SCOPE OF WORK (including DESIGN SPECIFICATIONS). CONTRACTOR further represents, warrants and guarantees that the FACILITY shall be capable of achieving the throughput capability of the FACILITY as defined in the SCOPE OF WORK. CONTRACTOR further represents, warrants and guarantees that all materials, equipment, tools and supplies which become a part of the FACILITY shall be new and conform to the SCOPE OF WORK (including DESIGN SPECIFICATIONS).

CONTRACTOR warrants that all of the equipment and services furnished under this CONTRACT shall comply in all respects with all the relevant regulations, rulings, orders and standards, promulgated by any regulatory or governmental authority having jurisdiction.

9.2 COMPANY shall notify CONTRACTOR in writing promptly after discovery of any breach of CONTRACTOR'S representations, warranties and guarantees as set forth in this Article 9 which may appear at any time but not later than [redacted] after the ACTUAL DTU COMPLETION DATE in the case of failure of the DTU to meet a requirement set forth in this CONTRACT including the incorporated documents or in respect of any other breach of CONTRACTOR'S representations, warranties, and guarantees. In such event, CONTRACTOR shall re-perform the engineering, purchasing services and construction supervision and provide all material, labor and equipment to the extent necessary to correct any breach to make the WORK conform to said representations, warranties and guarantees with all expense thereof to be for CONTRACTOR'S account. If in the course of correcting any such breach CONTRACTOR replaces or renews or repairs any portion of the FACILITY, the provisions of this Article 9.2 shall apply to the portion of the FACILITY so replaced or renewed or repaired until the expiration of [redacted] from the date of such replacement or renewal or repair,

PROVIDED that specifically in respect of RISER SYSTEM 2, and, RISER SYSTEM 3, if applicable, the [redacted] warranty period shall commence from the date the relevant RISER SYSTEM has been actually delivered in accordance with this CONTRACT, and

PROVIDED further that in no event shall said representations, warranties and guarantees [redacted]

9.3 CONTRACTOR shall endeavour to obtain from all subcontractors and vendors and cause to be extended to COMPANY representations, warranties and guarantees equal to or greater than those provided by CONTRACTOR with respect to materials and workmanship of third-party manufactured equipment, tools and supplies furnished by such subcontractors and vendors. All representations, warranties and guarantees shall be written so as to survive all inspections, tests and approvals of the COMPANY and CONTRACTOR.

9.4 CONTRACTOR shall be responsible for enforcing the representations, warranties and guarantees specified in Article 9.3 above, commencing at the time such representation, warranty or guarantee is furnished and ending concurrently with CONTRACTOR's representations, warranties or guarantees specified in Article 9.2. The cost of any equipment, material or labor required to replace or repair defective equipment or material furnished by subcontractors or vendors shall be for the account of CONTRACTOR to the

extent same is not recoverable pursuant to the representations, warranties or guarantees of said subcontractors and vendors.

9.5 If, at any time during the performance of the WORK or during the period specified above the representations, warranties or guarantees set forth in this Article 9 are found to have been breached, CONTRACTOR, within ten (10) days of receipt of COMPANY'S written notice of such breach, shall mutually agree with COMPANY when and how it intends to remedy said breach. Should CONTRACTOR and COMPANY fail to reach an agreement within ten (10) days of CONTRACTOR's receipt of COMPANY's written notice of such breach or should CONTRACTOR not begin and diligently proceed to complete said remedy within the time agreed to, COMPANY after so advising CONTRACTOR in writing shall have the right to perform or have performed by third parties the necessary remedy, and all reasonable costs thereof shall be borne by CONTRACTOR.

Notwithstanding the foregoing, if corrective work is required to be performed to the RISER SYSTEM after delivery, then CONTRACTOR's liability for correcting defective WORK or in respect of any other breach of CONTRACTOR's representations, warranties and guarantees shall be limited to the cost of correcting such defects caused by CONTRACTOR at CONTRACTOR's onshore facility or re-supplying parts of the RISER SYSTEM at an onshore location. COMPANY shall bear the cost of dismantling and reinstalling any FACILITY that interferes with or obstructs access to any warranty repairs CONTRACTOR may be required to perform. CONTRACTOR shall not be liable for any costs associated with the recovery, removal, transportation to/from COMPANY's shore base or reinstallation of any parts of the RISER SYSTEM.

9.6 CONTRACTOR agrees that all of CONTRACTOR'S and its subcontractors' representations, warranties and guarantees contained in this CONTRACT are and shall be deemed material and shall survive the completion of this CONTRACT.

9.7 CONTRACTOR makes no other representations, warranties or guarantees, express or implied, with respect to the WORK whether based on contract, tort, strict liability or otherwise. Any implied or statutory warranties of fitness for purpose, merchantability or other statutory remedies which are inconsistent with this article are expressly waived.

ARTICLE 10- TEST, INSPECTION, REPAIR, ACCEPTANCE OF THE WORK

10.1 COMPANY shall at all times have the right to inspect the WORK and, all materials, workmanship, equipment, temporary facilities and the FACILITY to be provided by CONTRACTOR under the terms of this CONTRACT, shall be subject to such inspection and tests at such locations as COMPANY may at any time and from time to time direct in accordance with this CONTRACT. CONTRACTOR shall, at its own cost, provide all such assistance, instruments, machines, labor, materials and consumables as are normally required for examining, measuring and otherwise testing the item to be tested and the quality, weight or quantity of the materials used therein, including, but not limited to, any inspections, verifications, checks and assurances.

10.2 CONTRACTOR shall, at its cost, furnish to COMPANY for testing samples of such of the materials to be used in the FACILITY as COMPANY shall at any time and from time to time specify in accordance with this CONTRACT.

10.3 COMPANY shall have the right to reject, at any time, any portion of the WORK including, but not limited to, engineering, materials, equipment, installation, tools or supplies which does not comply with CONTRACTOR'S representations, warranties, or guarantees, conform to SCOPE OF WORK, or is of improper or inferior design or workmanship. CONTRACTOR shall, if so directed by COMPANY, repair, rectify or make good any part of the WORK so rejected.

10.4 CONTRACTOR shall at all times be prepared to explain and/or defend the WORK to such governmental, testing, inspecting and/or certifying authorities or agencies as COMPANY may designate, and CONTRACTOR shall, at its cost, perform and document the WORK (or any relevant part thereof) in such manner as to permit the timely approval thereof by such authorities and agencies.

10.5 No part of the WORK shall be covered up or put out of view without the CONTRACTOR providing reasonable notice and affording full opportunity for COMPANY to examine such WORK prior to being covered up or put out of view.

10.6 CONTRACTOR shall uncover such parts of the WORK or make openings in and through the same as COMPANY may at any time or from time to time direct in accordance with this CONTRACT and shall reinstate and make good the same in accordance with this CONTRACT. All costs of providing such access and of such reinstatement shall be borne by CONTRACTOR if:

10.6.1 CONTRACTOR failed to advise COMPANY that such part of the WORK was about to be covered, failed to afford COMPANY full opportunity to examine such WORK prior to it being covered or concealed or otherwise failed to afford COMPANY access to such part; or

10.6.2 Upon uncovering such part of the WORK, such part contains a fault, defect or imperfection requiring correction which arose from CONTRACTOR'S failure to perform such part of the WORK in accordance with this CONTRACT

PROVIDED that if such uncovering shows that there was compliance with this CONTRACT, then COMPANY shall issue a change in the WORK in respect of the unavoidable cost and schedule changes incurred as a result of stoppage of the WORK.

10.7 CONTRACTOR shall at its own cost search in accordance with this CONTRACT for the cause of any fault, defect or imperfection in the WORK or any part thereof and shall repair, rectify and make good the same.

If any such fault, defect or imperfection is suspected by COMPANY, it may direct CONTRACTOR to make such search. All costs for a search arising from CONTRACTOR's performance of the WORK which uncovers, a fault, defect or imperfection, and all costs for such remedial work shall be borne by CONTRACTOR.

PROVIDED that if such uncovering shows that there was compliance with this CONTRACT, then COMPANY shall issue a change in the WORK in respect of the unavoidable cost and schedule changes incurred as a result of stoppage of the WORK.

10.8 CONTRACTOR shall, whenever so ordered by COMPANY and at CONTRACTOR'S cost:

10.8.1 remove from the work area, within such time or times as may be specified in the order, any and all materials, goods, supplies, equipment and other items furnished by CONTRACTOR which do not fulfill the requirements relating thereto set forth in this CONTRACT.

10.8.2 substitute therefore materials, goods, supplies, equipment or other items that fulfill such requirements.

10.8.3 properly re-perform any WORK that was initially performed using and/or incorporating such faulty materials, goods, supplies, equipment or other items.

10.9 CONTRACTOR agrees that no payment made by COMPANY under the terms of this CONTRACT shall constitute, or shall be construed to constitute, the acceptance of any faulty or defective WORK.

10.10 Notwithstanding COMPANY'S right of inspection hereunder, it shall remain CONTRACTOR's responsibility to establish proper Quality Control and Assurance Procedures covering all aspects of the WORK at all locations where the WORK, or portions thereof, are performed; and to insure that such Quality Control and Assurance Procedures are implemented and accomplished. Prior to notification to COMPANY that the FACILITY, or any part thereof, is ready for COMPANY'S inspection and acceptance, CONTRACTOR shall verify that all of the appropriate Quality Control and Assurance Procedures have been satisfied and the appropriate sign-offs and approvals have been obtained in writing including, but not limited to:

a. all intermediate inspections and tests have been completed, repairs made and documentation prepared.

b. material traceability documentation has been completed.

c. alignment checks have been completed, repairs made and documentation prepared.

d. all deficiency reports have been resolved and signed off by the COMPANY.

e. equipment nameplate data has been verified and documented.

f. all non destructive testing (NDT) has been completed, repairs made and retested and documentation prepared.

g. The WORK, or any part thereof, has been put into proper completed condition.

The above requirements regarding Quality Control and Assurance shall also apply prior to the movement of any component away from its fabrication area or to the closing up of any area such that said requirements could not reasonably be accomplished.

10.11 After all applicable provisions of this CONTRACT and the SCOPE OF WORK have been met, CONTRACTOR shall notify COMPANY in writing that the FACILITY, or the appropriate part thereof, is deemed ready for acceptance under Article 6.2 and 6.3, as the case may be. Without prejudice to Article 6.2 or Article 6.3 as the case may be, within ten (10) days of such notification, COMPANY shall acknowledge that the FACILITY or appropriate part thereof is ready for acceptance, by accepting the Certificate of Delivery and Acceptance in writing, and shall advise CONTRACTOR in writing of any known defects or deficiencies that are discovered and CONTRACTOR shall promptly correct such defects or deficiencies to comply with the requirements of this CONTRACT.

10.12 At an appropriate time during the performance of the WORK, as determined by COMPANY, COMPANY shall provide various operating personnel to the JOBSITE and the SITE to witness construction, testing and commissioning generally to test the FACILITY under design conditions insofar as practicable. This shall not relieve CONTRACTOR of his responsibility for testing and commissioning hereunder.

10.13 Inspection or lack thereof by COMPANY, approval or acceptance by COMPANY or lack thereof, or payment by COMPANY with respect to any part of the WORK shall not relieve CONTRACTOR of responsibility to complete unperformed WORK, or for improperly performed obligations or WORK. COMPANY'S acceptance of or failure to reject the WORK shall not be deemed to be a waiver of any provisions of this CONTRACT.

10.14 CONTRACTOR shall provide office space at the work areas and the SITE and the JOBSITE for COMPANY'S personnel including appropriate space and furnishings, secretary, computers, phones, e-mail, parking, and other required items as defined in the SCOPE OF WORK.

10.15 Final acceptance of the WORK shall be conditioned upon the following:

a. Completion, delivery and formal acceptance by COMPANY of the WORK in accordance with Article 6.

b. Correction of all defects and deficiencies to comply with the requirements of this CONTRACT.

c. Not used.

d. Receipt, storage and handover by CONTRACTOR of COMPANY furnished supplies, spares, consumables.

e. Receipt by COMPANY of all technical and operational information required.

f. Receipt by COMPANY of appropriate release of liens and claims.

g. Receipt by COMPANY of all Regulatory and the Classification Society certificates and approvals.

h. Receipt by COMPANY of all As-Built drawings and documentation.

i. Not used.

Such final acceptance shall be evidenced by the Final Acceptance Certificate to be issued by COMPANY.

ARTICLE 11 -MARINE CRAFT

11.1 All marine craft required to perform the WORK shall be in good working condition and properly rigged to perform the WORK. During the performance of the WORK, CONTRACTOR shall provide all marine craft required to perform the SCOPE OF WORK. Such marine craft and equipment shall be and remain in compliance with all applicable laws, rules and regulations and shall in every way be seaworthy and fit for service in unprotected marine waters with their machinery, equipment and hull in good condition and with a full and competent complement of master, officers and crew appropriate for such marine craft.

11.2 CONTRACTOR shall ensure that prior to the date of commencement of any marine operations valid Certificates appropriate for the marine craft's intended services hereunder issued by the appropriate governmental or other authorities shall be made available.

11.3 CONTRACTOR shall make all reasonable efforts to ensure that there is a sufficient stock of spare parts for such marine craft and associated equipment to ensure that breakdown does not impede the progress of the WORK.

11.4 CONTRACTOR at its own cost shall perform all maintenance of and repair to such marine craft.

11.5 CONTRACTOR shall operate, maintain and be fully responsible for the navigation of all such marine craft.

ARTICLE 12 -WEATHER DOWN TIME

12.1 CONTRACTOR shall familiarize itself with the weather conditions that can be expected to occur in all areas where the WORK is to be performed. CONTRACTOR has included the cost of any such down time or interruptions in the WORK caused by such weather in the CONTRACT PRICE except as specifically provided in [redacted] [redacted] hereto and CONTRACTOR shall not receive any additional reimbursement from COMPANY for any cost attributable thereto, nor shall CONTRACTOR be granted any extension of time by COMPANY (other than for Force

Majeure events as stipulated in Article 27) for any such down time or interruptions in the WORK experienced during the performance of the WORK,

PROVIDED however if in COMPANY's sole opinion any such downtime or interruptions in the WORK caused by weather has occurred notwithstanding that CONTRACTOR has carried out appropriate planning and engineering, and installation equipment selection, COMPANY shall compensate CONTRACTOR for offshore standby costs per Exhibit C incurred beyond a cumulative period of seven (7) calendar days of delay of the DTU COMPLETION DATE attributable to such downtime or interruptions in the WORK, subject however to a maximum limit of

PROVIDED further that if in COMPANY's sole opinion any such downtime or interruptions as aforesaid has occurred as a direct consequence of a CHANGE ORDER, COMPANY shall compensate CONTRACTOR for offshore standby costs per Exhibit C incurred beyond a cumulative period of seven (7) calendar days of delay of the DTU COMPLETION DATE attributable to such downtime or interruptions in the WORK, subject however to a maximum limit of

ARTICLE 13 - DUMPING, POLLUTION, WRECKS AND DEBRIS

13.1 CONTRACTOR shall in respect of the equipment or marine craft of CONTRACTOR, its contractors and/or subcontractors exercise all reasonable diligence to conduct its operations in a manner that will prevent pollution and CONTRACTOR shall comply with all applicable laws, ordinances, rules, regulations and CONTRACT provisions regarding pollution and the removal of wrecks and/or debris of such equipment or marine craft from the surface or sea bottoms. No trash, waste oil, bilge water, fuel or other pollutants or any object or piece of equipment shall be discharged, disposed of or dumped or allowed to escape from CONTRACTOR's, its contractors and/or subcontractors' equipment or marine craft into the sea. CONTRACTOR shall take reasonable measures to instruct its personnel and its subcontractors in such matters, and shall at its own expense clean up any such pollution caused, and shall remove the wreck of any equipment or marine craft or part thereof supplied by it or its subcontractors or in its care, custody and control said equipment or marine craft or part thereof supplied by CONTRACTOR, its contractors and/or subcontractors in the course of performing the WORK and in any event to the extent that CONTRACTOR is required under instruction from any government authority having jurisdiction to so instruct.

13.2 Should there be a discharge or escape of any appreciable quantity of pollutants or contaminants during CONTRACTOR'S performance of the WORK, CONTRACTOR shall immediately notify COMPANY SITE REPRESENTATIVE.

b. Without relieving CONTRACTOR of any of its obligations above provided, it is agreed that COMPANY may take part to any degree it deems necessary in the control and removal of any pollution or contamination which is the responsibility of CONTRACTOR under the foregoing provisions, and CONTRACTOR shall reimburse COMPANY for the cost thereof, subject to any limitation above provided, upon the receipt of billing therefor from COMPANY.

c. Indemnifications by COMPANY per the below apply only for the area of work applicable to the installation covered herein which shall be defined as that certain area within ten (10) kilometers radius of the SITE. Limits of CONTRACTOR'S indemnifications per paragraphs a and b above do not apply outside of the area of work.

ARTICLE 14 - -COMMENCEMENT OF OFFSHORE ACTIVITIES

14.1 The offshore portion of the WORK shall be performed by CONTRACTOR in accordance with the SCOPE OF WORK.

14.2 In addition to the notification requirements of Article 5.7 above, CONTRACTOR shall give COMPANY written notification thirty (30) days in advance of the expected week when CONTRACTOR proposes to commence the offshore portion of the WORK and thereafter

shall confirm the actual day in said week ten (10) days prior to the day of CONTRACTOR'S arrival at the offshore SITE.

14.3 If CONTRACTOR fails to give proper notice as specified above or if CONTRACTOR'S marine craft have not been approved as specified herein, COMPANY will not be obligated to provide access to the offshore SITE until such notice and/or approval has been given.

