VHE CONSULTING

REVIEW OF:

COST RECOVERY AUDIT AND VALIDATION OF THE GOVERNMENT OF GUYANA'S PROFIT OIL SHARE COSTS AND REVENUES
2018 - 2020

Stabroek Block
Offshore, Guyana

PERFORMED ON BEHALF OF:

GOVERNMENT OF THE COOPERATIVE REPUBLIC OF GUYANA

Exhibit A – Costs

September 11,2023

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Stabroek Block
Review Period: 2018 - 2020

Summary of Exceptions

Exception	Description	Amount		Granted
1	Coding Error - TDI - Brooks International	$ 12,500.00		$ 12,500.00
2	Coding Error - Environmental Protection Agency	16,039.72		16,039.72
3	Improper Charges for Ogle Office Complex Studies and Construction Costs	18,995,270.12		
4	Emergency Response Study Costs to be Allocated	32,575.28		
5	Insurance Costs Prior to Petroleum Agreement Effective Date	31,112.28		31,112.28
6	Duplicate Charge - Kongsberg Maritime and RPS Group	53,928.00		53,928.00
7	Costs Not Recoverable - "P&GA - Project Cost" Cost Object	18,308.44		18,308.44
8	Costs Not Recoverable - "Public Affairs" Cost Object	4,982,959.59		19,119.00
9	Costs Not Recoverable - "CA-Public Affairs Program" Cost Object	2,465,061.62		2,373,712.00
10	Incorrect 100% Charge For Guyana Shorebase Expansion Costs	78,220.08		
11	Vehicle Costs Incorrectly Charged 100% to Stabroek	404,285.96		
12	Costs Not Recoverable - "Local SSHE Department / Services" Cost Object	136,003.62		24,636.00
13	Duke Street Office Renovation Costs Not Allocated	3,812,653.49		204,808.39
14	Costs Not Recoverable - Enterprise Development Center	3,623,487.20		
15	Marine Studies Costs to be Shared	1,391,902.88		
16	EEPGL President's Costs Partially Not Recoverable	789,391.69		
17	Guyana Withholding Taxes Not Recoverable - Guyana Deep Water UK	1,834,383.36		
18	Corporate Costs Not Recoverable - "General Management" Cost Object	285,422.48		53,686.23
19	Costs Not Recoverable - Media Costs for Film and Documentary Productions	1,539,719.09		
20	Promotional and Goodwill Items Not Recoverable	259,690.32		
21	Guyana Value Added Tax Not Recoverable	3,574,393.54		3,574,393.54
22	Incorrect Decimal Allocation of Marine Fuel Costs	195,867.46		126,366.00
23	Pre-Effective Date Shorebase Costs Not Recoverable	1,019,945.58		
24	September 2020 Marine Fuel Costs Not Reversed	39,868.51		39,173.00
25	Legal Fees Not Recoverable	42,623.36		26,769.00
26	Legal Costs Not Recoverable	498,414.46		12,000.00
27	EEPGL General Counsel's Labor Partially Not Recoverable	38,353.25		
28	Incorrect Allocation of Stena Carron COVID-19 Standby Costs	4,176,934.55		
29	Duplicate Charge - M/V Murray	442,943.02		442,943.02
30	NGL Plant Studies Costs Not Recoverable	2,133,234.94		
31	Allocation Error - Trinidad RAMPS Logistics	29,382.55		29,382.55
32	Incorrect Allocation Basis of Expat Labor Costs	TBD		
33	Costs Covered by Overhead - Guyana Integrated Operations Strategy Workshop	981,513.00		
34	Guyana-Wide EIA Study Incorrectly Charged to 100% to Stabroek	86,840.00		16,976.00
35	Costs Not Recoverable - "Office - Guyana" Cost Objects	23,313.91		6,811.00
36	Incorrect Allocation of Block-Specific SSHE Costs	45,610.25		45,610.00
37	Incorrect Allocation of Software Cost - IsoMetrix	16,666.80		16,667.00
38	EEPGL Treasurer's Costs Partially Not Recoverable	104,117.77		
39	EEPGL Controllers and Financial Labor Costs Partially Not Recoverable	712,631.68		
40	EEPGL Tax Manager's Costs Partially Not Recoverable	72,749.85		
41	Affiliate Transfer Pricing Assessments Not Recoverable	3,314,007.73		2,203,071.46
42	Use of Incorrect Foreign Exchange Rate (Procedural)	Procedural		
43	EEPGL Engineers Incorrectly Charged at Affiliate Payroll Rates	782,496.00	+ TBD	537,178.00
44	Freight Invoices Incorrectly Charged to Stabroek	443,348.43		301,557.00
45	Non-Recoverable Employee Expenses	299,120.96		130,277.00
46	Expenses Not Recoverable - Socioeconomic Advisor	8,194.73		
47	Corporate Costs Not Recoverable - Security Cost Objects	75,323.98		2,398.00
48	Worldwide Drilling Warehouse Overhead Not Chargeable	5,272,735.40		
49	Unsupported Affiliate EMIT / IT Costs	TBD		
50	Unsupported Materials Transferred to Guyana	TBD		
51	Unsupported EMIT / IT Costs	TBD		
	Total Credit Requested	$ 65,193,546.93	+ TBD	$ 10,319,422.63

