SHELL (PETROLEUM MINING) COMPANY LIMITED

CHEAL PETROLEUM LIMITED

CONTRACT FOR
PURCHASE OF CRUDE

AGREEMENT dated 02 ~~February~~ March 2012

PARTIES

SHELL (PETROLEUM MINING) COMPANY LIMITED

CHEAL PETROLEUM LIMITED

BACKGROUND

Seller has agreed to sell and SPM has agreed to purchase Seller's Product on the terms of this Contract.

AGREEMENT

1.1 **DEFINITIONS & INTERPRETATION**

1.2 **Definitions**: In this Contract:

Business Day means a day other than a Saturday or Sunday on which registered banks are open for ordinary banking business in Wellington.

Carbon Obligation means any obligation or liability of any description or nature whatsoever (including to surrender Units or make a payment) imposed on any person under the CC Legislation or any other New Zealand legislation in respect of carbon content or greenhouse gas emissions.

CC Legislation means the Climate Change Response Act 2002.

Cheal Crude means crude produced from the Cheal oil field, located within PEP38748.

Commencement Date means 1 January 2012.

Contract means this contract and includes any schedules to this contract.

Dated Brent Price means the mean of the Dated Brent quotations (in USD) as published by Platts, calculated to three (3) decimal places (and for clarity, expressed in USD).

Due Date is defined in clauses 3.3 and 3.4.

EIL means Energy Infrastructure Limited and also includes any operator appointed by Energy Infrastructure Limited from time to time to operate the Tank Farm.

Force Majeure means any event or circumstance which is beyond the reasonable control of a Party and which results in, or causes, the failure of, that Party to perform any of its obligations under this Contract (other than the payment of money), including but not limited to:

(a) acts of God, acts of the Queen's enemies, sabotage, acts of war, blockades, insurrections, riots, epidemics, floods, storms, fires, washouts, explosions, breakage of or accident to machines, pipelines, wells or associated equipment, freezing of wells or delivery facilities, well blowouts, craterings, plant or vessel failure, delay or loss, nuclear accidents or civil disturbances; or

(b) any compliance with any law, regulation, or ordinance, or with any order, demand, or request of any international, national, port, transportation, local, or other authority or agency or of any body or person purporting to be or to act for such authority or agency or any corporation directly or indirectly controlled by any of them; or

(c) a strike, lock-out or labour dispute,

provided that lack of funds will be deemed not to be a matter beyond the reasonable control of the Party concerned.

GST means goods and services tax imposed under the GST Act.

GST Act means the Goods and Services Tax Act 1985.

McKee Blend means the blend resulting from mixing crude and/or condensate from more than one producer field and that is known to the parties as the McKee Blend.

NZD means New Zealand dollars.

Party means Seller or SPM as the context dictates and **Parties** means both of them.

Product means Cheal Crude, that Seller is entitled to export from the Tank Farm and that meets the Product Quality Requirements.

Point of Delivery means the point where Product is delivered from the facility on the Newton King Tanker Terminal at Port Taranaki to a ship's permanent flange connection.

Product Quality Requirements to be met in respect of Product purchased under this Contract means:

(a) subject to paragraph (b), the quality requirements as set out in schedule 1; and

(b) when clause 2.1(g) applies, the quality/quantity range advised by SPM.

RIM Gippsland Crude Oil Premium is as published in "RIM Crude Report; Physical Crude (Asia), Gippsland premium to Dated Brent" and is a quotes per barrel volume in USD/bbl.

Seller means Cheal Petroleum Limited.

SPM means Shell (Petroleum Mining) Company Limited.

Tank Farm means EIL's crude and condensate storage facilities at Omata, Taranaki.

Tax or **Taxes** means a tax, charge, duty, levy, or impost of any and every nature, howsoever described and howsoever and by whomsoever imposed or collected or any liability placed on any party to account for the carbon content or deemed emission of greenhouse gases (eg CO_2, CH_4) (including the cost of meeting a requirement to purchase offsetting carbon credits or similar) as a direct consequence of the production, sale or purchase of Product under this Agreement.