ARTICLE 15 - INTERFACE MANAGEMENT

15.1 During the performance of the WORK, CONTRACTOR shall coordinate its operations with COMPANY and/or COMPANY'S personnel and cooperate with COMPANY'S other contractors who may be performing work at, near or on the JOBSITE(S) or SITE and be prepared to work in conjunction with any such contractor. CONTRACTOR's interface management responsibilities are detailed in

15.2 Whilst CONTRACTOR shall co-operate and co-ordinate its operations fully with COMPANY and COMPANY's other contractors, any unavoidable delays due to lack of access caused by COMPANY and/or COMPANY's other contractors shall be subject to Article 8 and 5A.1.

ARTICLE 16 - SALVAGE

16.1 CONTRACTOR shall, as and when required by law, salvage at CONTRACTORS's own cost COMPANY'S or COMPANY's contractors' or COMPANY's sub-contractors' property,

Provided however COMPANY shall reimburse all reasonable direct salvage costs incurred by CONTRACTOR where, and to the extent that,

(i) such property so salvaged was carried out on COMPANY's request, and

(ii) CONTRACTOR has not earlier in any way through its default, error or neglect in connection with the performance of the WORK caused the said property being sunk, dropped overboard, abandoned in the sea or on the seabed or otherwise lost.

16.2 CONTRACTOR shall waive all salvage claims should it, under any circumstances, claim salvage for any of COMPANY'S or its contractors' or its subcontractors property during the term of this CONTRACT. Provided CONTRACTOR is paid in accordance with Article 16.1, CONTRACTOR shall be responsible for, and shall defend, indemnify and hold COMPANY harmless against, all costs, charges, claims and expenses arising out of or in any way connected with any right to salvage proceeds which any of the employees, servants or agents of CONTRACTOR or CONTRACTOR'S contractors or CONTRACTOR'S subcontractors may have or claim in the event CONTRACTOR, or any of its subcontractors, perform salvage operations on COMPANY'S or COMPANY's contractors' or COMPANY's sub-contractors' property.

ARTICLE 17 - LABOR RELATIONS

17.1 Within 30 days after the EFFECTIVE DATE of this CONTRACT and quarterly thereafter, CONTRACTOR shall determine the approximate number of craftsmen available and required for execution of the WORK and will project such availability and requirement throughout the term of this CONTRACT. The results of these determinations shall be sent to COMPANY within ten (10) calendar days after the determinations have been made. CONTRACTOR shall advise COMPANY promptly, in writing, of any labor dispute or anticipated labor dispute which may be expected to affect the performance of the WORK by CONTRACTOR or any of its subcontractors. CONTRACTOR shall cause all conditions of this Article 17 to be inserted in all of its subcontracts so that COMPANY and CONTRACTOR shall have the rights herein set forth with respect to each subcontractor.

ARTICLE 18 – INSURANCE

18.1 CONTRACTOR Provided Insurance - CONTRACTOR shall maintain, at its sole cost, and shall require any subcontractor it may engage to maintain, at all times while performing the WORK hereunder, the insurance coverage set forth in with insurance companies rated A- or better in the most recent published edition of Best's Report, as stated or insurers acceptable to COMPANY. To the extent of CONTRACTOR's indemnity obligations under this CONTRACT, a certificate naming COMPANY as additional insureds and evidencing coverages, specifically quoting the indemnification provisions set forth in this CONTRACT and waiving all rights of subrogation, but such naming and waiving shall only be to the extent of the indemnity obligations assumed by CONTRACTOR in this CONTRACT, against COMPANY GROUP shall be delivered to COMPANY prior to commencement of the WORK, or in case of a subcontractor, prior to the commencement of subcontractor's part of the WORK. Such certificates shall provide that any change restricting or reducing coverage or the cancellation of any policies under which certificates are issued shall not be valid as respects the interest of COMPANY and other working interest owners therein until COMPANY has received thirty (30) days notice in writing of such change or cancellation. CONTRACTOR's liabilities shall not be limited in any way by the amounts of available insurance coverage. Failure to secure the insurance coverages, or the failure to comply fully with any of the insurance provisions of this CONTRACT, or the failure to secure such endorsements on the policies as may be necessary to carry out the terms and conditions of this CONTRACT, shall in no way act to relieve CONTRACTOR from the obligations of this CONTRACT, any provisions hereof to the contrary notwithstanding. In the event that liability for loss or damage be denied by the insurer(s) in all or in part, because of breach of the said insurance provisions by CONTRACTOR, or for any other reason, or if CONTRACTOR fails to maintain any of the insurances herein required, CONTRACTOR shall hold harmless, defend and indemnify COMPANY GROUP and its insurers against all claims, demands, costs and

expenses, including attorney's fees, which would otherwise be covered by said insurances. Notwithstanding anything to the contrary herein, CONTRACTOR's indemnity obligations under this CONTRACT (express or implied) shall not be limited in amount or in scope of coverage to the insurance which is required to be secured by CONTRACTOR under this CONTRACT. The naming of COMPANY as an additional assured, the primary status of CONTRACTOR's policies of insurance and the underwriter's agreement to waive all rights of subrogation against COMPANY GROUP shall only be to the extent and not in excess of or beyond the risks for which CONTRACTOR has agreed to indemnify or release COMPANY under this CONTRACT.

18.2 COMPANY Provided Insurance - COMPANY will procure and maintain at its own expense the insurance coverages set forth in [redacted] and no charge for such insurance shall be included by CONTRACTOR in the CONTRACT PRICE. Deductibles for the insurance coverage set forth in [redacted] shall be for the account of CONTRACTOR if and to the extent that any claim thereunder is attributable to the act, omission or breach of CONTRACTOR. Any invalidation of coverage, exceptions and exclusions and/or warranties in the CAR insurance policy which are brought into effect by the act, omission or breach of CONTRACTOR shall be for the account of CONTRACTOR. CONTRACTOR shall comply in all respects with any conditions stipulated in the insurance policies which COMPANY is required to obtain pursuant to this CONTRACT, and refrain from any action which might prejudice the continued effectiveness of such insurance so long as COMPANY provides CONTRACTOR with prior written notification of these requirements and these requirements are customary for the SCOPE OF WORK and are reasonable in nature. CONTRACTOR shall provide required information to, and coordinate with, any insurance surveyor appointed under COMPANY's insurance to undertake preshipment, loading and discharge surveys. CONTRACTOR shall comply with and shall cause its contractors and subcontractors to comply with any claims or accident notification, recording and investigation procedures required by COMPANY in connection with COMPANY's insurance. To the extent of COMPANY's indemnity obligations under this CONTRACT, COMPANY shall name CONTRACTOR GROUP as additional insureds and shall ensure all COMPANY's insurances waive all rights of subrogation against CONTRACTOR GROUP, subject to CONTRACTOR GROUP complying with any QA/QC requirements contained within the CAR insurance policy. CONTRACTOR shall be named as an additional assured under all policies of insurances provided by COMPANY [redacted] but only to the extent of COMPANY's indemnification obligations. COMPANY shall ensure all COMPANY's insurances waive all rights of subrogation against CONTRACTOR and its subcontractors of all tiers.

18.3 Claim by CONTRACTOR:

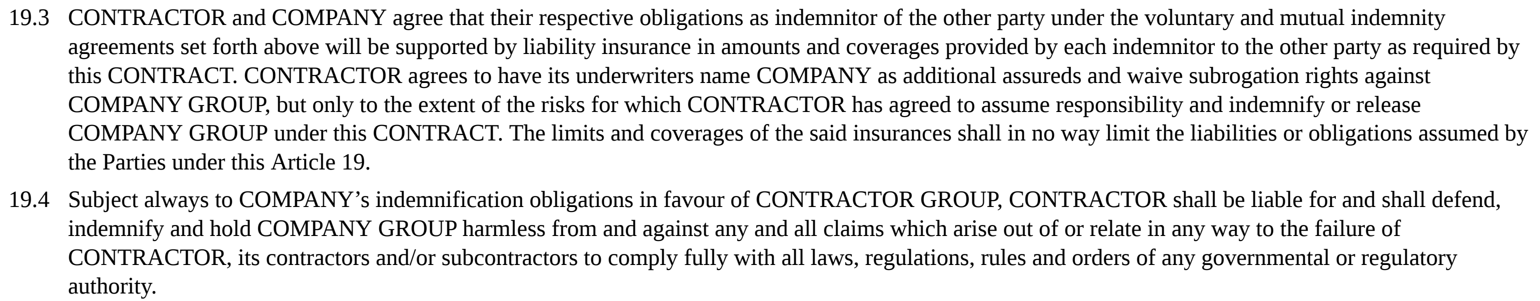
Any claim by CONTRACTOR against COMPANY-provided insurance shall require the prior written consent of COMPANY which consent shall not be unreasonably withheld, and be made through COMPANY. CONTRACTOR shall fully co-operate with COMPANY which shall be entitled to control or manage the handling of the claim with the insurance underwriter.

18.4 Basis for Breach - CONTRACTOR's or COMPANY's failure to keep the required insurance coverage, stipulated in [redacted] and [redacted] respectively, in effect during the term of this CONTRACT shall constitute a breach of this CONTRACT, and the non-defaulting party shall have the right at its option, in addition to other rights, to terminate within thirty (30) days this CONTRACT with resultant costs to be borne by the defaulting party.

ARTICLE 19 – INDEMNIFICATION

[redacted]

[redacted]



19.3 CONTRACTOR and COMPANY agree that their respective obligations as indemnitor of the other party under the voluntary and mutual indemnity agreements set forth above will be supported by liability insurance in amounts and coverages provided by each indemnitor to the other party as required by this CONTRACT. CONTRACTOR agrees to have its underwriters name COMPANY as additional assureds and waive subrogation rights against COMPANY GROUP, but only to the extent of the risks for which CONTRACTOR has agreed to assume responsibility and indemnify or release COMPANY GROUP under this CONTRACT. The limits and coverages of the said insurances shall in no way limit the liabilities or obligations assumed by the Parties under this Article 19.

19.4 Subject always to COMPANY’s indemnification obligations in favour of CONTRACTOR GROUP, CONTRACTOR shall be liable for and shall defend, indemnify and hold COMPANY GROUP harmless from and against any and all claims which arise out of or relate in any way to the failure of CONTRACTOR, its contractors and/or subcontractors to comply fully with all laws, regulations, rules and orders of any governmental or regulatory authority.

ARTICLE 20 - INDEMNIFICATION FOR PATENTS AND OTHER RIGHTS

20.1 CONTRACTOR shall indemnify, defend and hold harmless COMPANY GROUP against all loss, damages and expense arising from any claim or legal action for unauthorized disclosure or use of any trade secrets or of patent, copyright or trademark infringement arising from CONTRACTOR’S performance under this CONTRACT and/or asserted against COMPANY GROUP which either (a) concerns the FACILITY or unit or part thereof provided by CONTRACTOR GROUP under this CONTRACT and is based solely upon an apparatus patent right or rights (as distinguished from product or process patent rights) or any other rights asserted against an individual item or items of equipment specified or installed in the exercise of CONTRACTOR’S discretion where equipment of a different type or from another source could have been specified or installed by CONTRACTOR GROUP for the same purpose without giving rise to said claim for infringement; or (b) is based upon the performance of the WORK by CONTRACTOR including the use of any tools, implements or construction processes by CONTRACTOR GROUP; or (c) is based upon the design or construction of any plant or unit specified by CONTRACTOR under this CONTRACT or the operation of a CONTRACTOR specified plant or unit according to directions embodied in CONTRACTOR GROUP’S design, or any revision thereof, prepared or approved by CONTRACTOR, provided that if a claim or legal action for such infringement is asserted against COMPANY GROUP:

20.1.1 CONTRACTOR is promptly notified by COMPANY in writing of such claim; or legal action.

20.1.2 COMPANY GROUP shall not settle such claim or legal action without first having obtained CONTRACTOR’S consent in writing.

20.2 In the event such claim or legal action for such infringement results in a suit against COMPANY GROUP, CONTRACTOR shall, at its election and in the absence of a waiver of this indemnity by COMPANY, have sole charge and direction thereof in COMPANY GROUP’s behalf so long as CONTRACTOR diligently prosecutes said suit.

20.3 In the event CONTRACTOR has charge of a suit brought against COMPANY GROUP by a third party, COMPANY shall render such assistance at no cost to CONTRACTOR as CONTRACTOR may reasonably require in the defense of such suit except that COMPANY shall have the right to be represented therein by counsel of its own choice and at its own expense.

20.4 In the event COMPANY is enjoined from completion of the FACILITY or any part thereof, or from the use, operation or enjoyment of the FACILITY or any part thereof as a result of such claim or legal action or any litigation based thereon, CONTRACTOR, shall in a timely manner at its own expense either procure for COMPANY the right to continue performance of the WORK or modify it so that it becomes non-infringing.

20.5 COMPANY’S approval of CONTRACTOR’S engineering designs and/or proposed or supplied materials and equipment hereunder shall not be construed to relieve CONTRACTOR of any obligation herein.

20.6 In the event COMPANY gives written instructions to CONTRACTOR which direct a specified manner of performance of the WORK involving infringement of a patent or unauthorized disclosure or use of any trade secrets where such infringement results from such written instructions, COMPANY shall either secure the requisite permission needed to make continued performance non-infringing or shall, in writing, agree to indemnify, defend and hold harmless CONTRACTOR GROUP from any claims, costs and expenses resulting therefrom.

ARTICLE 21 - TREATMENT OF PROPRIETARY INFORMATION

21.1 As used herein, the term PROPRIETARY INFORMATION as regards COMPANY shall mean all information which CONTRACTOR, directly or indirectly, acquires from COMPANY or its AFFILIATES, any other information concerning the technical and business activities and know-how, or reservoir or production information of COMPANY or its affiliates, except information falling into any of the categories listed below.

As used herein, the term PROPRIETARY INFORMATION as regards to CONTRACTOR shall mean that collection of unpublished research and development information, including unpatented invention, know-how, trade secrets and other technical data owned by or in the possession of CONTRACTOR, or hereafter developed by CONTRACTOR or the

ownership of which is hereafter acquired by CONTRACTOR, which relates to SPARS and DTUs, including without limitation all technology, plans, designs, specifications, general and detailed working drawings, manuals, documents, studies, compilations, software and computer programs, which are owned or licensed by CONTRACTOR and are useful in the design, engineering, fabrication, assembly, sale and/or installation of the WORK and any other information concerning the technical and business activities and know-how of CONTRACTOR, except information falling into any of the categories listed below:

21.1.1 information which, prior to the time of disclosure or acquisition hereunder, is lawfully in the public domain.

21.1.2 information which, after disclosure or acquisition hereunder, lawfully enters the public domain, except where such entry is the result of CONTRACTOR’S or COMPANY’S breach of this CONTRACT.

21.1.3 information other than that obtained from third parties, which, prior to disclosure or acquisition hereunder, was already lawfully in CONTRACTOR’S or COMPANY’S possession either without limitation on disclosure to others or which subsequently becomes free of such limitation.

21.1.4 information obtained by CONTRACTOR or COMPANY from a third party who is lawfully in possession of such information without restrictions on disclosure and not subject to a contractual or fiduciary relationship with CONTRACTOR or COMPANY or any of their AFFILIATES with respect to said information. CONTRACTOR and COMPANY may use and disclose such information in accordance with the terms under which it was provided by such third party.

21.1.5 Drawings and documents transmitted to COMPANY for review not specifically identified as PROPRIETARY by CONTRACTOR.

PROPRIETARY INFORMATION shall not be deemed to be within the foregoing categories merely because such information is embraced by more general information lawfully in the public domain or in CONTRACTOR’S or COMPANY’S possession. In addition, any combination of features shall not be deemed to be within the foregoing categories merely because individual features are in the public domain or in CONTRACTOR’S or COMPANY’S possession but only if the combination itself and its principle of operation are lawfully in the public domain or in CONTRACTOR’S or COMPANY’S possession.

21.2 CONTRACTOR and COMPANY agree that they shall not disclose any PROPRIETARY INFORMATION to any third party (excluding their AFFILIATES) or use PROPRIETARY INFORMATION, other than on the other’s behalf, except as CONTRACTOR or COMPANY may otherwise authorize in writing. If disclosure to a third party is so authorized, CONTRACTOR or COMPANY shall enter into a confidentiality CONTRACT with said party containing the same terms and conditions with respect to use or disclosure of PROPRIETARY INFORMATION as this Article contains. In cases where disclosure is

required by law or by order of any court having jurisdiction, the disclosing party shall give as soon as reasonably possible to the other party notice of such disclosure.

21.3 CONTRACTOR and COMPANY also agree to safeguard all documents containing PROPRIETARY INFORMATION which either may supply to the other hereunder and all other documents containing PROPRIETARY INFORMATION whether prepared by CONTRACTOR, COMPANY or another. CONTRACTOR or COMPANY may make copies of such documents only to the extent necessary for the performance of the WORK. CONTRACTOR and COMPANY shall prevent access to all such documents by third parties. On completion of the WORK, each party agrees to return to the other all such documents containing PROPRIETARY INFORMATION and to destroy all copies thereof. However, should CONTRACTOR or COMPANY desire to retain certain documents and receives the other party's written approval therefore CONTRACTOR or COMPANY shall continue to treat said documents in accordance with the terms of this Article.

21.4 CONTRACTOR also agrees to enter into confidentiality agreements with third parties upon COMPANY'S request and to keep in force confidentiality agreements concerning third parties' PROPRIETARY INFORMATION, which agreements shall permit CONTRACTOR to use such parties' PROPRIETARY INFORMATION in the WORK.

21.5 COMPANY agrees also to enter into confidentiality agreements with third parties upon CONTRACTOR's request and to keep in force confidentiality agreements concerning third parties' PROPRIETARY INFORMATION, which agreements shall permit COMPANY to use such parties' PROPRIETARY INFORMATION in the WORK.