Stabroek Block
Review Period: 2018 - 2020

Summary of Exceptions by Category

Exception	Costs Not Recoverable	Amount		Granted
14	Costs Not Recoverable - Enterprise Development Center	$ 3,623,487.20		$ 0.00
19	Costs Not Recoverable - Media Costs for Film and Documentary Productions	1,539,719.09		0.00
20	Promotional and Goodwill Items Not Recoverable	259,690.32		0.00
21	Guyana Value Added Tax Not Recoverable	3,574,393.54		3,574,393.54
25	Legal Fees Not Recoverable	42,623.36		26,769.00
26	Legal Costs Not Recoverable	498,414.46		12,000.00
30	NGL Plant Studies Costs Not Recoverable	2,133,234.94		0.00
33	Costs Covered by Overhead - Guyana Integrated Operations Strategy Workshop	981,513.00		0.00
35	Costs Not Recoverable - "Office - Guyana" Cost Objects	23,313.91		6,811.00
48	Worldwide Drilling Warehouse Overhead Not Chargeable	5,272,735.40		0.00
	Total	$ 17,949,125.22		$ 3,619,973.54

Exception	Payoll Issues	Amount		Granted
7	Costs Not Recoverable - "P&GA - Project Cost" Cost Object	$ 18,308.44		$ 18,308.44
8	Costs Not Recoverable - "Public Affairs" Cost Object	4,982,959.59		19,119.00
9	Costs Not Recoverable - "CA-Public Affairs Program" Cost Object	2,465,061.62		2,373,712.00
12	Costs Not Recoverable - "Local SSHE Department / Services" Cost Object	136,003.62		24,636.00
16	EEPGL President's Costs Partially Not Recoverable	789,391.69		0.00
18	Corporate Costs Not Recoverable - "General Management" Cost Object	285,422.48		53,686.23
27	EEPGL General Counsel's Labor Partially Not Recoverable	38,353.25		0.00
32	Incorrect Allocation Basis of Expat Labor Costs	TBD		0.00
38	EEPGL Treasurer's Costs Partially Not Recoverable	104,117.77		0.00
39	EEPGL Controllers and Financial Labor Costs Partially Not Recoverable	712,631.68		0.00
40	EEPGL Tax Manager's Costs Partially Not Recoverable	72,749.85		0.00
41	Affiliate Transfer Pricing Assessments Not Recoverable	3,314,007.73		2,203,071.46
43	EEPGL Engineers Incorrectly Charged at Affiliate Payroll Rates	782,496.00	+ TBD	537,178.00
45	Non-Recoverable Employee Expenses	299,120.96		130,277.00
46	Expenses Not Recoverable - Socioeconomic Advisor	8,194.73		0.00
47	Corporate Costs Not Recoverable - Security Cost Objects	75,323.98		2,398.00
49	Unsupported Affiliate EMIT / IT Costs	TBD		0.00
51	Unsupported EMIT / IT Costs	TBD		0.00
	Total	$ 14,084,143.39	+ TBD	$ 5,362,386.13