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Term means the term of this Contract, being the period from the Commencement Date until 31 December 2012.

Units has the meaning given to the term "unit" in the CC Legislation.

USD means United States dollars.

1.2 **Interpretation**: In this Contract, unless otherwise specified:

(a) **Headings**: clause and other headings are for ease of reference only and will not affect this Contract's interpretation;

(b) **Persons**: references to persons include references to individuals, companies, corporations, partnerships, firms, joint ventures, associations, trusts, organisations, governmental or other regulatory bodies or other entities in each case whether or not having separate legal personality;

(c) **Statutes**: references to any statute or statutory provision include any statute or statutory which amends or replaces it, and any subordinate legislation or regulations made under it;

(d) **Including and include**: the word including means "including but not limited to", and include shall be taken to have a corresponding meaning;

(e) **Plural and Singular**: words importing the singular number include the plural and vice versa.

2. PURCHASES OF PRODUCT

2.1 **Contract terms**: During the Term, Seller agrees to sell, and SPM agrees to buy, Product as follows:

(a) **Volume of liquids**: Subject to clause 2.1(f) below:

(i) Seller agrees to sell to SPM; and

(ii) SPM agrees to purchase from Seller,

all Product that Seller is entitled to export from the Tank Farm provided that SPM shall not be required to purchase more than 50,000 barrels of Product per calendar month during the Term. Notwithstanding the foregoing SPM may, at SPM's sole discretion, agree to purchase more than 50,000 barrels of Product per calendar month (the increased volume of Product (if any) to be purchased by SPM to be at SPM's sole discretion) and will notify Seller promptly of its decision on each occasion where Seller offers to sell SPM more than 50,000 barrels of Product per calendar month.

(b) **Delivery of Product**: Subject to clause 2.1(a) above, Seller, or SPM on Seller's behalf, will instruct EIL to deliver Product for sale by Seller to SPM in a manner, at a time, and in quantities that are consistent with Seller's forecast information and with offtake and nomination procedures approved by EIL (and advised to SPM), which must incorporate a realistic appraisal of shipping programme constraints (comprise a feasible schedule).

(c) **Ownership and risk**: Risk in and ownership of Product delivered to SPM under this Contract will pass from Seller to SPM at the time of delivery at the Point of Delivery.

(d) **Purchase price**: The purchase price (before GST) for each barrel of Product sold to SPM will (subject to clause 2.1(g) be calculated as follows:

(i) The arithmetic average of the Dated Brent Price for the calendar month of the bill of lading; less

(ii) USD 2.15 per barrel; less

(iii) USD 0.23 per barrel (ballast); plus

(iv) **Effective from July 1 2012**, Fuel Oil Adjustment per barrel, being {(Average of MOPS quotes for Fuel Oil 380cst for May and Jun 2012) minus USD665.00} times 0.0015

(v) The net sum of (i) less (ii) less (iii) plus (iv) will be adjusted by an amount equal to the arithmetic average of the RIM Gippsland Crude Oil Premium (which can be a discount) for the calendar month prior to the bill of lading,

plus GST.

(e) **Information on export of Product**: The volume of Product sold to SPM under this Contract in respect of each shipment, unless it is established to be wrong, will be the volume of Product specified in the bill of lading multiplied by Seller's entitlement percentage (as confirmed/determined by EIL). A copy of the bill of lading will be provided to SPM as soon as it is available.