ARTICLE 22 - INVENTIONS AND LICENSES

22.1 Any inventions, discoveries and improvements to the SPAR or DTU patents and CONTRACTOR'S SPAR or DTU Technology which are conceived, developed, or reduced to practice in the performance of the WORK, and any patents or other rights obtained in connection therewith, shall belong to CONTRACTOR.

Any non-SPAR or non-DTU related inventions, discoveries and improvements which are conceived, developed, or reduced to practice in the performance of the WORK, and any patents or other rights obtained in connection therewith, shall be jointly owned between COMPANY and CONTRACTOR. CONTRACTOR shall determine the need for and manage the applications for the protection of such inventions, discoveries and improvements where appropriate. The costs for filing such applications, obtaining, and maintaining protection on such non-SPAR or non-DTU related inventions, discoveries, and improvements shall be shared equally between COMPANY and CONTRACTOR. COMPANY and CONTRACTOR shall each have the right to use such jointly owned inventions, discoveries and improvements without the consent of and without accounting to the other.

22.2 CONTRACTOR further agrees to grant and hereby grants to COMPANY including its AFFILIATES an irrevocable, royalty-free, non-exclusive, non-transferable license for any and all existing inventions and patents owned or controlled directly or indirectly by

CONTRACTOR which are incorporated into or on the WORK to enable COMPANY (including its CO-VENTURERS and AFFILIATES) to utilize such inventions or patents on the WORK, and to operate, maintain, use, repair, have repaired or sell the FACILITY and any applicable documents hereto in which such inventions or patents are incorporated and to use all drawings, designs, specifications and data furnished to COMPANY hereunder by CONTRACTOR to effect such operation, maintenance, use, repair or sale of the WORK. Notwithstanding anything to the contrary contained elsewhere in this CONTRACT, any licence granted is expressly conditioned upon COMPANY entering into this CONTRACT with CONTRACTOR. Nothing contained herein shall be construed as granting to COMPANY, its CO-VENTURERS and/or AFFILIATES a licence or right to build or make other SPARS or DTU(s) or have built or made other SPARS or DTU(s) on behalf of COMPANY, its CO-VENTURERS or AFFILIATES or to sublicence any licence herein granted. Under the licence granted herein, CONTRACTOR shall not limit the right of COMPANY, its CO-VENTURERS and/or AFFILIATES to rent, lease, assign or decommission the FACILITY.

22.3 CONTRACTOR shall obtain the same rights and/or licenses with respect to inventions and/or patents as stated above from any subcontractor and/or vendor.

22.4 CONTRACTOR shall own the engineering, design, drawings, specifications and associated data resulting from the WORK hereunder as pertains to CONTRACTOR'S specific SPAR or DTU Technology. Any non-proprietary related engineering, design, drawings, specifications and associated data resulting from WORK hereunder will be jointly owned by COMPANY and CONTRACTOR. COMPANY and CONTRACTOR shall each have the right to use such jointly owned engineering, design, drawings, specifications and associated data without the consent of and without accounting to the other.

ARTICLE 23 - DEFAULT, TERMINATION AND SUSPENSION

23.1 If CONTRACTOR shall become insolvent; or if insolvency, receivership or bankruptcy proceedings shall be commenced by or against CONTRACTOR; or if CONTRACTOR shall assign or transfer this CONTRACT or any right or interest therein, except as expressly permitted under Article 25; or if the interest of CONTRACTOR shall devolve upon any person or corporation otherwise than as herein permitted; or if CONTRACTOR shall fail to make prompt payment for labor or materials without justification, or persistently disregard laws or ordinances or the lawful requirements of any competent authority or instructions of COMPANY; or if, except for any of the reasons stated in Article 27, CONTRACTOR shall fail, neglect, refuse or be unable at any time during the course of the WORK to provide ample material, equipment, services, or labor to perform the WORK at a rate such that CONTRACTOR will complete the same on the agreed-to schedule; or if CONTRACTOR shall default in its performance of a material representation, warranty or guaranty or other provision of this CONTRACT; then COMPANY and CONTRACTOR shall have the following rights, obligations, and duties:

23.1.1 COMPANY without prejudice to any of its other rights or remedies under this CONTRACT may terminate this CONTRACT after written notice to

CONTRACTOR of the default if CONTRACTOR fails to commence to remedy the default within ten (10) days.

23.1.2 CONTRACTOR shall, if required, withdraw from any construction locations, the COMPANY furnished SITE and assign to COMPANY such of CONTRACTOR'S contracts and subcontracts as COMPANY may request and shall remove such materials, equipment, tools and instruments used by CONTRACTOR in the performance of the WORK as COMPANY may direct.

23.1.3 COMPANY, without incurring any liability to CONTRACTOR, shall have the right (either with or without the use of CONTRACTOR'S materials, equipment, tools and instruments purchased for the WORK) to finish the WORK itself or with the assistance of third parties.

23.1.4 CONTRACTOR shall be liable for any excess cost of the WORK not exceeding [redacted] of the CONTRACT PRICE set forth in Article 7.1 incurred by COMPANY on account of any of the circumstances described in this Article. COMPANY shall be entitled to withhold further payments to CONTRACTOR until COMPANY determines that CONTRACTOR is entitled to further payments.

Upon completion of the WORK by COMPANY or third parties, the total cost of the WORK shall be determined and COMPANY and CONTRACTOR shall agree in writing on the amount, if any, that CONTRACTOR shall pay COMPANY or COMPANY shall pay CONTRACTOR, which shall be deemed to complete all payments under the terms of this CONTRACT.

23.1.5 COMPANY's right to damages for delay shall be solely and exclusively governed by Article 5.10.

23.2 In addition, COMPANY may in its sole discretion terminate the WORK without cause at any time by giving written notice of fifteen (15) days of termination to CONTRACTOR. Termination by COMPANY in accordance with the provisions herein shall not constitute a breach of this CONTRACT by COMPANY nor entitle CONTRACTOR to any damages or claims except as expressly provided under this Article.

23.2.1 CONTRACTOR shall receive as compensation that portion of the CONTRACT PRICE due for the WORK performed in accordance with the SCOPE OF WORK (including the DESIGN SPECIFICATIONS) up to the date of termination plus the reasonable and documented cost to CONTRACTOR to wind up the WORK and close out existing subcontracts and orders including any vessel charter parties, plus reasonable profit. Should payments made to CONTRACTOR prior to termination be less than this amount, COMPANY shall pay the additional amount to CONTRACTOR. Should payments already made to CONTRACTOR prior to termination be more than this amount, CONTRACTOR shall pay COMPANY the difference. The amount due for the WORK performed shall be the amount, which CONTRACTOR can demonstrate to COMPANY represents the proportion of the WORK completed to the time of termination. CONTRACTOR shall allow

COMPANY to review sufficient records, accounts, receipts, invoices and other documents so that COMPANY can satisfy itself that the amount due CONTRACTOR is appropriate.

23.2.2 COMPANY shall assume and become liable for all obligations that CONTRACTOR may have in good faith incurred for its personnel and for all written obligations, commitments and claims that CONTRACTOR may have in good faith undertaken with CONTRACTOR GROUP (other than CONTRACTOR) and third parties in connection with the WORK under this CONTRACT including reasonable and documented costs incurred by CONTRACTOR to effect termination of this CONTRACT which are not covered by the payments made to CONTRACTOR as above.

23.2.3 CONTRACTOR, as a condition of receiving such payments, shall execute all papers and take all other steps which may be required to limit the liability and obligation of COMPANY as contemplated herein and to vest all rights, setoffs, benefits and title in COMPANY. CONTRACTOR shall render any such reasonable assistance as required by COMPANY. CONTRACTOR'S reasonable and documented out-of-pocket costs in connection therewith shall be reimbursed by COMPANY.

23.3 COMPANY also may at any time suspend performance of all or any part of the WORK by giving written notice to CONTRACTOR. Such suspension may continue for a period of up to sixty (60) calendar days after the effective date of suspension during which period COMPANY, in writing, may request CONTRACTOR to resume performance of the WORK. If and when the suspension has lasted a cumulative period of thirty (30) days CONTRACTOR shall be at liberty to demobilize to meet other work commitments and the Parties shall mutually agree to a new schedule for the completion of the WORK. If, at the end of said sixty (60) -day period COMPANY has not required a resumption of the WORK, that portion of the WORK which has been suspended shall be deemed terminated as of the effective date of suspension pursuant to the provisions of Article 23.2 above unless COMPANY and CONTRACTOR have agreed in writing to a further extension of the suspension period. COMPANY shall compensate CONTRACTOR for those costs incurred by CONTRACTOR during the suspension period which are attributable solely to the suspension and:

23.3.1 are for the purpose of safeguarding the WORK and the materials and equipment in transit or at the WORK sites(s).

23.3.2 are for CONTRACTOR's personnel, contractors, subcontractors or rented equipment which, with the COMPANY'S prior written concurrence, are maintained for the WORK.

23.3.3 are reasonable and unavoidable costs of CONTRACTOR confirmed by COMPANY in writing, including standby rates specified in [redacted]

ARTICLE 24 -LIENS AND CLAIMS

24.1 CONTRACTOR shall obtain releases of liens and claims, in form and substance acceptable to COMPANY, executed by all persons or entities who by reason of furnishing materials, equipment, labor or other services under this CONTRACT are or may be actual or potential lien holders or claimants and COMPANY may withhold payment herewith until CONTRACTOR provides such releases to COMPANY.

24.2 CONTRACTOR shall provide COMPANY with an outline of CONTRACTOR'S procedure for completing the WORK free of all claims, liens and encumbrances and CONTRACTOR shall indemnify and hold harmless COMPANY and its AFFILIATES and defend them from any and all claims or liens filed and/or made in connection with the WORK including all expenses and attorneys' fees incurred in discharging any claims, liens or similar encumbrances.

24.3 If CONTRACTOR shall default in discharging any lien(s) or claim(s) upon the FACILITY, materials, equipment, structures or the premises upon which they are located arising out of the performance of the WORK by CONTRACTOR, its contractors, subcontractors or suppliers, COMPANY shall promptly notify CONTRACTOR in writing and give CONTRACTOR an opportunity to satisfy or defend any such lien(s) or claim(s). If CONTRACTOR does not satisfy such lien(s) or claim(s) or cannot give COMPANY satisfactory reasons in writing for not paying such lien(s) and claim(s), and/or provide a bond for same in a form acceptable to COMPANY within twenty (20) days of receiving notice from COMPANY, COMPANY shall have the right, at its option, after written notification to CONTRACTOR, to settle by agreement or otherwise provide for the discharge of such lien(s) or claim(s); and CONTRACTOR shall reimburse COMPANY for all direct costs incurred by COMPANY necessary to discharge such lien(s) or claim(s) including administrative costs, reasonable attorneys' fees and other expenses.

24.4 CONTRACTOR shall submit written notice to COMPANY of any and all claims, demands or proceedings by CONTRACTOR GROUP against COMPANY GROUP arising out of or related to COMPANY'S performance of the terms and conditions of this CONTRACT. Such notice must be given to COMPANY clearly marked with the caption "Notice of Claim' on every page of the document within fourteen (14) days after CONTRACTOR has had notice of or should reasonably have been expected to have had notice of the basis for such claims, demands or proceedings and, with regard to claims, demands and proceedings arising after completion of the WORK, not later than sixty (60) days after ACTUAL FINAL COMPLETION DATE.

Notwithstanding the provisions above, if COMPANY files a claim against CONTRACTOR or attempts to adjust compensation due to CONTRACTOR, CONTRACTOR shall have no less than sixty (60) days to respond and/or file a counterclaim.

24.5 CONTRACTOR shall include a clause similar to the above in all of its subcontracts. Further, in the event that any claim, demand or proceeding is made or commenced against COMPANY GROUP by or on behalf of any member of CONTRACTOR GROUP (other than CONTRACTOR) arising out of or in connection with CONTRACTOR's performance

of the WORK, CONTRACTOR shall defend, indemnify and hold COMPANY GROUP harmless to the full extent provided in this CONTRACT from and against any and all damages or costs (including administrative costs, attorneys' fees and other expenses) associated with or related to such contractor or subcontractor claim, demand or proceeding, and such damages or costs shall be paid by CONTRACTOR. Any statutes of limitation notwithstanding, CONTRACTOR expressly agrees that its right to bring or assert against COMPANY GROUP any and all of such claims, demands or proceedings shall be waived unless timely notice is given to COMPANY as set forth above.

24.6 Not used.

ARTICLE 25 - ASSIGNMENTS, SUBCONTRACTS AND PURCHASE ORDERS

25.1 Any assignment by CONTRACTOR of this CONTRACT or of any partial or total interest therein including, but not limited to, any monies due or to become due to CONTRACTOR hereunder, without COMPANY'S prior written consent, shall be null and void.

25.2 Not used.

25.3 Save for the agreed vendors and suppliers as per CONTRACTOR shall not contract or subcontract all or any portion of the WORK without prior written approval by COMPANY of the contractor or subcontractor. Approval by COMPANY of a contract or subcontract or purchase order shall not relieve CONTRACTOR of any of its obligations under this CONTRACT. CONTRACTOR represents and warrants that all contractors and subcontractors shall perform their portion of the WORK in accordance with their respective contracts and subcontracts. CONTRACTOR shall furnish such information relative to its contractors and subcontractors as COMPANY may reasonably request. No contract or subcontract or purchase order entered into by CONTRACTOR or its contractors or subcontractors shall bind or purport to bind COMPANY.

25.4 By an appropriate agreement, written where legally required for validity, CONTRACTOR shall require each contractor and subcontractor, to the extent the WORK is to be performed by the contractor or subcontractor, to be bound to CONTRACTOR by terms which reasonably fulfill the obligations and responsibilities which CONTRACTOR, by this CONTRACT, assumes towards COMPANY.

25.5 COMPANY may assign this CONTRACT or any part of it or any benefit or interest under it to a successor operator, to PETRONAS, to PETRONAS Production Sharing Contractors and/or to the Participants or to any company controlled by or under common control with COMPANY. As used in this ARTICLE "control" means ownership, whether direct or indirect, of fifty percent (50%) or more of the issued voting stock of a company entitled to vote or ownership of equivalent rights to determine the decisions of such company or other entity. COMPANY may so assign this CONTRACT to any other entity with CONTRACTOR's consent, which consent shall not be unreasonably withheld, provided that CONTRACTOR is satisfied that such assignee is sound and capable of fulfilling the financial obligations under this CONTRACT. Otherwise, COMPANY shall be required to guarantee such obligations.

ARTICLE 26 - ACCOUNTING RECORDS

26.1 In the performance of the WORK, CONTRACTOR'S accounts shall be organized to provide the segregation required by COMPANY for its fixed asset records.

26.2 For any WORK performed on a reimbursable cost basis, CONTRACTOR and its contractors and subcontractors shall keep accurate accounts and time records showing all costs and charges incurred in accordance with generally accepted accounting principles and practices. COMPANY'S authorized representative(s) or agent(s) shall have the right to examine, during business hours, all books, records, accounts, correspondence, instructions, specifications, plans, drawings, receipts and memoranda of CONTRACTOR and its contractors and subcontractors insofar as they are pertinent to any such reimbursable costs. CONTRACTOR shall be responsible for ensuring that all of its and its contractors and subcontractors' documentation for such reimbursable costs is preserved and made available at any time for audit, without any additional compensation therefore, up to three (3) years from the ACTUAL FINAL COMPLETION DATE. COMPANY shall not be entitled to have access to said records which pertain to CONTRACTOR's general or operating overheads or its components of profit.

26.3 COMPANY shall have full audit rights for all documentation listed below for WORK performed on a reimbursable cost basis in case of early termination of this CONTRACT or any substantial portion thereof or where CONTRACTOR submits a "Notice of Claim", demands or proceedings against COMPANY or its AFFILIATES arising out of or related to COMPANY'S performance of the terms and conditions of this CONTRACT.

The records to be maintained and retained by the CONTRACTOR shall include (without limitation):

a) payroll records accounting for the total time distribution of CONTRACTOR employees working full time or part time on the WORK (to permit tracing to payrolls and related tax returns) as well as evidence of receipt by employee of amounts stated on such payroll.

b) invoices for purchases, receiving and issuing documents and all the other unit inventory records for CONTRACTOR'S stores, stocks or capital items.

c) paid invoices and cancelled checks for its contractors and the subcontractors and any other third party charges.

d) paid taxes, rates and other levies by government or its agencies.

ARTICLE 27 – FORCE MAJEURE

27.1 It is agreed that in the event of either party being rendered unable, wholly or in part by Force Majeure, to carry out its obligations under this CONTRACT, then on such party's giving notice and full particulars of such Force Majeure in writing to the other party after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall, as far as possible be remedied with all reasonable dispatch. The provisions of this Force Majeure clause shall not apply, however, to obligations of COMPANY to make payments of money or otherwise for liabilities and obligations actually incurred under the terms hereof.

27.2 The term "Force Majeure" as employed herein shall mean:

a) Requisition, order, control, direction, intervention or requirement of a Government.

b) War, preparation for war or the consequence thereof, whether or not there has been a declaration of war.

c) Riot or civil commotion or act of terrorism.

d) Catastrophic fire, explosion, or flood at the premises of CONTRACTOR or its contractors or its subcontractors.

e) Act of God, epidemic or quarantine restriction, named storms which cause WORK to cease and are of exceptional duration in excess of normal conditions for the affected area.

f) Cessation, curtailment or interruption in fuel, power, gas or water supplies.

g) National strikes or national labor disputes.

27.3 CONTRACTOR shall, as soon as possible, but in any event within five (5) business days of becoming aware that the occurrence of any cause of Force Majeure delay specified above is likely to cause delay in the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE, notify COMPANY in writing thereof. CONTRACTOR shall also notify COMPANY in writing after such occurrence, for which notice was given, providing full particulars and the anticipated impact to be claimed on the BONUS MILESTONE DATES, DTU COMPLETION DATE and the FINAL COMPLETION DATE.