Exception	Allocation of Capital Costs	Amount		Granted
3	Improper Charges for Ogle Office Complex Studies and Construction Costs	$ 18,995,270.12		$ 0.00
10	Incorrect 100% Charge For Guyana Shorebase Expansion Costs	78,220.08		0.00
11	Vehicle Costs Incorrectly Charged 100% to Stabroek	404,285.96		0.00
13	Duke Street Office Renovation Costs Not Allocated	3,812,653.49		204,808.39
	Total	$ 23,290,429.65		$ 204,808.39

Exception	Coding and Allocation Errors	Amount		Granted
1	Coding Error - TDI - Brooks International	$ 12,500.00		$ 12,500.00
2	Coding Error - Environmental Protection Agency	16,039.72		16,039.72
4	Emergency Response Study Costs to be Allocated	32,575.28		0.00
6	Duplicate Charge - Kongsberg Maritime and RPS Group	53,928.00		53,928.00
15	Marine Studies Costs to be Shared	1,391,902.88		0.00
29	Duplicate Charge - M/V Murray	442,943.02		442,943.02
31	Allocation Error - Trinidad RAMPS Logistics	29,382.55		29,382.55

Stabroek Block
Review Period: 2018 - 2020

Summary of Exceptions by Category

		Amount		Granted
	Total	$ 1,979,271.45		$ 554,793.29

Exception	Miscellaneous	Amount		Granted
5	Insurance Costs Prior to Petroleum Agreement Effective Date	$ 31,112.28		$ 31,112.28
17	Guyana Withholding Taxes Not Recoverable - Guyana Deep Water UK	1,834,383.36		0.00
22	Incorrect Decimal Allocation of Marine Fuel Costs	195,867.46		126,366.00
23	Pre-Effective Date Shorebase Costs Not Recoverable	1,019,945.58		0.00
24	September 2020 Marine Fuel Costs Not Reversed	39,868.51		39,173.00
28	Incorrect Allocation of Stena Carron COVID-19 Standby Costs	4,176,934.55		0.00
34	Guyana-Wide EIA Study Incorrectly Charged to 100% to Stabroek	86,840.00		16,976.00
36	Incorrect Allocation of Block-Specific SSHE Costs	45,610.25		45,610.00
37	Incorrect Allocation of Software Cost - IsoMetrix	16,666.80		16,667.00
42	Use of Incorrect Foreign Exchange Rate (Procedural)	Procedural		0.00
44	Freight Invoices Incorrectly Charged to Stabroek	443,348.43		301,557.00
50	Unsupported Materials Transferred to Guyana	TBD		
	Total	$ 7,890,577.22		$ 577,461.28
	Total Credit Requested	$ 65,193,546.93	+ TBD	$ 10,319,422.63

Coding Error - Environmental Protection Agency

Exception:	2
Credit Requested:	$ 16,039.72
Cost Object:	CTRE7932STB01
Invoice Document:	N/A
Reference Document:	9500126180
Vendor:	Environmental Protection Agency
Invoice Number:	2018-292
Invoice Amount:	$ 16,039.72

The Contractor included on the Cost Recovery Statement costs for a “Permit Fee for 5 yrs Kaieteur Geotechnical and Geophysical Survey.”

The Contractor agreed the cost should not have been charged to Stabroek and advised $ 16,039.72 credit was issued in October 2022.

Improper Charges for Ogle Office Complex Studies and Construction Costs

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Exception:	3
Credit Requested:	$ 18,995,270.12
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement 100% of the to-date studies and preliminary construction costs for the Contractor's Ogle office complex (Ogle). The Contractor will operate all its Guyana operations out of Ogle, so charging 100% of the construction costs into the Stabroek Cost Recovery Statement is improper and inequitable because including 100% of the Ogle costs in the Cost Recovery Statement results in the Government of Guyana funding the construction of EEPGL's Ogle office complex. These construction costs are 100% EEPGL costs to be amortized over time to all operations based on an appropriate allocation metric.