(f) **No obligation to purchase**: If the quality of Product to be sold to SPM under this Contract varies from the Product Quality Requirements Seller is to advise SPM as soon as it is aware of the variation. Any such variation will be reviewed by SPM to determine acceptability. If a variation is unacceptable to SPM, then SPM will advise Seller promptly what quality/quantity range is acceptable for any particular purchase or for all future purchases of Product. For the avoidance of doubt, SPM has no obligation to purchase Product that does not meet the Product Quality Requirements and will advise Seller promptly of any determination it makes not to purchase Product in reliance on this clause (or to purchase such Product at a revised purchase price proposed by SPM under clause 2.1(g)). If SPM advises Seller that the variation is unacceptable to SPM and that it proposes to adjust the purchase price in accordance with clause 2.1(g), then Seller will have no obligation to sell the Product and will advise SPM promptly of any determination it makes not to sell Product in reliance on this clause.

(g) **Purchase price adjustment**: Seller acknowledges that SPM has entered into this Contract in reliance on on-sale arrangements for the Product. Accordingly, if for any reason during the Term:

(i) the quality of the Product varies from the Product Quality Requirements (and SPM and Seller agree that the Product will still be sold under this Contract); or

(ii) the Dated Brent Price or the RIM Gippsland Crude Oil Premium cease to be published or cease to be relevant, in any case with the result that a Product purchase price established or linked to the Dated Brent Price is not available or may not be achievable or that a new Dated Brent Price differential or premium is required as a component of the Product purchase price,

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then the following shall apply:

SPM shall

(iv) engage in a dialogue with Seller regarding the implications for the purchase price of the Product and/or its on-sale price and, following reasonable dialogue;

(v) be entitled to adjust the purchase price of the Product (before GST) SPM pays or will be required to pay for the relevant Product to an amount that maintains that transaction margin (with a freight and margin component) following, or arising from, a SPM on-sale of that Product.

If SPM relies on this clause, Seller may prior to any adjustment in the purchase price of the Product require SPM (at SPM's and Seller's shared (50/50) expense) to certify to an independent party nominated by Seller and reasonably acceptable to SPM details of its original pricing on which this Contract was based (on-sale arrangements), its transaction margin and its revised or current on-sale opportunities.

(h) **Carbon Obligation**: As between Seller and SPM, Seller is solely responsible for satisfying any Carbon Obligation that is imposed on Seller in respect of the quantities of Product supplied under this Contract and shall indemnify SPM for the direct cost of any Carbon Obligation incurred by SPM in respect of such quantities of Product. For the avoidance of doubt, SPM is not responsible for any Carbon Obligation imposed on Seller in respect of Product supplied under this Contract and the purchase price shall not include a Carbon Obligation component.

2.2 **Contract after 2012**: Where Seller wishes to sell Product to SPM in a period commencing from 1 January 2013:

(a) Seller must give notice to SPM not later than 31 October 2012 of its wish to do so;

(b) the Parties will enter into negotiations as to the terms of such sale;

(c) if the Parties do not commence negotiations or the Parties are unable to agree to the terms of a new contract by 30 November 2012, either Party may by notice in writing terminate the negotiations. In any event, this clause shall not affect the Term and merely represents the intention of the Parties to in good faith consider whether or not a new contract is in the best interests of the individual Parties.

2.3 **Joint Warranties:** In entering into and performing its obligations under this Contract, each Party represents and warrants to the other (subject to any provision to the contrary in this Contract):

(a) that it has full power and authority to enter into and perform its obligations under this Contract;

(b) that the performance of its obligations under this Contract will not result in the breach of any other agreement, statute or regulation.

3. PAYMENT

3.1 **Invoicing**: By the 30th day after the bill of lading (B/L date = 0) for a shipment, Seller will invoice SPM (on a plus GST basis) for Product sold to SPM for that shipment, and setting out the volume of Product delivered to SPM and the purchase price for that Product. Upon the request of Seller, SPM will provide any information required by Seller (and available to SPM) in respect of the Dated Brent Price, RIM Gippsland Crude Oil Premium, and the volume of Product received by SPM at the Point of Delivery.