However, this Article shall not be construed to relieve CONTRACTOR from making all reasonable efforts to avoid, minimize and make-up any resulting delay.

27.4 If and when a Force Majeure event has lasted more than thirty (30) days cumulatively, CONTRACTOR shall be at liberty to demobilize to meet its other work commitments and the Parties shall mutually agree to a new schedule for the completion of the WORK.

ARTICLE 28 - SEVERABILITY

28.1 The invalidity or unenforceability of any portion or provision of this CONTRACT shall in no way affect the validity or enforceability of any other portion or provision hereof. Any invalid or unenforceable portion or provision shall be deemed severed from this CONTRACT and the balance of this CONTRACT shall be construed and enforced as if this CONTRACT did not contain such invalid or unenforceable portion or provision.

ARTICLE 29 - APPLICABLE LAW AND SETTLEMENTS OF DISPUTES

29.1 The validity and interpretation of this CONTRACT and the legal relations of the Parties to it shall be governed by and construed according to the laws of Malaysia.

29.2 All documents produced by CONTRACTOR in the performance of this CONTRACT as well as all written communications between COMPANY and CONTRACTOR shall be written in the English language which is hereby designated the governing language of the CONTRACT. CONTRACTOR and COMPANY may use any language within their own organisations, except that all Subcontracts and all written communications pertaining to them shall be in English.

29.3 Except as provided for otherwise in this CONTRACT, any dispute between the Parties as to the performance of this CONTRACT or the rights or liabilities of the Parties herein, or any matters arising out of the same or connected herewith, which cannot be settled amicably shall be settled in accordance with the provision of this ARTICLE 29.

29.4 All disputes shall be first referred to an Adjudicator, who shall be a person or any one of the persons named in [redacted] . All such persons named in [redacted] shall be suitably qualified and have no pecuniary interest in relation to the CONTRACT. If the Adjudicator is unable or unwilling to act as the Adjudicator, the named Adjudicator may appoint an appropriately qualified person as the Adjudicator. The Parties by mutual agreement may refer any dispute to arbitration in lieu of adjudication.

29.5 Either the COMPANY or the CONTRACTOR may give to the other written notice that a dispute or difference has arisen. Not later than fourteen (14) days after the date of that notice the parties shall in statements to the Adjudicator set out the matters in dispute on which decision(s) of the Adjudicator are required.

29.6 Within fourteen (14) days (or such other time as the parties may agree) of receipt of the statements by the parties the Adjudicator shall inform the parties when he expects his decision(s) will be given and may require from either party such further information or documents as he reasonably requires to enable him to reach his decision(s). If either party fails to comply with any such requirement such failure shall not invalidate the Adjudicator's decision. In giving his decision the Adjudicator shall be deemed to be acting as expert and not as arbitrator.

29.7 The decision(s) of the Adjudicator shall be deemed to be a provision of this CONTRACT (an "Adjudicated Provision") and such Adjudicated Provisions shall be final and binding on the parties unless referred to arbitration as provided in ARTICLE 29.8 and ARTICLE 29.10. If there is any conflict between an Adjudicated Provision and any other provision of this CONTRACT the Adjudicated Provision shall prevail.

29.8 If within fourteen (14) days of receipt of the decision(s) of the Adjudicator either party informs the other in writing that any such decision is not acceptable then such decision shall nevertheless remain an Adjudicated Provision of this CONTRACT; but the dispute or difference on which the decision of the Adjudicator is not acceptable shall be referred to arbitration pursuant to ARTICLE 29.10. However, such arbitration shall not be commenced until after ACTUAL DTU COMPLETION DATE or alleged ACTUAL DTU COMPLETION DATE or termination of the CONTRACTOR's employment under this CONTRACT or CONTRACTOR's abandonment of the WORK. Provided always that upon such dispute or difference being so referred the Arbitrator shall be appointed and may, and, if either party so request, shall give such orders or directions as may be appropriate with a view to enabling the reference to be heard and determined as soon as reasonably practicable after ACTUAL DTU COMPLETION DATE or alleged ACTUAL DTU COMPLETION DATE or termination of the CONTRACTOR's employment under this CONTRACT or CONTRACTOR's abandonment of the WORK or to assist the parties in settling the dispute or difference.

29.9 No decisions given by the Adjudicator shall disqualify him from being called as a witness and giving evidence before an Arbitrator appointed in accordance with the provision of this ARTICLE 29.

29.10 Subject to Article 29.4, and the terms of ARTICLE 29.8 having been met, any party may refer a decision of the Adjudicator to arbitration in accordance with the UNCITRAL rules before a board of three (3) arbitrators. Each of the Parties hereto shall be entitled to appoint one (1) arbitrator and the two (2) arbitrators shall agree on a third arbitrator. In the event agreement upon the third arbitrator cannot be reached, the third arbitrator shall be appointed by the High Court of Malaya. It is agreed, however, that no one who is an employee of either Party or who is in anyway financially interested in this CONTRACT shall be appointed to act as an arbitrator.

29.11 Such arbitration shall be held at Kuala Lumpur, Malaysia. The award of the arbitrators shall be final and binding upon the Parties. The costs of the arbitration shall be borne by the Party whose contention was not upheld by the arbitration tribunals, unless otherwise provided in the arbitration award.

29.12 If CONTRACTOR and COMPANY by mutual agreement decide to refer any matter herein to Court of Law in lieu of arbitration, such Court of Law shall be in Malaysian Courts. For the purpose of the foregoing sentence, the parties hereby agree to submit wholly and exclusively to the jurisdiction of the Malaysian Courts and to accept service of process in connection therewith.

ARTICLE 30 - CONSEQUENTIAL DAMAGES

30.1 Notwithstanding any other provision of this CONTRACT, COMPANY and CONTRACTOR waive and release any claim against the other by CONTRACTOR GROUP or COMPANY GROUP respectively for consequential damages, however and whenever arising under this CONTRACT or as a result of or in connection with the WORK, and COMPANY shall indemnify CONTRACTOR GROUP from and against any such claim made by COMPANY GROUP and CONTRACTOR shall indemnify COMPANY GROUP from and against any such claim made by CONTRACTOR GROUP, and whether based on negligence, unseaworthiness, breach of warranty, breach of contract, breach of duty (whether statutory or otherwise), strict liability or otherwise.

Consequential damages shall include but not be limited to loss of revenue, loss of profit (actual or anticipated) or use of capital, production delays, lost opportunities, loss of product, reservoir loss or damage, losses resulting from failure to meet other contractual commitments or deadlines and downtime of facilities or vessels and irrespective of whether such consequential damages could have been reasonably foreseen by the CONTRACTOR GROUP or COMPANY GROUP.

ARTICLE 31 - TAXES & DUTIES

31.1 Except as otherwise provided in this CONTRACT, CONTRACTOR shall be responsible for, and pay at its own expense when due and payable, all taxes and duties relating to the WORKS including without limitation:

31.1.1 All sales, service, excise, storage, consumption and use taxes, licences, permit and registration fees, income, profit, excess profit, franchise, and personal property taxes.

31.1.2 All employment taxes and contributions imposed or that may be imposed by law, trade union contracts, or regulations with respect to or measured by the compensation (wages, salaries or others) paid to employees of CONTRACTOR including, without limitation, taxes and contribution for unemployment and compensation insurance, old age benefits, welfare funds, pensions and annuities, and disability insurance and similar items.

31.2 Importation of CONTRACTOR Equipment:

31.2.1 If any part of the WORK is imported into Malaysia, the import shall be in the name of COMPANY. CONTRACTOR shall provide sufficient notice to COMPANY for Customs clearance, and provided that CONTRACTOR adheres to all of COMPANY’s instructions relating to such matters, CONTRACTOR will be held harmless against any import licences, duties, surtax, sales tax, and/or, other statutory imposts levied on account of importation into Malaysia (hereinafter referred to as “Customs Duties”) assessed as well as all delays in the WORK attributable to Customs clearance.

31.2.2 Subject to Article 31.2.6, COMPANY shall be responsible for and pay at its own expense when due and payable any Customs Duties assessed on imported CONTRACTOR materials and/or equipment for fabrication work, tools, equipment and vessels used in accomplishing the WORK which are not listed in the current "Master List of Materials and Equipment for Upstream Petroleum Operations Exempted from Customs Duties and Sales Taxes" (hereinafter referred to as the "Master Exemption List" or "MEL") and COMPANY furnished materials and equipment.

COMPANY shall hold CONTRACTOR harmless against any Customs Duties assessed on equipment listed in the Master Exemption List and imported in the name of COMPANY, provided that CONTRACTOR adheres to all of COMPANY's instructions relating to such exemptions.

CONTRACTOR shall assist COMPANY in providing information and documentation to support COMPANY's requests for tax exemption on imported equipment and materials related to the FACILITY, whether listed in the Master Exemption List or not.

31.2.3 CONTRACTOR shall be responsible for equipment that is imported while such equipment is in CONTRACTOR's custody. CONTRACTOR shall indemnify COMPANY from and against any claims, demands, and causes of action, which may arise as a result of damage to, shortages or averages in inventory of such equipment.

31.2.4 CONTRACTOR shall indemnify and hold COMPANY harmless from and against any and all taxes, duties and surcharges, fines or penalties of whatsoever nature for which COMPANY shall be or become liable as a result of:

31.2.4.1 CONTRACTOR's failure to comply with the directions and procedural requirements of COMPANY with respect to the importation of the WORK into Malaysia.

31.2.4.2 CONTRACTOR's failure to comply with the directions and procedural requirements of COMPANY with respect to the removal of equipment imported in COMPANY's name.

31.2.4.3 CONTRACTOR's act in selling, transferring, disposing or otherwise dealing with such equipment prior to its removal from Malaysia or as a result of CONTRACTOR's failure to furnish proper and accurate information for import of such equipment.

31.2.5 Upon termination of this CONTRACT or part(s) of the WORK involving the use of such equipment, whichever occurs first, CONTRACTOR shall take immediate steps to remove such equipment from Malaysia other than equipment used or consumed in the performance of the WORK. Unless COMPANY agrees otherwise in writing, CONTRACTOR shall comply with all directions and procedures as required by

COMPANY to cause such equipment to be removed as aforesaid as expeditiously as possible.

31.2.6 If CONTRACTOR Equipment which is not listed on the Master Exemption List and which will not be consumed in the performance of the WORK, will be utilised for a period of less than six (6) months, CONTRACTOR is to import such equipment under temporary imports in CONTRACTOR's name.

31.2.7 Not used.

31.2.8 CONTRACTOR shall be responsible for the preparation of all documents required by Customs Authorities in connection with the import and export of CONTRACTOR Equipment to and from Malaysia.

31.2.9 In the event that equipment listed on the Master Exemption List and imported in COMPANY's name has to be permanently taken out of Malaysia, sold, transferred, disposed of or otherwise dealt with prior to its removal from Malaysia, CONTRACTOR shall give sufficient notice to COMPANY of its intention and such action shall only be taken after written consent from COMPANY. COMPANY shall attempt to obtain the necessary approvals from the relevant authorities for such action.

31.3 Not used.

31.4 Not used.

31.5 CONTRACTOR shall protect and indemnify and hold COMPANY GROUP safe and harmless from and against:

31.5.1 any and all claims or liability for income, excess profits, royalty, and other taxes assessed or levied by the Government of Malaysia or by any relevant authorities thereof or by the government of any other country against CONTRACTOR GROUP or against COMPANY GROUP for or on account of any payment made to or earned by CONTRACTOR GROUP hereunder, unless otherwise provided for in this CONTRACT.

31.5.2 all taxes assessed or levied against or on account of wages, salaries, or other benefits paid to or enjoyed by employees of CONTRACTOR GROUP; and all taxes assessed or levied against, on, or for account of any property or equipment of CONTRACTOR GROUP.

31.5.3 all claims, demands and causes of action based on any actual or alleged failure by CONTRACTOR GROUP to make timely payment of any taxes or duties for which they are liable or any actual or alleged failure by CONTRACTOR GROUP to comply with applicable reporting, return or other procedural requirements with respect to their payment. This indemnity shall include without limitation all

penalties, awards and judgements and other reasonable expenses associated with such claims, demands and causes of action.

31.6 COMPANY shall have the right to withhold taxes on income, excess profit, royalty, and other taxes from payment due to CONTRACTOR under this CONTRACT; to the extent that such withholdings may be required by the Government of Malaysia or any relevant authorities thereof, or by the government of any other country where any portion of the WORK is performed.

31.6.1 payment by COMPANY to the respective governmental office of the amount of money so withheld shall relieve COMPANY from any further obligation to CONTRACTOR with respect to the amount so withheld.

COMPANY will provide CONTRACTOR with a statement of any amounts withheld on behalf of the CONTRACTOR including, if requested, any original receipts received for payment on behalf of the CONTRACTOR and assist CONTRACTOR in recovering any amounts improperly paid or assessed.

31.7 CONTRACTOR shall give prompt notice to COMPANY of all matters pertaining to non-payment, payment under protest, claims of immunity, or exemption from any taxes or duties.

31.8 CONTRACTOR shall be responsible to seek clarification through its tax adviser on the applicability of withholding tax provisions under the Income Tax Acts, 1967 (the Act) as regards to non-resident company in Malaysia.

CONTRACTOR shall submit to COMPANY a letter from its external company auditor, or tax consultant, or legal counsel stating that CONTRACTOR is a resident in Malaysia under Section 7 or 8 of the Income Tax Acts, 1967 (the Act), failing which, COMPANY shall consider CONTRACTOR a non-resident of Malaysia for tax purposes and thereby subject to the withholding tax provision of the Act. COMPANY is required by law to withhold ten percent (10%) or thirteen percent (13%), whichever is appropriate, from all payments due to CONTRACTOR for WORK falling within the withholding tax provisions until such time that the required letter is submitted to COMPANY.

ARTICLE 32 - SURVIVAL OF PROVISIONS

32.1 In order that the parties hereto may fully exercise their rights and perform their obligations hereunder arising from the performance of the WORK under this CONTRACT, such provisions of this CONTRACT which are required to ensure such exercise or performance shall survive the termination of this CONTRACT for any cause whatsoever.

ARTICLE 33 - COMPANY'S ALCOHOL AND DRUG POLICY

33.1 CONTRACTOR agrees to be bound and agrees that CONTRACTOR'S and its contractors' and its subcontractor's and their agents and employees shall be bound by COMPANY'S alcohol and drug policy which is summarized below. Copies of COMPANY'S full policy have been delivered to CONTRACTOR and will be delivered by CONTRACTOR to all of its contractors and subcontractors who shall agree to comply therewith.

The use, possession, distribution or sale of illegal drugs, alcohol or controlled substances and the paraphernalia associated with such on COMPANY'S or CONTRACTOR'S premises or areas in which COMPANY is Operator, including parking areas, is absolutely prohibited. If a visitor including CONTRACTOR and CONTRACTOR'S employees is in violation of this policy he or she will be immediately escorted off the premises and reported to local law enforcement authorities if appropriate. Entry onto COMPANY'S or CONTRACTOR'S property, used in connection with the WORK including parking areas, is deemed consent to an inspection of person, vehicle and personal effects at any time while entering, on, or leaving the property. Inspections will be conducted at the discretion of COMPANY.

ARTICLE 34 - PUBLIC RELATIONS

34.1 CONTRACTOR agrees that all public relation matters arising out of or in connection with the WORK shall be the sole responsibility of COMPANY. CONTRACTOR shall obtain COMPANY'S prior written approval of the text of any announcement, publication or other type of communication concerning the WORK which CONTRACTOR or its contractors, subcontractors or vendors wish to release for publication.

ARTICLE 35 - ENTIRETY OF CONTRACT

35.1 This CONTRACT and the attached Exhibits, Appendices, and Attachments as executed by authorized representatives of COMPANY and CONTRACTOR, constitute the entire agreement between the parties with respect to the matters dealt with herein, and there are no oral or written understandings, representations or commitments of any kind, express or implied, which are not expressly set forth herein. No oral or written modification of this CONTRACT by any officer, agent or employee of CONTRACTOR or COMPANY, either before or after execution of this CONTRACT, shall be of any force or effect unless such modification is in writing, is expressly stated to be a modification of this CONTRACT and is signed by duly authorized representatives of both parties. No waiver of any provision of this CONTRACT shall be of any force or effect unless such waiver is in writing, is expressly stated to be a waiver of a specified provision of this CONTRACT and is signed by the parties to be bound thereby. Any party's waiver of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of this CONTRACT, at any time, shall not in any way affect, limit, modify or waive that party's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision hereof, any course of dealing or custom of the trade notwithstanding.

35.2 This CONTRACT shall create no rights in any party other than COMPANY and CONTRACTOR and, except as where explicitly stated to the contrary, no other party is intended to be a third party beneficiary of this CONTRACT.

ARTICLE 36 - - EXHIBITS TO THE CONTRACT

36.1 The following Exhibits, Appendices and Attachments associated therewith are incorporated as integral parts of this CONTRACT:

ARTICLE 37 - NOTIFICATIONS AND CORRESPONDENCE

37.1 All notices, communications, correspondence and monies payable hereunder shall be sent by registered mail return receipt or telefax to the parties hereto at the addresses or numbers specified below. Any party may, at any time, change its address by giving written notice of the change to the other party,

COMPANY:

MURPHY SABAH OIL CO., LTD
Level 26 & 27, Tower 2,
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088, Kuala Lumpur, Malaysia.

CONTRACTOR:
TECHNIP MARINE (MALAYSIA) SDN. BHD.
2nd Floor, Wisma Technip
241 Jalan Tun Razak

50400 Kuala Lumpur, Malaysia

ARTICLE 38 – PROCUREMENT OF EQUIPMENT, FACILITIES, GOODS, MATERIALS, SUPPLIES AND SERVICES

38.1 In the procurement of equipment, facilities, goods, materials, supplies, and services required for the WORK, CONTRACTOR shall observe the following:

38.1.1 the enhancement of effective local, especially Bumiputra, participation in equity, management, and employment.