Architectural work for the Ogle office complex started in October 2018, the site was cleared in November 2018, and planning and some construction was underway at the end of 2020. No structure existed at the end of 2020 and no actual operating costs have been incurred.

Based on invoice and bid correspondence, Ogle will include:

- One three story building approximately 56,783 square feet
- One generator yard and utility building approximately 11,088 square feet
- Car ports approximately 56,784 square feet
- Two guard houses approximately 3,776 square feet
- Pavilion structure approximately 3,885 square feet
- Associated site work, including a pavilion structure, roadways, paving, car ports with solar panels, utilities and septic tank and leach field, approximately 15 acres

The primary vendors providing services through December 2020 were:

- NABI/KCL - primary contractor

- Hellmuth Obata and Kassabaum, Inc. - architectural services
- Odebrecht Construction - construction management services
- Ogle Airport - land clearing
- AECOM Technical Services, Inc. - consulting

The Contractor explained why the site clearing was charged 100% to Stabroek.

> The investment decision, to build the office, was made for the benefit of the Stabroek block and done to support Stabroek operations. Without the Stabroek block, the in-country footprint would be minimal and there would be no need for a new office.

The fact is Ogle will be a large office complex that will be used to support all EEPGL's operations, including those related to other blocks for which EEPGL is now the operator. It is commonplace for different assets using a building or facility to be of different sizes and scope, but it is certainly not equitable or usual industry standard for the total costs to be charged only to the operation that happens to be the largest or the as yet only successfully producing asset. Smaller operations will utilize the same building and facilities and, of course, must be charged for that use and for the facility construction.

To charge 100% of the Ogle office complex construction costs to Stabroek, whilst the other blocks, and possibly even operations in other countries, will unquestionably utilize the office in the upcoming years, is clearly inequitable because those other operations would never pay any share of the hundreds of millions of dollars expended to construct Ogle; in that respect they will receive free use of Ogle. The Contractor's rationale that the major reason for the construction of the Ogle office complex was because of Stabroek may be explanatory, but this rationale does not follow basic equity and is not compliant with the Petroleum Agreement or any accepted accounting principles or standard.

Basic accounting rules hold that capital costs for assets that benefit multiple properties should be charged to benefitting properties based on usage or other metric over time. Under no circumstance should one property bear 100% of the capital costs simply because it was the first property developed or because it is larger or "more important" than others. By its own admission and plans, this is an EEPGL facility, not a Stabroek facility.

The Contractor may contend that Ogle construction costs should be charged out as incurred and remain charged to Stabroek. The only basis for that would be Section 2.4(a) (Service Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA). But, such would be applicable only if Ogle qualifies as a Service Cost which allows the direct charging of some types of costs in the year they are incurred.

> These are direct and indirect expenditures in support of the Petroleum Operations including but not limited to warehouses, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities and safety and security services. Service Costs in any Calendar Year shall include the total costs incurred in such Year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same.

Service Costs, however, specifically do not include office buildings. Those are addressed in Section 3.1(j) and Section 2.5(a) (General and Administrative Costs and Annual Overhead Charge) of Annex C which allows the following as a recoverable cost.

> General and Administrative Costs are all general and administrative costs in respect of the local office or offices including but not limited to supervisor, accounting and employee relations services, but which are not otherwise recovered.

Office costs are a General and Administrative Cost, not a Service Cost that could be chargeable in the year incurred. In-country G&A and overhead are governed by Article 2.5(a) and (c) of the Accounting Procedure which allow for recovery "in accordance with standard industry accounting practice or on an equitable basis otherwise agreed between the Minister and the Contractor." Because EEPGL is the operator of three blocks, and personnel to be housed in the facility work on all three blocks, standard industry accounting practice is for costs to be allocated on a proportionate basis across blocks. The allocation of costs associated with the Duke Street Office renovation, which EEPGL has acceded to, provides an example of this concept.