Where the Dated Brent Price is not known by the 30th day after the bill of lading for the shipment, the before mentioned invoice will be a provisional invoice, prepared by Seller in good faith with due regard to the Dated Brent Price and the RIM Gippsland Crude Oil Premium known by that date, and, once all the relevant information is known, Seller shall raise an adjusting credit or debit note for payment ("adjusting note").

3.2 **GST**: GST is to be invoiced and paid in NZ dollars, converted at the National Bank TT USD/NZD buy rate prevailing (unless the Parties agree otherwise) at or about 9 am on the day on which the invoice (including a provisional invoice) is issued. Seller will ensure that all sale invoices issued by Seller are tax invoices (for GST purposes) and comply with the requirements of the GST Act.

3.3 **Timing of payment**: SPM will pay each invoice (including provisional invoices) (which will be expressed and payable in USD, except for GST (which will be a NZD amount calculated as described in clause 3.2)) on or before the 30th day after the date of the bill of lading (B/L date =0) to which the invoice relates. If an invoice is received later than 4 Business Days before the due date for payment, it must be paid within 4 Business Days of the date on which it is received by SPM. If the last day for payment is not a Business Day, payment may be made on the next Business Day. The last possible date for payment of an invoice (including a provisional invoice), without SPM default, is the "Due Date" for the purposes of clauses 3.5 and 3.6.

3.4 **Adjusting notes:** Adjusting notes are due for payment by the 4th Business Day following their issue by Seller and receipt by SPM. The date for payment is deemed to be a Due Date and the adjusting note shall be issued in accordance with the requirements of the GST Act.

3.5 **Interest on late payment**: Either Party may charge the other Party interest on late payments accruing on a daily basis (a 360 day year for USD amounts and a 365/366 day year for NZD amounts) from the applicable Due Date (as per clauses 3.3 and 3.4) until paid (including the applicable Due Date but excluding the date the late payment is made):

(a) in the case of USD amounts at the 3 month LIBOR sell rate quoted at or about 11 am on the applicable Due Date (as advised by the National Bank); and

(b) in the case of NZD amounts at the 3 month BKBM rate quoted at or about 11 am on the applicable Due Date (as advised by the National Bank).

3.6 **Disputes**: If SPM disputes any amount contained in an invoice/adjusting note:

(a) SPM must notify Seller of the dispute within 21 days of receipt of a copy of the relevant invoice/adjusting note and provide reasons for the dispute;

(b) SPM shall pay at least the undisputed amount of the invoice/adjusting note by the Due Date; and

(c) the Parties will comply with clause 10 in order to resolve the dispute; and

(d) if a Party has overpaid or underpaid the other, upon resolution of the dispute, the relevant payment shall be made by one Party to the other together with interest at the rate(s) and daily basis specified in clause 3.5 calculated from and including the applicable Due Date or the applicable date of overpayment (as the case may be) to but excluding the date of eventual payment/repayment.

4. QUALITY, QUANTITY, TITLE AND PRODUCT WARRANTIES

4.1 **Product in specification**: Except in respect of any Product purchased by SPM under this Contract where SPM has in writing expressly waived reliance on this warranty prior to the time specified in clause 2.1 (c), Seller warrants that all Product sold under this Contract meets (and will meet) the Product Quality Requirements.

4.2 **Nature of quality warranty:** The warranty in clause 4.1 shall apply with full force and effect (that is to say, there shall be no defence available to Seller with respect to a breach of that warranty), and (where that warranty applies) SPM may recover loss it incurs because the Product does not meet the Product Quality Requirements, even in circumstances where SPM knew or ought to have known that such Product did not meet the Product Quality Requirements.

4.3 **Unencumbered:** Seller warrants unencumbered title to the Product the subject of this Contract will pass to SPM at the Point of Delivery.

5. INSURANCE

5.1 Seller shall obtain and maintain throughout the term of this Contract such public liability insurance and other suitable insurance to cover its operations as would be obtained by a prudent seller of crude or condensate participating in the petroleum industry. Seller shall, upon demand from SPM, provide evidence that such insurance cover has been obtained and that the premium for such insurance cover has been paid.