38.1.2 the transfer of technology to local (especially Bumiputra) firms and companies with the objective of developing local technical and managerial capabilities.

38.1.3 the need to minimise outflow of foreign exchange.

38.1.4 the use of PETRONAS licensed companies as Sub-Contractor(s) and Vendor Development Programme (VDP) Contractor(s).

38.2 In pursuance of the provision of ARTICLE 38.1, CONTRACTOR shall, unless otherwise approved by COMPANY, comply with the following:

38.2.1 give priority to locally-manufactured goods in the procurement of equipment, facilities, goods, materials, supplies, and services required for the WORK, subject to commercial competitiveness.

38.2.2 give priority to Malaysian suppliers or manufacturers for equipment, facilities, goods, materials, supplies, and services required for the WORK, subject to commercial competitiveness.

38.2.3 give priority to services and research facilities, professional or otherwise, which are rendered by Malaysians or firms or companies incorporated or licensed in Malaysia, subject to commercial competitiveness.

38.2.4 procure services for all forwarding activities and for transportation of materials, equipment and personnel required for the WORK hereunder from any of the Government of Malaysia's appointed transporters as per Ministry of Finance Circular 6/1996 – "Garis Panduan Pengurusan Barangan Import Kerajaan" together with the latest amendment or addendum thereto.

38.2.5 give due consideration to the services offered by the Malaysia Airlines or its subsidiaries subject to competitiveness of prices and costs.

Notwithstanding the foregoing, CONTRACTOR shall ensure that a minimum of thirty five percent (35%) of total project man hours shall be done in Malaysia.

38.3 CONTRACTOR shall purchase all fuels and lubricants required during performance of the WORK from PETRONAS' outlets provided grade, price, and delivery are competitive with other suppliers and supplies are readily available in the areas where the WORK is being performed.

38.4 Not used.

38.5 CONTRACTOR shall purchase or otherwise provide all materials, equipment and services that it is responsible for procuring and providing. CONTRACTOR shall be responsible for the transportation, timely arrival at JOBSITE or other appropriate destinations, and unloading and handling of all materials and equipment that CONTRACTOR provides.

CONTRACTOR shall procure materials, equipment, and services only from sources as listed in Exhibit E (AGREED VENDORS AND SUPPLIERS) or from other sources approved by COMPANY. Sources include manufacturers, vendors, suppliers, agencies, Subcontractors and others who supply materials, equipment, or services for the FACILITY. Additionally, CONTRACTOR shall make arrangement for appropriate use of technical representatives of its sources during the execution of the WORK.

38.6 All materials of the WORK must be new, unless otherwise approved by COMPANY in writing. CONTRACTOR shall procure materials and equipment from financially sound and reputable vendors and suppliers and shall take into consideration quality, delivery, reliability, services and inventory management.

38.7 CONTRACTOR shall be responsible for the source inspection and expediting of all materials and equipment that CONTRACTOR is responsible for procuring, to be incorporated into the WORK. Source inspection and expediting means inspection and testing of the materials and equipment to be incorporated into the WORK at the point of manufacture and assuring that such materials and equipment meet the requirements of the specifications and ensure that such manufacturing activity until the planned delivery do not hinder the required delivery dates as specified in the purchase order. CONTRACTOR shall arrange and co-ordinate all source inspections according to the detailed requirements and procedures set forth in COMPANY's specifications and as referred to in Exhibit A (SCOPE OF WORK).

38.8 Not used.

38.9 COMPANY shall advise and update CONTRACTOR as to the delivery of COMPANY supplied materials and equipment to the JOBSITE or at the SITE or at CONTRACTOR's wharf. CONTRACTOR shall be responsible for the safe offloading of such materials and

equipment expeditiously and verify that such materials and equipment or any part thereof are free from any visibly observable defect. CONTRACTOR shall be responsible for any damage occurred during the offloading and assume responsibility of the materials and equipment received at JOBSITE or SITE except for any discrepancy noted prior to offloading by CONTRACTOR. CONTRACTOR shall be liable, for repair and replace any damage or discrepancy found on the materials and equipment or any part thereof while in CONTRACTOR's custody at its own costs.

38.10 CONTRACTOR shall ensure that such materials and equipment are properly stored and preserved in accordance with the manufacturer's recommendation and shall be free from contaminants.

ARTICLE 39 – SAFETY, HEALTH, ENVIRONMENTAL PROTECTION, FIRE PROTECTION AND SECURITY REGULATIONS

39.1 CONTRACTOR, its contractors or sub-Contractors, and their respective employees, servants and agents shall strictly comply with all existing laws (whether international, national, local or otherwise) including, local, municipal, territorial, provincial and federal laws, orders, rules, regulations, government or other authorities having jurisdiction, practices and otherwise meet generally accepted standards pertaining to health, safety, security and the environment which are applicable to:

39.1.1 the location where the WORK is being carried out, both onshore and offshore.

39.1.2 all services, materials and items used in the performance of the WORK.

39.1.3 all maintenance of machinery, equipment, facilities and other items whether owned or in any way associated with or utilized in the WORK, which are in a safe, sound and proper conditions.

In addition, CONTRACTOR shall take into account and shall comply with all laws, orders and regulations which are effective at the date of submission of CONTRACTOR's BID PROPOSAL and as set forth by COMPANY in its safety manual, policies and special instructions. This shall not relieve CONTRACTOR of its obligations as stipulated herein and in particular ARTICLE 4.1.5.

39.2 CONTRACTOR shall establish, enforce and acquaint COMPANY REPRESENTATIVE of its own written policy, safety rules and regulations for CONTRACTOR's employees and its contractors and subcontractors which are applicable to COMPANY's site team as well as its visitors.

39.3 CONTRACTOR shall be solely responsible for the health and safety aspects of the WORKS, workers, the public, all other people and the property of the third parties, subject to the agreed indemnity regime under this CONTRACT.

39.4 Prior to start of the WORK, CONTRACTOR shall at its own expense ensure that CONTRACTOR's employees and the employees of its contractors and sub-contractors have been given the necessary basic safety, and job related training required by law and contractual provisions, and will so certify if required.

39.5 CONTRACTOR shall furnish personnel safety equipment including but not limited to safety helmets, safety shoes, safety harness, gloves, eyes and ears protection. COMPANY shall reserve the right to reject any safety gears which do not meet regulatory requirements, are not industrial standard, or which might not provide adequate protection to the personnel.

39.6 Before construction, CONTRACTOR shall establish and publish all necessary or appropriate health, fire, drugs and alcohol and other safety regulations including construction, inspection, methods and procedures to be followed. CONTRACTOR shall ensure that its employees and Subcontractors are notified, observe, and abide by said regulations.

39.7 CONTRACTOR shall ensure that all its personnel, the employees of its contractors and subcontractors who are expected to perform work offshore have attended internationally recognized sea-survival course(s) and are familiar with offshore safety techniques and procedures. However, individuals who are only visiting the FACILITY for less than two (2) days per month may receive a short version of the course as long as they are escorted on the FACILITY by someone who has completed the full course.

39.8 CONTRACTOR shall be responsible for maintaining and enhancing the safety awareness of it employees and, the employees of its contractors and subcontractors, including arranging safety meetings. Copies of minutes of CONTRACTOR's safety meeting shall be sent to COMPANY. CONTRACTOR shall also exercise the emergency drills during the performance of the WORK.

39.9 Not used.

39.10 Not used.

39.11 Until completion of the WORK, CONTRACTOR shall at its own costs make provision for security and safeguarding the WORK and all associated materials and equipment and provide all such marks, signals and other appliances as may be required by the nature of any part of the WORK.

39.12 COMPANY reserves the right to conduct searches of the person, possessions, vehicles and other property of CONTRACTOR, its employees, agents or its contractors or subcontractors while on the premises or aboard transportation, both of which are owned or controlled by COMPANY.

39.13 COMPANY and/or its authorized representative (s) shall have the right but not the obligation to inspect all tools and equipment at any time during the progress of WORK. If any tools or items of the equipment is, in the opinion of COMPANY and/or its authorized

representative(s), unsafe or not suitable for doing the WORK, CONTRACTOR shall repair or replace it with a safe and suitable tool or item of the equipment at CONTRACTOR’s expense. The foregoing shall not relieve CONTRACTOR of its responsibility for safety with regard to the use, conditions, and the like, of tools and equipment.

39.14 Before commencing any hazardous WORK, CONTRACTOR shall inspect the JOBSITE and SITE and equipment involved to ensure the WORK will be performed under safe conditions acceptable to COMPANY. CONTRACTOR shall verify that all procedures are adhered to prior to initiating any hazardous operations.

39.15 The CONTRACTOR shall have an accident reporting procedure which shall be compatible with COMPANY reporting procedures. Any hazardous incident involving COMPANY, CONTRACTOR or any third party personnel, plant or equipment, shall be immediately reported to COMPANY. Fatal accidents require a thorough investigation and detailed report.

39.16 CONTRACTOR shall at its own expense provide adequate first aid equipment, fire extinguishers and other safety equipment of approved types and amount, as may be specified in connection with this CONTRACT and shall maintain this equipment in a professional manner as dictated by legal and industry standards. CONTRACTOR shall keep up-to-date records of all said equipment.

39.17 CONTRACTOR shall provide medical facilities including a twenty-four (24) hour standby emergency vehicle with a qualified medical assistant at the JOBSITE. CONTRACTOR shall at no cost to COMPANY be responsible for the medical welfare of its own and Subcontractor’s employees and shall take care of periodical medical examinations, arrangements for medical attendance, treatment or hospitalization if and when necessary and will arrange suitable insurance coverage for such contingencies. In cases of emergency, COMPANY may make or provide for the necessary emergency arrangements, the costs of which shall be reimbursed to COMPANY by CONTRACTOR.

CONTRACTOR shall ensure that all its employees and Subcontractor’s employees engaged in the WORK are medically fit and healthy. Any medical disabilities including such disabilities which CONTRACTOR may consider will not adversely influence the employee’s ability to perform his role in the WORK should be reported to COMPANY prior to start of the WORK. CONTRACTOR, if requested by COMPANY, shall provide medical certificates for CONTRACTOR’s and its contractors’ and subcontractor’s personnel.

39.18 CONTRACTOR shall prepare and execute an accident prevention programme for COMPANY’s approval. At regular intervals and at such lesser periods as is determined by COMPANY, CONTRACTOR and COMPANY Representative shall conduct safety inspections of the Site and CONTRACTOR shall promptly conform with all recommendations made pursuant to said inspections.

39.19 CONTRACTOR shall allow COMPANY REPRESENTATIVE(S) access at any time to plant, equipment, personnel and records when requested, to enable COMPANY to inspect or

audit any respect of CONTRACTOR's operations relevant to safety and the work environment.

39.20 CONTRACTOR shall maintain good site housekeeping and shall pay due regard to the environment by acting to preserve air, water, animal and plant life from adverse effect of CONTRACTOR's activities, and to minimize any nuisance which may arise from such operation.

39.21 Neither CONTRACTOR nor any of its contractors or subcontractors shall under any circumstances dump, throw or dispose of any refuse, debris or garbage into the surrounding areas. CONTRACTOR shall provide containers in which all refuse is to be placed and shall dispose of such refuse in accordance with existing laws and regulations and at no additional cost to COMPANY. CONTRACTOR shall ensure that its employees and its contractors' and subcontractors' employees, are fully aware of the above and CONTRACTOR shall enforce such regulations.

CONTRACTOR shall adhere to existing national statutory regulations concerning discharges resulting from the performance of WORK.

39.22 COMPANY has the right to suspend all or part of the WORK due to imminent hazard to life and/or property without any compensation to CONTRACTOR. Upon COMPANY's suspension of the WORK or part thereof, a suspension notice shall be issued to CONTRACTOR which shall (a) include COMPANY's reasons for issuing the notice, and (b) require CONTRACTOR to remedy the imminent hazard immediately.

39.23 CONTRACTOR's refusal or inability to remedy the imminent hazard within seven (7) days after the suspension notice from COMPANY under ARTICLE 39.22 shall constitute a fundamental breach of the CONTRACT and COMPANY may at any time thereafter, in addition to and without prejudice to any other rights and remedies COMPANY may have, terminate this CONTRACT by giving written notice thereof to CONTRACTOR. If so terminated by COMPANY, the liability of COMPANY to CONTRACTOR shall not exceed the amounts properly payable to CONTRACTOR under this CONTRACT for the WORK completed at the date of termination.

39.24 COMPANY shall have the right to withhold any progress payment due in the event of suspension pursuant to Article 39.22 until the imminent hazard has been remedied by CONTRACTOR.

ARTICLE 40 - NOT USED

ARTICLE 41- NOT USED

42.1

(The rest of this page is left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have caused this CONTRACT to be executed as of the day and year first above written.

Witnessed:

MURPHY SABAH OIL CO., LTD.

BY

TECHNIP MARINE (MALAYSIA) SDN. BHD.

BY

EXHIBIT 12.1

MURPHY OIL CORPORATION AND CONSOLIDATED SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)
(THOUSANDS OF DOLLARS)

	Years Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
Income from continuing operations before income taxes	$804,936	374,205	121,566	438,972	407,813
Distributions (less than) greater than equity in earnings of affiliates	(4,225)	(209)	(3)	(365)	(34)
Previously capitalized interest charged to earnings during period	14,065	10,457	7,748	3,450	3,507
Interest and expense on indebtedness	34,064	20,511	26,968	19,006	16,337
Interest portion of rentals*	7,908	9,857	9,445	7,953	5,808
Earnings before provision for taxes and fixed charges	**$856,748**	**414,821**	**165,724**	**469,016**	**433,431**
Interest and expense on indebtedness, excluding capitalized interest	34,064	20,511	26,968	19,006	16,337
Capitalized interest	22,160	37,240	24,536	20,283	13,599
Interest portion of rentals*	7,908	9,857	9,445	7,953	5,808
Total fixed charges	**$ 64,132**	**67,608**	**60,949**	**47,242**	**35,744**
Ratio of earnings to fixed charges	**13.4**	**6.1**	**2.7**	**9.9**	**12.1**

* Calculated as one-third of rentals, which is considered a reasonable approximation of interest factor.

Financial and Operating Highlights

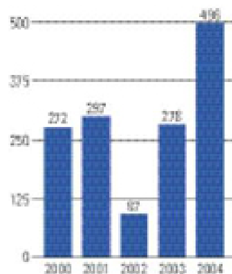
(Thousands of dollars except per share data)	2004	2003	% Change 2004–2003	2002	% Change 2003–2002
For the Year					
Revenues	**$ 8,359,839**	$ 5,164,657	62%	$ 3,796,917	36%
Net income	**701,315**	294,197	138%	111,508	164%
Income from continuing operations	**496,395**	278,410	78%	87,279	219%
Cash dividends paid	**78,205**	73,464	6%	70,898	4%
Capital expenditures[1]	**975,393**	906,114	8%	774,844	17%
Net cash provided by operating activities	**1,097,018**	652,278	68%	532,844	22%
Average common shares outstanding – diluted	**93,443,511**	92,742,766	.8%	92,134,967	.7%
At End of Year					
Working capital	**$ 424,372**	$ 228,529	86%	$ 136,268	68%
Net property, plant and equipment	**3,685,594**	3,530,800	4%	2,886,599	22%
Total assets	**5,458,243**	4,712,647	16%	3,885,775	21%
Long-term debt	**613,355**	1,090,307	-44%	862,808	26%
Stockholders' equity	**2,649,156**	1,950,883	36%	1,593,553	22%
Per Share of Common Stock					
Net income – diluted	**$ 7.51**	$ 3.17	137%	$ 1.21	162%
Cash dividends paid	**.85**	.80	6%	.775	3%
Stockholders' equity	**28.78**	21.24	35%	17.38	22%
Net Crude Oil and Gas Liquids Produced – barrels per day[1]	**93,634**	76,620	22%	67,549	13%
United States	**19,314**	4,526	327%	4,128	10%
Canada	**43,689**	44,935	-3%	40,575	11%
Other International	**30,631**	27,159	13%	22,846	19%
Net Natural Gas Sold – thousands of cubic feet per day[1]	**109,452**	111,791	-2%	107,749	4%
United States	**88,621**	82,281	8%	88,067	-7%
Canada	**13,972**	19,946	-30%	12,709	57%
United Kingdom	**6,859**	9,564	-28%	6,973	37%
Crude Oil Refined – barrels per day	**164,275**	119,281	38%	143,829	-17%
North America	**133,242**	90,869	47%	114,189	-20%
United Kingdom	**31,033**	28,412	9%	29,640	-4%
Petroleum Products Sold – barrels per day	**338,908**	264,928	28%	210,631	26%
North America	**301,801**	229,876	31%	176,427	30%
United Kingdom	**37,107**	35,052	6%	34,204	2%
Stockholder and Employee Data					
Common shares outstanding (thousands)[2]	**92,035**	91,871	.2%	91,689	.2%
Number of stockholders of record[2]	**2,864**	2,839	.9%	2,826	.5%
Number of employees[2]	**5,826**	4,789	22%	4,010	19%
Average number of employees	**5,276**	4,446	19%	3,875	15%

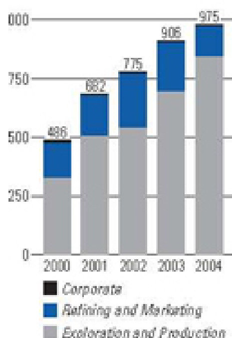
[1] Continuing operations only.

[2] At December 31.