The Ogle construction costs were booked direct to Stabroek Cost Objects and through Cost Objects which allocate to Stabroek Cost Objects. Here are the Cost Objects used to accumulate costs through 2020.

Stabroek Block
Review Period: 2018 - 2020

Cost Object	Amount	Stabroek Share (A)	Stabroek Amount
Direct Stabroek Cost Objects	$ 17,450,016.72	100%	$ 17,450,016.72
EPS GY Ogle Office Building (CTRE76802CR00)	820,554.45	100%	820,554.45
Office - Guyana (CTRE7762CR001)	597,382.52	98%	585,434.87
EPS Occupancy Cost Pool (CTRE7762CR002)	145,066.75	96%	139,264.08
Totals	$ 19,013,020.44		$ 18,995,270.12

(A) Percentages for CTRE7762CR001 and CTRE7762CR002 are a weighted average percentage to Stabroek Cost Objects, used for administrative ease. These Cost Centers allocate to other Cost Centers which then allocate to Stabroek Cost Objects, each at different annual percentages. The actual Stabroek share may be slightly higher or lower than the above percentages.

The expected useful life of the Ogle office complex in its initial completed form is unknown; the Contractor will determine the useful life once the EEPGL complex is completed and would be expected to amortize the final construction costs monthly over that period once the building is occupied.

The Contractor provided the following information for why the costs were charged 100% to Stabroek.

> The proposed amortization allocation process is not supported by the Stabroek Petroleum Agreement. The decision to construct the Ogle campus was solely based on future Stabroek operations and staffing requirements. In the future, maintenance and other associated costs with the Ogle campus will be shared via allocations if in fact there is work effort related to other license areas. The future of the other license areas is still unknown, so utilization of the office is uncertain now. Other license areas had no impact on this investment decision.

A decision by the Stabroek co-venturers to include the cost of an office building in their work plans and budgets is a matter for the co-ventures; the Contractor's investment decision has no bearing on the cost's recoverability under the Petroleum Agreement.

There has been "work effort related to other license areas" and there continues to be such, so it is anticipated those licenses will use the Ogle campus. The Contractor's other licenses must receive an allocation of the Ogle campus construction (capital) costs, not just an allocation of “maintenance and other associated” costs. Thus, the amortization methodology commencing upon Ogle campus completion allows all benefiting licenses to pay a proportionate share of the facility costs once it is operational.

The Contractor further advised:

> All studies and construction activities related to the Ogle office are a part of the Petroleum Operations under the Stabroek Block Petroleum Agreement and therefore cost recoverable. The decision to construct the office was made by the Stabroek Block co-venturers and included in the Stabroek WP&B. The Ogle office was planned, designed, and is being constructed solely for and in connection with the Stabroek production operations, with all costs funded by the Stabroek Block co-venturers.
>
> Should EEPGL's non-Stabroek blocks utilize Ogle office space in the future, an appropriate fee will be agreed and received from non-Stabroek blocks and be credited to Stabroek Recoverable Contract Costs per section 3.5 (b) of Annex C.
>
> The proposed amortization allocation process is not supported by the Stabroek Block Petroleum Agreement.

The amortization methodology results in all licenses paying their proportionate and proper shares of all Ogle campus costs and is consistent with standard industry practice.

The Contractor is requested to credit the Cost Recovery Statement for 100% of these Ogle construction costs improperly charged 100% to Stabroek and accumulate the costs in a 100%-Contractor account until amortization commences.

Stabroek Block
Review Period: 2018 - 2020

Emergency Response Study Costs to be Allocated

Exception:	4
Credit Requested:	$ 32,575.28
Cost Object:	WBSE13/18004.1.01.03
Invoice Document:	9500319650
Reference Document:	5006050649
Vendor:	Oil Spill Response LTD
Invoice Number:	2280
Invoice Amount:	$ 65,150.56

The Contractor included on the Cost Recovery Statement 100% of costs for an Emergency Response Study for Guyana wells and the development of short and long-term solutions based on the capping stack response capabilities set by the Contractor. The costs should have been allocated among all the Contractor's operations.