6. TAXES, DUTIES AND IMPOSTS

6.1 **Responsibility of Seller**: All Taxes (whether retroactive or otherwise), levied on or in respect of the Product prior to the Point of Delivery of the Product to SPM, shall be the sole responsibility of and shall be paid by Seller, save for the right of Seller, as provided in clause 2.1(d), to charge SPM GST in addition to the purchase price for Product.

7. SUSPENSION OF OBLIGATIONS

7.1 **Force Majeure**: If a Party is unable to carry out any of its obligations under this Contract because of Force Majeure, that Party will be relieved of such obligation(s) to the extent that the inability to carry out such obligation(s) is caused by such Force Majeure, and:

(a) the Party affected by Force Majeure will give the other Party prompt notice describing the event or circumstance claimed to be Force Majeure, including the nature of the occurrence and its expected duration and, where reasonably practicable, continue to furnish regular reports with respect thereto during the period of Force Majeure;

(b) the suspension of obligations will be of no greater scope and of no longer duration than is required by the Force Majeure;

(c) the non-performing Party will use all reasonable efforts to remedy as quickly as possible its inability to perform its obligations.

7.2 **No requirement to settle**: Nothing in clause 7.1 will require a Party to settle a strike, lockout or other industrial disturbance by acceding against its judgement to demands made to it.

7.3 **Termination due to Force Majeure**: Where Force Majeure continues for a period of more than 28 days then the Party not claiming that Force Majeure may, by notice in writing to the other, terminate this Contract.

8. TERMINATION

8.1 **Termination by either party**: This Contract may be terminated immediately by one Party (the "Non-Defaulting Party") by written notice to the other Party (the "Defaulting Party") after the occurrence of any of the following events:

(a) the Defaulting Party fails to pay any amount due and owing to the Non-Defaulting Party under this Contract and the default is not remedied within 5 Business Days after notice is given by the Non-Defaulting Party to the Defaulting Party of such non-payment; or

(b) the Defaulting Party fails to a material extent to perform or comply with any of its other obligations under this Contract and, if the failure is capable of remedy, it is not remedied within 21 days after notice is given to the Defaulting Party specifying the failure and requiring it to be remedied; or

(c) the Defaulting Party ceases, or threatens to cease, to carry on all or substantially all of its business or operations or an application or order is made, or a resolution is passed or proposed, for the dissolution of the Defaulting Party; or

(d) a resolution is passed or proposed for the amalgamation of the Defaulting Party without the prior approval in writing of the Non-Defaulting Party (not to be unreasonably withheld); or

(e) a trustee, receiver, receiver and manager, administrator, inspector under any legislation, or similar official, is appointed in respect of the Defaulting Party or the whole or any part of its assets; or

(f) the Defaulting Party is declared or becomes bankrupt or insolvent, is unable to pay its debts as they fall due, or is presumed unable to pay its debts in accordance with the Companies Act 1993, or enters into any dealings with, or for the benefit of, any of its creditors with a view to avoiding, or in the expectation of, insolvency, or makes a general assignment or arrangement, compromise or composition with or for the benefit of any of its creditors, or stops or threatens to stop payments generally.

8.2 **Termination by SPM**: Seller acknowledges that SPM has entered into this Contract in reliance on on-sale arrangements for the Product. If any of SPM's on-sale arrangements for the Product are terminated for any reason, SPM may terminate this Contract by giving Seller not less than three months' notice in writing.

8.3 **Additional Taxes**: Either Party may terminate this Contract on not less than 90 days notice to the other Party if any new or additional or increased Tax (being Taxes or increases in Tax (other than an increase in GST) not imposed or payable at the date of this Contract) are imposed on or payable by the Party referable to or as a consequence of this Contract and the Party thereby suffers an increased cost or reduction in benefits referable to this Contract. For the avoidance of doubt, any Product delivered during the 90-day period shall be sold and purchased at the price and on the terms applying hereunder (unless the Parties agree otherwise).