Dear Fellow Shareholders,

Murphy Oil Corporation's financial results in 2004, aided by strong crude oil and natural gas prices and increasing crude oil production, were the best in the Company's history. Reported net income was $701.3 million ($7.51 per share) with net cash provided by operating activities of $1.1 billion. This income figure includes the gain from the sale, which closed in the second quarter, of most of the Company's Western Canadian conventional producing properties. Significantly, even when this gain and prior operating results for these properties are excluded, your Company still reported record income from continuing operations of $496.4 million ($5.31 per share), with net cash provided of $1.0 billion. Clearly the Company benefited from extremely high crude oil and North American natural gas prices during the year, but importantly, we placed ourselves in a position to capture what the market provided. Due to timely acquisitions made prior to the surge in prices, and important discoveries now on stream in the deepwater of the Gulf of Mexico and in the shallow-water offshore Sarawak, Malaysia, the Company's production in 2004 was a near-record 120,100 barrel equivalents per day despite selling over 30,500 barrel equivalents per day of mature, high-cost properties over the last two years. A new production record should be established in 2005 as additional fields come on stream. I am proud of the Company's accomplishments in 2004. We made significant discoveries in the deepwater Gulf of Mexico at Thunderhawk (37.5%), and in Malaysia at Kakap and Senangin in deepwater Block K (80%) offshore Sabah and Kenarong in Block PM 311 (75%) offshore Peninsular Malaysia. In addition, the Medusa field (60%) located in the deepwater Gulf of Mexico reached its projected plateau rate of 40,000 barrel equivalents per day and the Front Runner field (37.5%), also in the deepwater Gulf, commenced producing. All of these discoveries and both of the Gulf fields are operated by the Company. Importantly, we received approval from the appropriate Malaysian authorities and our Board of Directors for the field development plan at Kikeh (80%), the large Company-operated discovery located in deepwater Sabah. This field is forecast to start producing in the second half of 2007.





It is vitally important to the long-term success of an oil and gas company to continually evaluate the various producing assets in its portfolio with an eye towards upgrading the mix and quality. Capital can be withdrawn from less promising areas and redeployed to faster growing regions destined to positively impact shareholder value. To this end, we sold the bulk of our Western Canadian assets early in 2004. These were high-cost fields in fast decline that could no longer contribute to our future growth. Conversely, we purchased a significant interest in a conventional heavy oil field in the Seal area in Northern Alberta, Canada in September 2004. The Company, already a large owner of the field, added 2,750 barrels per day of production that is on track to grow to 8,500 barrels per day by 2007. These barrels do not require additional heat or energy to produce. Therefore they are among the lowest cost heavy oil barrels in the basin to lift.

The year of 2004 was also eventful in our downstream business. The new hydrocracker became operational early in the year giving Meraux the capability to run 125,000 barrels per day of crude and make both ultra-low sulfur gasoline and diesel products. The ROSE (Residual Oil Supercritical Extractor) unit, rebuilt after a fire in 2003, started commissioning at the end of the year. The ROSE unit enables Meraux to run a less expensive medium-sulfur crude making the plant more competitive. On the retail side, the Company now has 771 Wal-Mart gasoline units in operation and continues to be the leader in hypermarket gasoline retailing. The Wal-Mart investment plays an important strategic role for the Company. We now sell approximately 150,000 barrels of retail gasoline per day compared to producing 110,000 barrels per day of crude oil. As crude oil prices fall, wholesale gasoline prices typically fall in tandem and while retail prices follow, they typically decline more slowly (conversely they increase more slowly when crude prices rise). As a result, we can usually “trap” profit in our retail business in a falling crude oil price environment, thereby softening the financial impact on our upstream business.

Claiborne P. Deming
President and Chief Executive Officer

Lastly in 2004, at year-end we paid down $514 million of long-term debt ending the year with a debt to total capitalization ratio of 18.8%,

one of the lowest in the industry. As a result, we can now develop the $1.9 billion Kikeh field while continuing to aggressively drill the Company's exploration acreage. Naturally, this latter activity is where the next large value creation event will likely occur in our Company.

As good as 2004 was, I believe that 2005 will be better. For starters, we announced a natural gas discovery at South Dachshund (50%) in the deepwater Eastern Gulf of Mexico as well as an oil discovery at Azurite Marine #1 (85%) in Murphy's first wildcat well offshore Congo-Brazzaville in Africa. The latter discovery is particularly important because it opens a new and potentially significant basin for Murphy. For the balance of the year important wildcats are planned offshore Sabah, offshore Sarawak, and offshore Peninsular Malaysia, all in Malaysia; offshore Congo to follow up the initial success at Azurite Marine; and in the deepwater Gulf of Mexico to delineate the Thunderhawk discovery and drill more expanded Miocene prospects. Our Company has large, promising acreage positions in three of the most prolific oil basins on the planet, and most importantly, we already have significant discoveries in all three with the expectation of more to come.

The Company's downstream investments in 2005 will continue to be dominated by capital allocated to build gasoline outlets in the parking lots of Wal-Mart Supercenters. We believe we are one of the lowest cost, highest volume and fastest growing retail networks in America. Furthermore, we intend to maintain and expand this leadership position.

The world's economy, driven by fast-growing, market-oriented China and India, needs crude oil at an accelerating rate just at a time when this resource has become more expensive and difficult to find than has historically been the case. Your Company, due to exceptional performance by exceptional people, has demonstrated an ability to help satisfy this need by finding large oil fields. Our continued success is by no means guaranteed, but the people, capital and desire are in place to make this happen.

Rodes Hart retired in May of 2004 from the Murphy Board after 29 years. I will miss Rodes' incisive business judgment, candor and support. He grasped issues quickly and was always very forthright in his assessments and, resultantly, represented shareholders' interests extremely well.

Thank you for your ongoing support.

/s/ Claiborne P. Deming

Claiborne P. Deming
President and Chief Executive Officer

February 25, 2005
El Dorado, Arkansas

Exploration & Production

Murphy Oil is an exploration-minded Company, focused on finding oil and natural gas primarily via the drill bit. Murphy prides itself on tight execution of development projects once oil and gas have been found; the focus is to devise an appropriate development plan using the best combination of technical and economic alternatives, and then to carry out this plan on time and within budget. Over the past year, we repositioned the Company financially in order to more easily fund the development of our Malaysian discoveries while maintaining flexibility to accommodate other projects.

Major Exploration and Production Areas

Malaysia

Murphy holds large working interests in over 11 million acres in prolific geologic provinces offshore Malaysia. Oil is being produced from the West Patricia and Congkak fields in Block SK 309. The field development plan for Kikeh, a major oil discovery in Sabah Block K, was approved in 2004 and major construction contracts were awarded in early 2005. Kikeh is projected to come on stream in the second half of 2007.

Gulf of Mexico

Murphy has interests in 183 blocks in the deepwater Gulf of Mexico and operates 119 of these blocks with most working interests between 37.5 percent and 100 percent. The Company's activities in the deepwater Gulf of Mexico have yielded four significant discoveries and include three significant producing fields at Medusa, Front Runner and Habanero. Murphy also has ownership interests in 29 blocks in the Eastern Gulf of Mexico natural gas trend.

Eastern Canada

Operations in Eastern Canada feature working interests in Canada's largest producing oil fields, Hibernia and Terra Nova. The Company also holds exploration licenses on the Scotian Shelf near Sable Island and in the Laurentian Channel.

Western Canada

Murphy owns a five percent interest in Syncrude, the world's largest synthetic crude oil operation. Western Canada operations include heavy oil production in the Seal and Lloydminster areas and natural gas production in the Gilby area.

U.K North Sea

The Company's primary asset in the U.K. sector of the North Sea is the Schiehallion field, one of the area's largest producing fields. Significant production also comes from the Mungo/Monan fields.

Ecuador

Located in the prolific Oriente Basin on the eastern flank of the Andes Mountains, Ecuador Block 16 produces approximately 52,000 barrels per day (bpd), which equates to 7,700 bpd net to Murphy.

Congo

Murphy holds an 85% interest in production sharing contracts covering two deepwater blocks, Mer Profonde Nord and Mer Profonde Sud (MPN and MPS), which cover 1.8 million gross acres in the Lower Congo Basin. In early 2005, the Company announced a significant oil discovery from its first exploration well in the MPS block at Azurite Marine #1.

Murphy Oil's focus is finding oil and natural gas, and this is primarily done through an exploration program that is centered around deepwater Gulf of Mexico and international prospects. In addition to our exploration opportunities in North America, we believe there are many opportunities for significant oil and gas discoveries in other parts of the globe, as evidenced by the level of our exploration activities in Malaysia and the Congo. During 2004, we repositioned the Company financially in order to more easily fund the development of our Malaysian discoveries. We sold a significant portion of our Western Canadian conventional oil and natural gas assets and used the proceeds to pay down debt. Our available credit capacity, combined with sustained cash flow from our largest producing assets of Hibernia and Terra Nova offshore Eastern Canada, Syncrude synthetic oil project in Western Canada, Schiehallion and Mungo/Monan in the U.K. sector of the North Sea, and Medusa and Front Runner in the deepwater Gulf of Mexico should allow us to fund our share of the Kikeh development in Block K, offshore Malaysia, while maintaining flexibility to accommodate other development projects.

During 2004, Murphy allocated 86% of its capital expenditures to upstream operations as we continued to fund our deepwater drilling programs in Malaysia, the Gulf of Mexico and offshore Congo; the completion of the West Patricia Phase II development offshore Sarawak, Malaysia, and the Front Runner development on Green Canyon Blocks 338/339; and the continued Phase III expansion of Syncrude, the world's largest synthetic crude oil operation. As anticipated, production volumes ramped up at our deepwater developments at Medusa in Mississippi Canyon Blocks 538/582 and Habanero in Garden Banks Block 341. Front Runner, in Green Canyon Blocks 338/339, was placed on stream in early December 2004. For the full year, our worldwide production averaged over 120,000 barrels of oil equivalent per day (boepd). In the fourth quarter 2004 production was affected by Hurricane Ivan as damaged facilities and project delays reduced annualized 2004 production by about 4,000 boepd.

International — Focused on Malaysia and Congo

During 2004, activities in the Company's offshore acreage in Malaysia resulted in additional discoveries in Blocks K (80%) and PM 311 (75%), the completion of Phase II development for the West Patricia production facility on Block SK 309 (85%), and most importantly, the sanctioning of the Kikeh Field Development Plan (FDP) by our Board of Directors and Malaysian authorities. On Block K in the Sabah Trough oil and gas province, new discoveries were made at Kakap, Senangin and Kikeh #7 deep. In the Peninsular Malaysia province, discovery wells were drilled at Kenarong and Pertang in Block PM 311. Offshore Sarawak, the Congkak field was successfully tied back through the West Patricia production complex and first oil at this field occurred late in the year. Our exploration results in deepwater Sabah and offshore Peninsular Malaysia and Sarawak confirm our belief that there continues to be significant hydrocarbon potential across these regions. Our plans for the coming year include aggressive appraisal programs for Blocks K and PM 311 along with continued exploration in these and other blocks in Malaysia. With the full sanctioning of the Kikeh FDP achieved in the third quarter of 2004, we are targeting first oil from this world-class discovery in the second half of 2007. When brought on stream, Kikeh is expected to provide the largest net production from a single field in the history of the Company.

In December 2004, Murphy received final approval on two production sharing contracts on its adjoining licensed acreage at Mer Profonde Nord and Mer Profonde Sud (MPN and MPS, both 85%) in the Lower Congo Basin, offshore Republic of the Congo. In late December, we spudded our first exploratory well on the Azurite Marine prospect in the southern corner of MPS and in early 2005 announced a significant oil discovery at this well. The Company plans to drill at least two more wells on nearby separate prospects in 2005. Success in the Congo would establish another focus area for Murphy's international program.

Exploration and Production Statistical Summary

	2004	2003	2002	2001	2000
Net crude oil and condensate production – barrels per day					
United States	**19,154**	4,374	3,837	4,339	4,770
Canada – light	**168**	582	1,256	1,981	2,055
heavy	**5,838**	4,705	3,609	4,521	3,010
offshore	**25,407**	28,534	24,037	9,535	9,199
synthetic	**11,794**	10,483	11,362	10,479	8,443
United Kingdom	**10,800**	14,513	18,180	20,049	20,679
Ecuador	**7,735**	5,172	4,544	5,319	6,405
Malaysia	**11,885**	7,301	–	–	–
Net natural gas liquids production – barrels per day					
United States	**160**	152	291	413	551
Canada	**482**	631	311	540	182
United Kingdom	**211**	173	122	165	216
Continuing operations	**93,634**	76,620	67,549	57,341	55,510
Discontinued operations	**3,106**	6,832	8,821	10,014	9,749
Total liquids produced	**96,740**	83,452	76,370	67,355	65,259
Net crude oil and condensate sold – barrels per day					
United States	**19,154**	4,374	3,837	4,339	4,769
Canada – light	**168**	582	1,256	1,981	2,055
heavy	**5,838**	4,705	3,609	4,521	3,010
offshore	**26,306**	28,542	23,935	9,862	9,456
synthetic	**11,794**	10,483	11,362	10,479	8,443
United Kingdom	**10,800**	14,591	18,209	20,206	20,921
Ecuador	**3,414**	4,997	4,293	5,381	6,393
Malaysia	**11,020**	7,235	–	–	–
Net natural gas liquids sold – barrels per day					
United States	**160**	152	291	413	551
Canada	**482**	631	311	540	182
United Kingdom	**124**	131	149	148	216
Continuing operations	**89,260**	76,423	67,252	57,870	55,996
Discontinued operations	**3,106**	6,832	8,821	10,014	9,749
Total liquids sold	**92,366**	83,255	76,073	67,884	65,745
Net natural gas sold – thousands of cubic feet per day					
United States	**88,621**	82,281	88,067	112,616	141,373
Canada	**13,972**	19,946	12,709	25,701	9,590
United Kingdom	**6,859**	9,564	6,973	13,125	10,850
Continuing operations	**109,452**	111,791	107,749	151,442	161,813
Discontinued operations	**30,760**	103,543	189,182	129,793	67,599
Total natural gas sold	**140,212**	215,334	296,931	281,235	229,412
Net hydrocarbons produced – equivalent barrels[1,2] per day	**120,109**	119,341	125,859	114,228	103,494
Estimated net hydrocarbon proved reserves – million equivalent barrels[1,2,3]	**385.6**	425.5	455.3	501.2	442.3
Weighted average sales prices[4]					
Crude oil and condensate – dollars per barrel					
United States	**$ 35.35**	24.22	24.25	24.92	30.38
Canada5 – light	**37.70**	27.68	22.81	21.73	29.98
heavy	**20.26**	12.36	16.83	11.21	16.74
offshore	**36.60**	27.08	25.36	23.77	27.16
synthetic	**40.35**	24.97	25.64	25.04	29.62
United Kingdom	**36.82**	29.59	24.39	24.44	27.78
Ecuador	**24.78**	22.99	19.64	17.00	22.01
Malaysia	**41.35**	29.42	–	–	–
Natural gas liquids – dollars per barrel					
United States	**29.77**	23.42	17.13	20.40	23.04
Canada[5]	**30.83**	24.63	16.98	20.78	22.98
United Kingdom	**26.91**	22.49	18.28	19.12	23.64
Natural gas – dollars per thousand cubic feet					
United States	**6.45**	5.29	3.37	4.64	4.01
Canada[5]	**5.64**	4.47	2.59	3.54	4.68
United Kingdom[5]	**4.52**	3.50	2.76	2.52	1.81

[1] Natural gas converted at a 6:1 ratio.

[2] Includes synthetic oil.
[3] At December 31.
[4] Includes intracompany transfers at market prices.
[5] U.S. dollar equivalent.

In 2004, our Block 16 property (20%) in Ecuador produced 7,700 barrels of oil per day (bpd) net to Murphy. This long-life asset has a sustainable production profile and is currently producing from numerous fields in the Oriente Basin. Between June and December 2004, the Company did not receive its equity share of oil sales associated with Block 16 production due to a dispute with the operator over Murphy's new transportation and marketing arrangements. Murphy is owed over 1.5 million barrels of oil by the other working interest owners, and we are working diligently to complete an equitable settlement of this matter. We believe this sales shortfall will be made up during 2005 via either a cash settlement or allocation of additional oil barrels from 2005 production.

In the North Sea, our primary assets Schiehallion (5.88%) and Mungo/Monan (12.65%) continue to produce at an average net rate of more than 9,000 boepd with several phases of development still to come. The Company sold its fully-exploited "T" Block field in 2004 recognizing a $24.6 million after-tax gain; "T" Block was a late life asset where operating costs were becoming unacceptably high in relation to revenue generation.

Deepwater Gulf of Mexico — Moving into the Expanded Miocene Trend

In May 2004, Murphy's U.S. operations made its first discovery in the expanded Miocene play in the deepwater Gulf of Mexico, where recent industry activity has resulted in the noteworthy Thunderhorse, Tahiti and Atlantis discoveries. Our Thunderhawk discovery (37.5%), adjacent to the Thunderhorse field in Mississippi Canyon, encountered 300 feet of hydrocarbons in two high-quality Miocene sand reservoirs. In our Eastern Gulf of Mexico program, we also recorded our first success with the South Dachshund (50%) Miocene gas discovery in January 2005. Our 29 block acreage position in the Eastern Gulf holds multiple prospects which, along with South Dachshund, can be tied-in to existing infrastructure. Our Front Runner NW discovery (37.5%), also drilled in 2004, will be a tie-back to our current Front Runner production facility.

The Front Runner field (37.5%), located in Green Canyon Blocks 338/339, began producing in December 2004 from the first of eight wells, the remainder of which will be completed in 2005 and early 2006. The development is a Truss Spar-type Floating Production System with a peak handling capacity of 60,000 bpd of oil and 110 million cubic feet per day of natural gas. It will serve as the production hub for Company-operated discoveries at Front Runner, Front Runner South, Quatrain and Front Runner NW. Production will reach peak spar capacity in 2006.

The first well at the Front Runner field in Green Canyon Block 338 began producing through this spar facility in December 2004.