Notwithstanding this clause 8.3 if any new or additional or increased Tax is imposed on or payable by a Party, such Party shall not be entitled to terminate this Contract under this clause if the other Party agrees to pay full compensation.

8.4 **No prejudice to accrued rights**: The termination of this Contract (whether on the expiry of its term or otherwise) will be without prejudice to the rights and remedies of the Parties accrued prior to termination including in respect of any antecedent breach of this Contract.

8.5 **No liability for indirect or consequential loss**: The Parties agree that damages payable in respect of any breach of a Party's obligations under this Contract are to be limited strictly to compensation for direct loss or damage suffered by the other Party as a consequence of the breach (including without limitation loss suffered with respect to firm shipping arrangements or obligations concluded by SPM that cannot be satisfied with Product that has been contracted to be purchased under this Contract). Accordingly, nothing expressed or implied in this Contract shall confer any liability on either Party (referred to in this clause as the "First Party") in respect of any indirect, consequential or special loss, damage, cost or expense of any kind suffered or incurred by the other Party as a direct or indirect result of breach by the First Party of its obligations under this Contract.

9. ASSIGNMENT OR TRANSFER

9.1 **Approval required**: Neither Party can assign its rights or transfer its obligations under this Contract without the prior approval of the other Party, whose approval will not be unreasonably withheld.

10. DISPUTES

10.1 **Negotiation:** If there is any dispute between the Parties concerning this Contract, it will be referred for resolution:

(a) to the relevant senior manager of each Party;

(b) failing resolution at senior management level within 10 days of referral, to the chief executive (or his or her nominee) of each Party; and

(c) if the chief executives (or their nominees) are not able to resolve the dispute within 10 days of referral (or such longer period as they agree), the dispute will be resolved under the following provisions.

10.2 **Arbitration**: Should the Parties fail to resolve the dispute in accordance with clause 10.1, then either Party may submit the dispute to arbitration in New Zealand pursuant to the provisions of the Arbitration Act 1996 (the "Act"), before a sole independent arbitrator agreed upon by both Parties or, failing agreement, appointed by the President at the relevant time of the New Zealand Law Society, provided that in all cases the arbitrator so appointed shall be skilled in the particular nature of the dispute. The provisions of the Act shall apply to any such arbitration except that the arbitrator shall give reasons in writing for the decision, and such decision shall be final and binding on the Parties without right of appeal (except where the arbitral award was improperly rendered due to misconduct of the arbitrator(s) or was improperly procured). The Parties expressly agree that the arbitrator cannot refer or consent to the application by any Party to refer the matter arising out of any proceedings commenced pursuant to this clause 10.2 for judicial determination.

11. NOTICES AND ACCOUNT DETAILS

11.1 **Procedure:** Any notice or other communication required to be given to the other Party pursuant to this Contract shall be in writing and shall be deemed to have been sufficiently given if sent to that Party at the numbers or addresses (including email addresses) set out in clauses 11.2 and 11.3 or such other addresses (including email addresses) or numbers as may subsequently be notified by that Party for such purpose. Further Seller's bank account details for the purposes of this Contract are as specified in clause 11.3 unless and until subsequently advised by Seller.

11.2 **SPM**

SPM's contractual contact is as follows (until further advised):

Shell (Petroleum Mining) Company Limited
Dean Golding Address: [redacted]

Email

SPM's operational contacts are as follows (until further advised):

Shell Todd Oil Services Limited

John McDonald Address: [redacted]
Email:

11.3 **Seller**

Seller's contractual contact/ payment details are as follows (until further advised):

Cheal petroleum Limited
Address: [redacted]

Email:

US Dollars

USD Account Name:	Cheal Petroleum Limited
Bank:	ASB Bank
Account:	[redacted]
Bank's SWIFT Code:	[redacted]

NZ Dollars

Account Name:	Cheal Petroleum Limited
Bank:	ASB Bank
Account:	[redacted]

11.4 **Time:** Notices sent by:

(a) registered mail shall be deemed to have been received by the addressee four days after posting;

(b) personal delivery shall be deemed to be received by the addressee on receipt thereof;

(c) email shall be deemed to have been received by the addressee on receipt thereof provided that if an email is received at a time other than during the ordinary business hours of the addressee, the notice shall be deemed to have been received by the addressee at the opening of business on the next succeeding Business Day;

12. GENERAL

12.1 **Confidentiality**: Each Party shall at all times keep confidential, treat as privileged, and not directly or indirectly make or allow any disclosure or use to be made, of any of the provisions of this Contract or of any information relating to any provision, or the subject matter, of this Contract, or any information directly or indirectly obtained from another Party to this Contract under or in connection with this Contract, except to the extent:

(a) required by law or by the listing rules of any relevant stock exchange; or

(b) that the Parties otherwise agree in writing; or

(c) necessary to obtain the benefit of, or to carry out obligations under, this Contract; or

(d) that the information is or becomes available in the public domain without breach by a Party of its confidentiality obligations under this clause or at law.

12.2 **Compliance with laws:** Each Party must ensure that in performance of its obligations under this Contract:

(a) it complies with:

(i) the Shell General Business Principles, as displayed on the Shell website (currently www.shell.com/sgbp) and as may be updated or modified by or on behalf of SPM from time to time;

(ii) all laws and health and safety policies and regulations applicable to the importation/exportation of crude and condensate into/from the Tank Farm.

12.3 **Waiver**: No failure on the part of any Party to exercise, and no delay by any Party in exercising, any right under this Contract shall operate as waiver of such right nor shall any single or partial exercise or waiver of any right under this Contract preclude a Party from exercising any other or further right in respect of any other or further default by the other Party whether of a like or of a different character.

12.4 **Variation and amendment**: Except as expressly set out in this Contract, no variation, amendment, modification or waiver of any provision of this Contract shall be of any force or effect unless it is in writing and signed by both Parties.

12.5 **Entire agreement**: This Contract contains the entire agreement of and between the Parties with respect to the matters contained herein and supersedes all prior agreements, undertakings, representations and warranties (including warranties otherwise implied by law or statute) by or between the Parties (including their directors, officers, employees, and agents) relating to the subject matter contained in this Contract.

12.6 **Severability**: If any clause or provision of this Contract shall be held illegal or unenforceable by any judgment of any Court or tribunal having competent jurisdiction, such judgment shall not affect the remaining provisions of this Contract which shall remain in full force and effect as if such clause or provision held to be illegal or unenforceable had not been included in this Contract unless that would result in a material change to the benefit or burden to either Party under this Contract.

12.7 **Applicable Law**: This Contract shall be governed by and construed in accordance with the laws of New Zealand.

12.8 **Execution by Email**: This Contract may be executed in counterparts, each of which shall be deemed an original and both of which shall constitute one and the same instrument. Signed copies of this Contract transmitted by email and received by a Party shall be deemed proof of signature and the signed email so transmitted shall be deemed an original.

SIGNED

SHELL (PETROLEUM MINING) COMPANY LIMITED by:

Signature

R.M. KELLY

Name

DIRECTOR

Title

CHEAL PETROLEUM LIMITED by:

Signature

Garth Johnson

Name

CEO

Title

SCHEDULE 1

PRODUCT QUALITY REQUIREMENTS

Pour Pt °C	Density	Sulphur % wt	Metals ppm (wt)	BS&W % vol	Sulphur Reducing Bacteria % vol
<17	0.805-0.825	<0.2	<50	<0.2	nil

Buyer will accept:

(a) higher pour point; and

(b) densities outside of the range specified;

for the Product (Cheal Crude) if it can be accomodated operationally within the pour point and density specifications for the McKee Blend.