Our Medusa field (60%), producing since the fourth quarter of 2003, now has all six wells on production. The field reached payout in December 2004, despite almost one month of downtime due to workover rig damage caused by Hurricane Ivan. Production from Medusa resumed in mid-October 2004 and is currently at the spar's peak gross capacity of 40,000 barrels of oil per day. Medusa, Front Runner and another deepwater producing field at Habanero (33.75%), should enable Murphy to raise its U.S. deepwater production to 36,000 boepd in 2005. With our recent discoveries at Thunderhawk and South Dachshund, along with our producing assets in Medusa, Front Runner and Habanero, the Company is now firmly established as an explorer, developer and producer in the deepwater Gulf of Mexico oil and gas provinces.

Gulf of Mexico activity planned for 2005 includes continued appraisal and development of the Thunderhawk discovery and the completion and start-up of two smaller subsea developments at Seventeen Hands (37.5%) and North Medusa (17%). We will increase our exploration focus on the expanded Miocene play with a number of prospects targeted for future drilling, some relatively close to existing Murphy infrastructure. The Company will continue to high-grade our portfolio of prospects in the expanded Miocene and Eastern Gulf natural gas trend, and we plan to take advantage of the large number of industry lease relinquishments which will be rebid at scheduled lease sales in 2006 and 2007.

Canada — Expanding Heavy Oil and Oil Sands

As announced earlier in 2004, the Company divested approximately two-thirds of its conventional oil and natural gas interests in Western Canada, retaining the Gilby area natural gas property and the Seal and Lloydminster heavy oil properties. Murphy's working interest in these retained areas generally range from 50% to 100%. With active drilling programs in all three areas, we anticipate a resumption of production growth, particularly in heavy oil. The $583 million received from the sale of the Western Canadian assets will be redirected to fund our higher growth and higher return exploration and development programs in Malaysia, deepwater Gulf of Mexico and the Congo. The sale included proved reserves (net of royalty) of approximately 43 million barrel equivalents from heavy oil, light oil and natural gas properties. In September 2004, we increased our position in the Seal area with an acreage acquisition for $121 million, and by year-end 2004 we had ramped up production at Seal to more then 7,000 bpd of heavy oil. We anticipate further production gains from Seal through additional drilling and facility installation in the coming year.

The Phase III expansion at Syncrude (5%), the world's largest synthetic oil project, will bring gross synthetic oil production to 350,000 bpd by 2006. Offshore Eastern Canada, our legacy assets of Hibernia (6.5%) and Terra Nova (12%) continue to provide a strong financial contribution. Exploratory efforts on the Scotian Shelf resulted in a disappointing dry hole at Crimson, which was an attempt to extend the Annapolis discovery and achieve development economics for the block. Given the result at Crimson, and in the absence of a clear path forward for East Coast exploration, we elected to expense the Annapolis well at the same time. Plans for further exploration on the East Coast are being re-evaluated.

Production Growth

We believe that our strategy of diverting a large portion of our investment in the conventional Western Canadian Sedimentary Basin to aggressively pursue growth opportunities in other areas is both sound and well-timed. Not only is our Company positioned for significant production growth in the coming years — as evidenced by new production at Front Runner, expansion at Syncrude, and development of the Kikeh field in Malaysia — this growth is expected to have a meaningful percentage funded by internal cash flow from our strong, cash-generating producing oil and gas properties.

Refining & Marketing

In the North American market, the trends in the gasoline marketplace solidify the Murphy USA retail concept. First, price remains the prime customer consideration, especially in the current environment of volatile gasoline prices. Second, big box retailers such as Wal-Mart continue to grow. Third, the major gasoline retailers are pulling back their retail presence in the wake of significant industry price competition and consolidation. Accordingly, overall U.S. gasoline refueling site numbers are declining while trending toward high volume outlets. All of these underscore the soundness of the Murphy USA concept and provide us with fertile ground for growth of our retail network.

Refining and Marketing Statistical Summary

	2004	2003	2002	2001	2000
Refining					
Crude capacity* of refineries – barrels per stream day	**192,400**	192,400	167,400	167,400	167,400
Refinery inputs – barrels per day					
Crude – Meraux, Louisiana	**101,644**	60,403	83,721	104,345	103,154
Superior, Wisconsin	**31,598**	30,466	30,468	35,869	34,159
Milford Haven, Wales	**31,033**	28,412	29,640	26,985	28,507
Other feedstocks	**12,170**	10,113	11,013	9,901	8,298
Total inputs	**176,445**	129,394	154,842	177,100	174,118
Refinery yields – barrels per day					
Gasoline	**68,663**	52,162	63,409	73,217	75,106
Kerosine	**7,734**	6,568	9,446	12,874	11,955
Diesel and home heating oils	**66,225**	41,277	48,344	52,660	49,606
Residuals	**17,445**	14,595	16,589	20,530	18,524
Asphalt, LPG and other	**14,693**	11,986	12,651	13,467	14,624
Fuel and loss	**1,685**	2,806	4,403	4,352	4,303
Total yields	**176,445**	129,394	154,842	177,100	174,118
Average cost of crude inputs to refineries – dollars per barrel					
North America	**$ 40.00**	29.79	24.76	23.44	28.82
United Kingdom	**39.60**	30.24	25.83	24.86	29.29
Marketing					
Products sold – barrels per day					
North America – Gasoline	**207,786**	162,911	112,281	96,597	76,314
Kerosine	**4,811**	4,388	5,818	9,621	8,517
Diesel and home heating oils	**66,648**	43,373	35,995	41,064	39,347
Residuals	**13,699**	10,972	13,759	17,308	15,163
Asphalt, LPG and other	**8,857**	8,232	8,574	9,666	10,271
	301,801	229,876	176,427	174,256	149,612
United Kingdom – Gasoline	**11,435**	12,101	12,058	11,058	11,622
Kerosine	**2,756**	2,526	2,685	2,547	2,478
Diesel and home heating oils	**14,649**	13,506	14,574	11,798	9,760
Residuals	**4,062**	3,816	3,127	3,538	3,852
LPG and other	**4,205**	3,103	1,760	2,121	2,191
	37,107	35,052	34,204	31,062	29,903
Total products sold	**338,908**	264,928	210,631	205,318	179,515
Branded retail outlets*					
North America – Murphy USA	**752**	623	506	387	276
Other	**375**	371	408	428	436
Total	**1,127**	994	914	815	712
United Kingdom	**358**	384	416	411	386

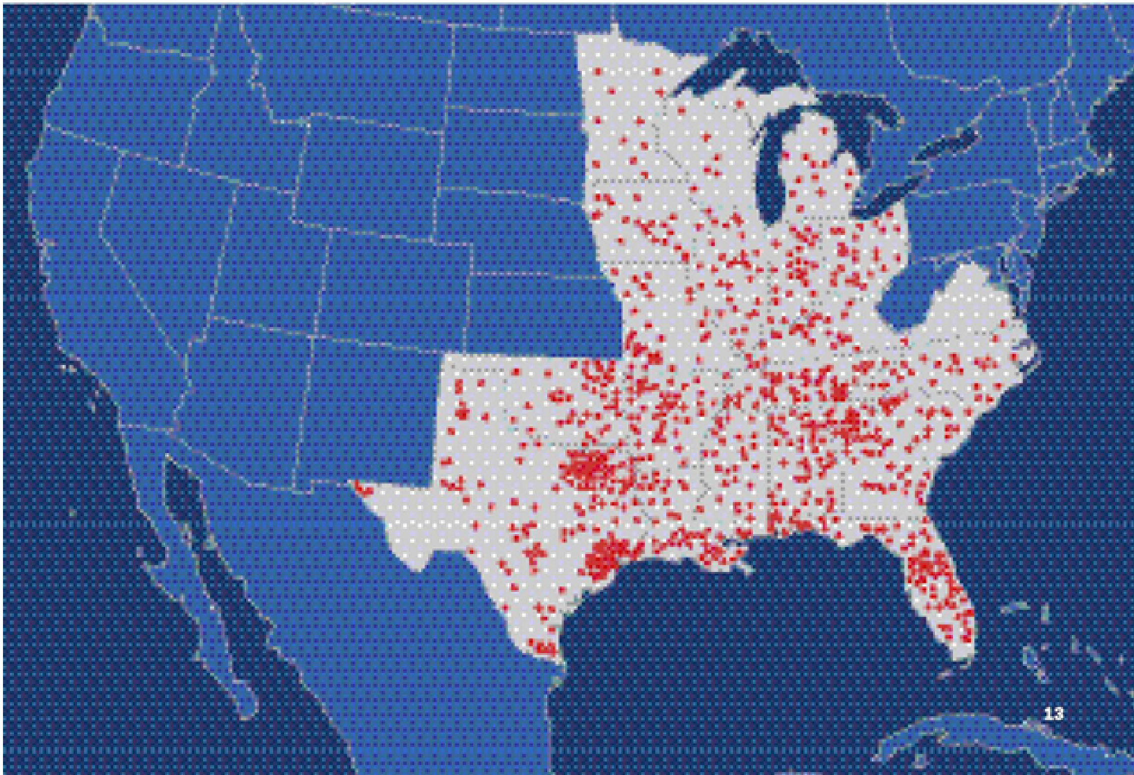
* At December 31.

Our downstream operations turned the corner in 2004, moving from a loss in 2003 of $11 million to a profit of $82 million in 2004, based on strong operating margins from both North America and the U.K., and higher crude runs at the Company's Meraux, Louisiana, refinery. In addition, the Company's Murphy USA retail program with 752 gas stations located at Wal-Mart stores in 21 states throughout the Southeast, South, Midwest and South Central regions of the country, has gained momentum as both fuel and non-fuel sales volumes continue to grow.

Gaining Ground in Clean Fuels Refining

The Company's Meraux, Louisiana, refinery successfully completed its Clean Fuels conversion and expansion project in 2004. The refinery has increased its capacity to 125,000 bpd with higher conversion capacity and improved yields, and has fully integrated its new hydrocracker to allow the production of low-sulfur or blend fuels. Although Meraux qualifies for a small refiner exemption through 2007, the refinery already meets the Environment Protection Agency's (EPA) 2008 low-sulfur requirements of 30 parts per million, thus generating potentially valuable sulfur credits. The Company's Superior, Wisconsin, refinery had weaker refining margins throughout 2004 when compared to prior years, but it continues to generate annual cash flow in excess of capital spending requirements by relying on lower-priced heavy crude from Canada and profitable asphalt production. The Superior refinery also completed a low-sulfur gasoline conversion well ahead of EPA mandates and has low-sulfur exemptions on diesel production until 2010. During 2004, the ROSE (Residual Oil Supercritical Extractor) unit was rebuilt at the Meraux refinery, following a fire in 2003. The ROSE unit was recommissioned in early 2005.

In 2004, Murphy continued to expand its high-volume Murphy USA brand by adding 129 stations in the Company's 21-state marketing area.



As anticipated, Murphy's 2004 capital expenditures in the downstream sector decreased significantly from the prior year due to completion of the Clean Fuels and expansion projects at the Meraux refinery and the gasoline desulfurization unit construction at the Superior refinery. Although the Company's two U.S. refineries supply an important portion of Murphy USA sites' gasoline needs, the retail network sells more than twice as much fuel as the Company's infrastructure can produce. Accordingly, Murphy is a big buyer of gasoline on the spot market through bulk purchases and exchanges. This need for gasoline purchases should continue to grow in 2005 and beyond due to the Company's plan to build a significant number of additional Murphy USA stations during the coming years.

Accelerating Our Retail Presence

Over the past several years, the Company has aggressively grown its retail network of Murphy USA gas stations at Wal-Mart stores. The 119 new stations built in 2003 were eclipsed in 2004 when 129 new stations were added, and our budget includes adding up to 150 new stations per year over the next two years. This would bring Murphy USA gas stations to well over 1,000 Wal-Mart locations by year-end 2006.

In 2004, per store monthly sales volumes and non-fuel income contined to grow. Going forward, as we steadily add to the station count in our 21-state marketing region, we expect continued growth in fuel and non-fuel sales volumes while we work to drive down unit operating costs and manage the trade-off between high fuel volume and profitable margin. Six years into the program, Murphy USA has emerged as a strong competitor in the high volume gasoline retailer arena.

Maximizing Our U.K. Niche

In addition to our primary U.S. operating downstream business, the Company also has a relatively small, but well-run and profitable refining and marketing operation in the United Kingdom. This business generated record operating earnings in 2004 due to quite strong margins in both the refining and marketing areas during much of the year. The Company has an effective 30-percent interest in a Milford Haven, Wales refinery, with our share rated at 32,400 barrels of crude oil throughputs per day. Refined products are marketed through a network of approximately 100 company-operated and 250 dealer-operated gasoline stations in England and Wales. These stations are primarily operated under the Murco brand, and many of the company-operated sites offer small, but convenient neighborhood grocery markets that are attractive shopping locations for local residents.

Board of Directors

William C. Nolan, Jr.
Partner, Nolan and Alderson,
El Dorado, Arkansas.
Director since 1977.
Chairman of the Board and
the Executive Committee,
ex-officio member of all other committees

Claiborne P. Deming
President and Chief Executive Officer,
Murphy Oil Corporation,
El Dorado, Arkansas.
Director since 1993.
Committees: Executive

Frank W. Blue
Attorney, Santa Barbara, California.
Director since 2003.
Committees: Audit; Nominating
and Governance

George S. Dembroski
Vice Chairman, Retired, RBC Dominion
Securities Limited, Toronto, Ontario, Canada. Director
since 1995.
Committees: Executive; Audit; Executive Compensation
(Chairman)

Robert A. Hermes
Chairman of the Board, Retired
Purvin & Gertz, Inc., Houston, Texas.
Director since 1999.
Committees: Nominating and Governance
(Chairman); Public Policy and
Environmental

R. Madison Murphy
Managing Member, Murphy Family
Management, LLC,
El Dorado, Arkansas.
Director since 1993;
Chairman from 1994–2002
Committees: Executive; Audit (Chairman)

Ivar B. Ramberg
Executive Officer, Ramberg Consulting AS
(Ram-Co), Osteraas, Norway.
Director since 2003.
Committees: Nominating and Governance;
Public Policy and Environmental

Neal E. Schmale
Executive Vice President and
Chief Financial Officer,
Sempra Energy, San Diego, California.
Director since 2004.
Committees: Audit; Executive
Compensation

David J. H. Smith
Chief Executive Officer, Retired,
Whatman plc, Maidstone, Kent, England.
Director since 2001.
Committees: Executive Compensation;
Public Policy and Environmental

Caroline G. Theus
President, Keller Enterprises, LLC,
Alexandria, Louisiana.
Director since 1985.
Committees: Executive Committee
Public Policy and Environmental; (Chairman)

Executive Officers

Claiborne P. Deming
President and Chief Executive Officer since
October 1994 and Director and Member of
the Executive Committee since 1993.

Steven A. Cossé
Executive Vice President since February
2005 and General Counsel since August
1991. Mr. Cossé was elected Senior Vice
President in 1994 and Vice President in
1993.

W. Michael Hulse
Executive Vice President – Worldwide
Downstream Operations since April 2003
and President of MOUSA since
November 2001. He served as President
of Murphy Eastern Oil Company from
April 1996 to November 2001.

Bill H. Stobaugh
Senior Vice President since February 2005.
Mr. Stobaugh joined the Company as
Vice President in 1995.

Kevin G. Fitzgerald
Treasurer since July 2001. Mr. Fitzgerald
was Director of Investor Relations from
1996 to June 2001.

John W. Eckart
Controller since March 2000.

Walter K. Compton
Secretary since December 1996.

Principal Subsidiaries

Murphy Exploration & Production Company – USA
Engages in crude oil and natural gas exploration and production in the Gulf of Mexico and in Gulf Coast areas onshore.

131 South Robertson Street
New Orleans, Louisiana 70112
(504) 561-2811

Mailing Address:
P.O. Box 61780
New Orleans, Louisiana
70161-1780

John C. Higgins
President

S.J. Carboni, Jr.
Vice President, Deepwater Development and Production

James R. Murphy
Vice President, Exploration

Steven A. Cossé
Vice President and General Counsel

Kevin G. Fitzgerald
Treasurer

Gasper F. Bivalacqua
Controller

Walter K. Compton
Secretary

Murphy Oil Company Ltd. Engages in crude oil and natural gas exploration and production, extraction and sale of synthetic crude oil, and marketing of petroleum products in Canada.

1700-555-4th Avenue SW Calgary, Alberta T2P 3E7 (403) 294-8000

Mailing Address:
P.O. Box 2721, Station M Calgary, Alberta T2P 3Y3 Canada

Harvey Doerr
President

Steve C. Crosby
Vice President, East Coast and Northern Canada

Timothy A. Larson
Vice President, Crude Oil and Natural Gas

W. Patrick Olson
Vice President, Production

Marty L. Proctor
Vice President, Exploitation

Kevin G. Fitzgerald
reasurer

Heather J. Jones
Controller

Georg R. McKay
Secretary

Murphy Exploration & Production Company – International
Engages in crude oil and natural gas exploration and production outside North America.

550 WestLake Park Blvd. Suite 1000
Houston, Texas 77079
(281) 249-1040

David M. Wood
President

Bruce R. Laws
Vice President, New Ventures

George M. Shirley
Vice President and General Manager – Malaysia

Steven A. Cossé
Vice President and General Counsel

Kevin G. Fitzgerald
Treasurer

Dean E. Haefner
Controller

Walter K. Compton
Secretary

Murphy Oil USA, Inc.
Engages in refining and marketing of petroleum
products in the United States.

200 Peach Street
El Dorado, Arkansas 71730 (870) 862-6411

Mailing Address:
P.O. Box 7000
El Dorado, Arkansas 71731-7000

W. Michael Hulse
President

Charles A. Ganus
Senior Vice President, Marketing and President, Murphy USA Marketing Company

Gary R. Bates
Vice President, Supply and Transportation

Ernest C. Cagle
Vice President, Manufacturing

John D. Edmunds
Vice President, Engineering

Henry J. Heithaus
Vice President, Retail Marketing

Gordon W. Williamson Treasurer

John W. Eckart
Controller

Walter K. Compton
Secretary

Murphy Eastern Oil Company Provides technical and professional services to certain
of Murphy Oil Corporation's subsidiaries engaged in crude
oil and natural gas exploration and production in the Eastern Hemisphere and refining and marketing of petroleum products in the U.K.

4 Beaconsfield Road
St. Albans, Hertfordshire
AL1 3RH, England
44-1727-892-400

Stephen R. Wylie
President

Kevin W. Melnyk
Vice President, Supply and Refining

Ijaz Iqbal
Vice President, Treasury, Tax and Planning

Kevin G. Fitzgerald
Treasurer

Walter K. Compton
Secretary

EXHIBIT 21

MURPHY OIL CORPORATION

SUBSIDIARIES OF THE REGISTRANT AS OF DECEMBER 31, 2004

Name of Company	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
Murphy Oil Corporation (REGISTRANT)		
A. Caledonia Land Company	Delaware	100.0
B. El Dorado Engineering Inc.	Delaware	100.0
1. El Dorado Contractors Inc.	Delaware	100.0
C. Marine Land Company	Delaware	100.0
D. Murphy Eastern Oil Company	Delaware	100.0
E. Murphy Exploration & Production Company	Delaware	100.0
1. Canam Offshore A. G. (Switzerland)	Switzerland	100.0
2. Mentor Holding Corporation	Delaware	100.0
a. Mentor Excess and Surplus Lines Insurance Company	Delaware	100.0
b. Mentor Insurance and Reinsurance Company	Louisiana	100.0
c. Mentor Insurance Limited	Bermuda	99.993
(1) Mentor Insurance Company (U.K.) Limited	England	100.0
(2) Mentor Underwriting Agents (U.K.) Limited	England	100.0
3. Murphy Building Corporation	Delaware	100.0
4. Murphy Exploration & Production Company – International	Delaware	100.0
a. Canam Offshore Limited	Bahamas	100.0
(1) Murphy Ireland Offshore Limited	Bahamas	100.0
(2) Murphy Ecuador Oil Company Ltd.	Bermuda	100.0
(3) Murphy Peninsular Malaysia Oil Co., Ltd.	Bahamas	100.0
(4) Murphy Sabah Oil Co., Ltd.	Bahamas	100.0
(5) Murphy Sarawak Oil Co., Ltd.	Bahamas	100.0
b. El Dorado Exploration, S.A.	Delaware	100.0
c. Murphy Brazil Exploracao e Producao de Petroleo e Gas Ltda. (see company f.(1) below)	Brazil	90.0
d. Murphy Exploration (Alaska), Inc.	Delaware	100.0
e. Murphy Italy Oil Company	Delaware	100.0
f. Murphy Overseas Ventures Inc.	Delaware	100.0
(1) Murphy Brazil Exploracao e Producao de Petroleo e Gas Ltda. (see company c. above)	Brazil	10.0
g. Murphy Pakistan Oil Company	Delaware	100.0
h. Murphy Somali Oil Company	Delaware	100.0
i. Murphy-Spain Oil Company	Delaware	100.0
j. Murphy West Africa, Ltd.	Bahamas	100.0
k. Ocean Exploration Company	Delaware	100.0
l. Odeco Italy Oil Company	Delaware	100.0
5. Murphy Exploration & Production Company – USA	Delaware	100.0
6. Odeco Drilling (UK) Limited	England	100.0
7. Sub Sea Offshore (M) Sdn. Bhd.	Malaysia	60.0

MURPHY OIL CORPORATION

SUBSIDIARIES OF THE REGISTRANT AS OF DECEMBER 31, 2004 (Contd.)

Name of Company	State or Other Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
Murphy Oil Corporation (REGISTRANT) – Contd.		
F. Murphy Oil Company Ltd.	Canada	100.0
1. Murphy Atlantic Offshore Finance Company Ltd.	Canada	100.0
2. Murphy Atlantic Offshore Oil Company Ltd.	Canada	100.0
3. Murphy Canada Exploration Company	NSULCo.*	100.0
a. Environmental Technologies Inc.	Canada	52.0
(1) Eastern Canadian Coal Gas Venture Ltd.	Canada	100.0
4. Murphy Canada, Ltd.	Canada	100.0
5. Murphy Finance Company	NSULCo.*	100.0
G. Murphy Oil USA, Inc.	Delaware	100.0
1. 864 Beverage, Inc.	Texas	100.0
2. Arkansas Oil Company	Delaware	100.0
3. Murphy Gas Gathering Inc.	Delaware	100.0
4. Murphy Latin America Refining & Marketing, Inc.	Delaware	100.0
5. Murphy LOOP, Inc.	Delaware	100.0
6. Murphy Crude Oil Marketing, Inc.	Delaware	100.0
7. Murphy Oil Trading Company (Eastern)	Delaware	100.0
8. Spur Oil Corporation	Delaware	100.0
9. Superior Crude Trading Company	Delaware	100.0
H. Murphy Realty Inc.	Delaware	100.0
I. Murphy Ventures Corporation	Delaware	100.0
J. New Murphy Oil (UK) Corporation	Delaware	100.0
1. Murphy Petroleum Limited	England	100.0
a. Alnery No. 166 Ltd.	England	100.0
b. H. Hartley (Doncaster) Ltd.	England	100.0
c. Murco Petroleum Limited	England	100.0
(1) European Petroleum Distributors Ltd.	England	100.0
(2) Murco Petroleum (Ireland) Ltd.	Ireland	100.0

* Denotes Nova Scotia Unlimited Liability Company.

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Murphy Oil Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 2-82818, 2-86749, 2-86760, 333-27407, 333-43030, 333-57806, and 333-119733) on Form S-8 and (Nos. 33-55161 and 333-84547) on Form S-3 of Murphy Oil Corporation of our reports dated March 14, 2005, with respect to the consolidated balance sheets of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2004, and all related financial statement schedules, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of Murphy Oil Corporation.

KPMG LLP
Houston, Texas
March 14, 2005

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Claiborne P. Deming, certify that:

1. I have reviewed this annual report on Form 10-K of Murphy Oil Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this annual report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal controls over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: March 16, 2005

/s/ Claiborne P. Deming

Claiborne P. Deming
Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven A. Cossé, certify that:

1. I have reviewed this annual report on Form 10-K of Murphy Oil Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
   d) disclosed in this annual report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal controls over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent function):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: March 16, 2005

/s/ Steven A. Cossé

Steven A. Cossé
Principal Financial Officer

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Murphy Oil Corporation (the "Company") on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Claiborne P. Deming, and Steven A. Cossé, Principal Executive Officer and Principal Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 16, 2005

/s/ Claiborne P. Deming

Claiborne P. Deming
Principal Executive Officer

/s/ Steven A. Cossé

Steven A. Cossé
Principal Financial Officer

EXHIBIT 99.1

MURPHY OIL CORPORATION

STOCK OPTION

Stock Option Number:	**Name of Optionee:**	**Number of Shares of Stock Subject to this Option:**	**Option Price Per Share:**

This Stock Option granted on and dated __________, 200__, by Murphy Oil Corporation, a Delaware corporation (the Company), pursuant to and for the purposes of the Stock Incentive Plan adopted by the stockholders of the Company on May 13, 1992, subject to the provisions set forth herein and in the Stock Incentive Plan. This Stock Option is designated a 'non-qualified' Stock Option under the Stock Incentive Plan.

1. The Company hereby grants to the individual named above (the Optionee) an option to purchase from the Company shares of the $1.00 par value Common Stock of the Company up to the maximum number and at the option price per shares set forth above, payable in currency of the United States of America, or by transfer of shares of Common Stock of the Company.

2. Subject to paragraph 3 below, this option, two years after its date, if the Optionee has not died or terminated, shall become exercisable as to one-half of the shares optioned and, three years after its date, if he/she has still not died or terminated, shall become exercisable as to the remaining shares optioned: provided, however, this option shall not be exercisable whenever the purchase or delivery of shares under it would be a violation of any law or any governmental regulation which the Company may find to be valid and applicable.

3. Unless the Committee shall otherwise determine, this option shall become exercisable in full immediately upon a Change of Control as defined in the Stock Incentive Plan.

4. This option shall expire in the following situations:

(a) If the Optionee terminates normally, it shall expire two years thereafter if he/she is still living;

(b) If the Optionee terminates otherwise than normally, it shall expire at the time of termination;

(c) If the Optionee dies, it shall expire two years after his/her death;

(d) In any event, it shall expire seven years after its date.

5. This option is not assignable except as provided in the case of death and is not subject in whole or in part to attachment, execution or levy of any kind. If this option is exercisable after the Optionee dies, it is exercisable by his/her designated Beneficiary or, if there is no designated Beneficiary, by the executor or administrator of his/her estate.

6. When this option is exercisable as to any number of shares, it can be exercised for that number of shares or any lesser number to a minimum of 50 shares. Every share purchased through the exercise of this option shall be paid for in full at the time of purchase.

7. In the event this option is exercised in whole or in part subsequent to any stock split, stock dividend, or other relevant change in the capitalization of the Company which has occurred after the date hereof, there shall be delivered for the aggregate price paid upon such exercise of the option the number of full shares which the Optionee would then be holding as a result if he had purchased shares of the Common Stock of the Company at the date hereof for the same aggregate amount at the option price per shares and had not disposed of them.

8. This option shall be exercised in writing and in accordance with such administrative regulations or requirements as may be stipulated from time to time by the Executive Compensation Committee. In case of the exercise of this option in full, it shall be surrendered to the Company for cancellation. In case of the exercise of this option in part, this option shall be delivered by the Optionee to the Company for the purpose of making appropriate notation thereon or of otherwise reflecting in such manner as the Company shall determine the result of such partial exercise of the option. If requested by the Optionee, the Executive Compensation Committee may in its discretion authorize payment, in cash or in shares, or partly in cash and partly in shares, as the Committee may direct, of an amount equal to the difference at the time between the fair market value of all or part of the shares subject to an option and the option price in consideration of the cancellation of the option in whole or in part.

9. In this option

"Beneficiary" means the person designated by the optionee to the Company as the person entitled to exercise this option upon the death of the Optionee;

"Employer" means the Company or any subsidiary thereof by whom the Optionee is employed;

"Executive Compensation Committee" means the Executive Compensation Committee of the Board of Directors of the Company;

"Expire" means cease to be exercisable;

"Normal Termination" means terminate

(i) at normal retirement time,

(ii) for permanent and total disability, or

(iii) with employer approval and without being terminated for cause;

"Terminate" means case to be an employee of the Company or a subsidiary except by death, but a change of employment from the Company or one subsidiary to another subsidiary or to the Company shall not be considered a termination. For this purpose, a subsidiary is any corporation of which the Company owns or controls, directly or indirectly, more than 50% of the stock possessing the right to vote for the election of directors.

Attest: MURPHY OIL CORPORATION

______________________________ By: ______________________________

MURPHY OIL CORPORATION

RESTRICTED STOCK AWARD

Restricted Stock Award Number:	Name of Awardee:	Number of Shares of Stock Subject to this Award:
____________	_____	______________

This Performance Based Restricted Stock Award granted on and dated ___________, 200__, by Murphy Oil Corporation, a Delaware corporation (the Company), pursuant to and for the purposes of the Stock Incentive Plan (the Plan) adopted by the stockholders of the Company on May 13, 1992, subject to the provisions set forth herein and in the Plan.

1. The Company hereby grants to the individual named above (the Awardee) a Performance Base Restricted Stock Award of shares of the $1.00 par value Common Stock of the Company of the number of shares set forth above.

2. Provided the performance criteria is satisfied, subject to paragraph 3 below and in accordance with the Plan, this award will vest and restrictions will be lifted on the third anniversary of the date of grant or in accordance with the Plan in the event of termination prior to the third anniversary of issuance. This award shall not vest whenever the delivery of shares under it would be a violation of any applicable law, rule or regulation.

3. This award shall vest and restrictions will be lifted in full immediately upon a Change in Control as defined by the Plan.

4. The performance criteria for this award is the three year shareholder return for Murphy Oil Corporation as compared to a peer group of companies. Achievement of 80% of the average return of the peer group will result in the realization of 50% of the shares included in this award. Total shareholder return equal to the average of the peer group will result in an award of 100% of the shares. Performance at or exceeding 130% of peer group average will result in an award of 150% of the shares. Performance between 80% and 130% will result in pro-rata awards. Failure to realize a return equal to at least 80% of the peer group average will result in forfeiture of all of the shares covered by this award.

5. Provided the criteria as set forth in paragraph 4 is satisfied and an award of shares is made, the recipient of this award will also receive form the Company a cash payment in the year following the performance period in an amount determined by the Company, which amount is intended to allow the recipient to pay such tax liability with respect to (i) such shares or (ii) such cash payment. This cash payment will not exceed 50% of the fair market value of the shares pursuant to this award on the date awarded.

6. In the event of any relevant change in the capitalization of the Company subsequent to the date of this grant and prior to its vesting, the number of shares will be adjusted to reflect that change.

7. This award is not assignable except as provided in the case of death and is not subject in whole or in part to attachment, execution or levy of any kind.

8. The awardee may exercise full voting rights with respect to the shares represented in this award during the Restricted Period.

9. The holder of these Restricted Shares of Stock is eligible to receive all dividends and any other distributions paid with respect to these shares during the Restricted Period, provide that if any such dividends or distributions are paid in shares of Common Stock or other securities, such shares or securities shall be subject to the same restrictions on transferability as apply to the Restricted Stock with respect to which they are paid.

Attest:	MURPHY OIL CORPORATION
____________________________	By____________________________

EXHIBIT 99.3

MURPHY OIL CORPORATION

STOCK OPTION

Stock Option Number:	Name of Optionee:	Number of Shares of Stock Subject to this Option:	Option Price Per Share:
______	______	______	______

This Stock Option granted on and dated __________, 200__, by Murphy Oil Corporation, a Delaware corporation (the Company), pursuant to and for the purposes of the Stock Plan for Non-Employee Directors (the Plan) adopted by the stockholders of the Company on May 14, 2003, subject to the provisions set forth herein and in the Plan.

1. The Company hereby grants to the individual named above (the Optionee) an option to purchase from the Company shares of the $1.00 par value Common Stock of the Company up to the maximum number and at the option price per share set forth above, payable in currency of the United States of America, or by transfer of shares of Common Stock of the Company or by a combination of cash and stock.

2. Subject to paragraph 3 below and in accordance with the Plan, this option will become exercisable and mature in three equal annual installments commencing on the first anniversary of the date of grant and annually thereafter or in accordance with the Plan in the event of termination of Board Membership prior to the third anniversary of issuance. This option shall not be exercisable whenever the purchase or delivery of shares under it would be a violation of any applicable law, rule or regulation.

3. This option shall become exercisable in full immediately upon a Change in Control as defined by the Plan.

4. This option shall expire ten years from its date of issuance or sooner in the event of termination of Board Membership as described in the Plan.

5. In the event of any relevant change in the capitalization of the Company subsequent to the date of this grant and prior to its exercise, the number of shares and purchase price will be adjusted to reflect that change.

6. This option is not assignable except as provided in the case of death and is not subject in whole or in part to attachment, execution or levy of any kind. If this option is exercisable after the Optionee dies, it is exercisable by his/her designated beneficiary or, if there is no designated beneficiary, by the executor or administrator of his/her estate.

7. When this option is exercisable as to any number of shares, it can be exercised for that number of shares or any lesser number. Every share purchased through the exercise of this option shall be paid for in accordance with paragraph 1 above.

8. This option shall be exercised in writing and in accordance with such administrative regulations or requirements as may be stipulated from time to time by the Executive Compensation Committee of the Board of Directors.

Attest: MURPHY OIL CORPORATION

_______________________________ By _______________________________

EXHIBIT 99.4

MURPHY OIL CORPORATION

RESTRICTED STOCK AWARD

Restricted Stock Award Number:	Name of Awardee:	Number of Shares of Stock Subject to this Award:
____________	______	__________

This Restricted Stock Award granted on and dated __________, 200__, by Murphy Oil Corporation, a Delaware corporation (the Company), pursuant to and for the purposes of the Stock Plan for Non-Employee Directors (the Plan) adopted by the stockholders of the Company on May 14, 2003, subject to the provisions set forth herein and in the Plan.

1. The Company hereby grants to the individual named above (the Awardee) a Restricted Stock Award of shares of the $1.00 par value Common Stock of the Company of the number of shares set forth above.

2. Subject to paragraph 3 below and in accordance with the Plan, this award will vest and restrictions will be lifted on the third anniversary of the date of grant or in accordance with the Plan in the event of termination of Board Membership prior to the third anniversary of issuance. This award shall not vest whenever the delivery of shares under it would be a violation of any applicable law, rule or regulation.

3. This award shall vest and restrictions will be lifted in full immediately upon a Change in Control as defined by the Plan.

4. In the event of any relevant change in the capitalization of the Company subsequent to the date of this grant and prior to its vesting, the number of shares will be adjusted to reflect that change.

5. This award is not assignable except as provided in the case of death and is not subject in whole or in part to attachment, execution or levy of any kind

6. The awardee may exercise full voting rights with respect to the shares represented in this award during the Restricted Period.

7. The holder of these Restricted Shares of Stock is eligible to receive all dividends and any other distributions paid with respect to these shares during the Restricted Period, provided that if any such dividends or distributions are paid in shares of Common Stock or other securities, such shares or securities shall be subject to the same restrictions on transferability as apply to the Restricted Stock with respect to which they are paid.

Attest:	MURPHY OIL CORPORATION
______________________________	By ______________________________