The study was described as:

The requirement of the study was to investigate

- Capping stack response times through either:
  1. Non-regional resources (i.e., use of new equipment and logistics strategies)
  2. Regional equipment or other solutions as accepted by the Minister
- Response time target: Deployment within 5 days
  Reports related to the study were submitted to the GoG Department of Energy in April 2020.

Stabroek should not have received 100% of this charge; the costs should have been allocated because multiple imminent operations benefitted. The April 2020 report was close to commencement of Kaieteur operations in August 2020 and Canje operations in December 2020.

Charged	$ 65,150.56
Stabroek Share (50%)	$ 32,575.28
Canje Share (25%)	16,287.64
Kaieteur Share (25%)	16,287.64
Total Credit Due	$ 32,575.28

> EEPGL has argued the Emergency Response Study in question was an obligatory condition of the Liza Phase 2 PPL and was not leveraged during planning or execution of Canje Block and Kaieteur Block scope. The study explored subject matter (i.e., regional and non-regional subsea source control equipment solutions) pertaining more accurately to long-term development scope in the Stabroek Block Reports related to the study were submitted to the GoG Department of Energy in April 2020.

The Liza Phase 2 PPL contained "remedial" measures applicable across EEPGL's operations. Thus, the presence of the condition in a Stabroek licence is not determinative of the beneficiary project. The study was clearly meant to address potential responses across projects throughout the region. Therefore an allocation of costs is appropriate.

The Contractor is requested to credit the Cost Recovery Statement for this cost that should have been allocated.

Insurance Costs Prior to Petroleum Agreement Effective Date

Exception:	5
Credit Requested:	$ 31,112.28
Cost Object:	CTRE2732HSI00
Invoice Document:	Hess Ins
Reference Document:	100050170
Vendor:	EEPGL
Invoice Number:	N/A
Invoice Amount:	$ 387,979.00

The Contractor included on the Cost Recovery Statement costs for Hess' January through September 2016 Excess Liability insurance premiums. Costs incurred prior to October 7, 2016, are not Recoverable Costs.

Section 3.3 of Annex C (Accounting Procedure) to the June 27, 2016, Petroleum Agreement (PA) stipulates costs incurred before the Effective Date are not recoverable.

> Costs not Recoverable under the Agreement
> (a) With the exception of the sum specified in sub-section 3.l(k), costs incurred before the Effective Date.

The Effective Date is defined in Article 1.1 (Definitions) of the PA.

> Effective Date means the date on which this Agreement comes into force pursuant to Article 30;

Article 30.1 (Effective Date) provides:

> This Agreement shall enter into force and effect on the date in which the Petroleum Prospecting Licence in respect of the Contract Area is in full force and effect (the "Effective Date").

Article 3.1(a) (Petroleum Prospecting License) of the PA discusses the Petroleum Prospecting Licence.

> On the date of this Agreement, the Minister, in accordance with the Act, the Regulations and the terms of this Agreement, shall grant to the Contractor the Petroleum Prospecting Licence for an initial period of four (4) years from the Effective Date over the area described in Annex A and shown on the map attached as Annex B hereto.

October 7, 2016, is the Effective Date of the License, so costs incurred prior to that day are not Recoverable Contract Costs.

Section 3.1(k) of Annex C allows direct charges for Pre-Contract Costs, but the following Annex C language states all such costs have already been settled.

> Costs Recoverable Without Further Approval of the Minister
> (Pre-Contract Costs)
>
> Costs incurred by Contractor in connection with petroleum operations carried out pursuant to the 1999 Petroleum Agreement, which shall include: (1) four hundred and sixty million, two hundred and thirty seven hundred thousand and nine hundred and eighteen United States Dollars (US$ US$460,237,918) in respect of all such costs incurred under the 1999 Petroleum Agreement prior to year end 2015, and (2) such costs as are incurred under the 1999 Petroleum Agreement between January l, 2016 and the Effective Date which shall be provided to the Minister on or before October 31, 2016 and such number agreed on or before April 30, 2017. For purposes of this paragraph, the term Pre-Contract Costs include contract costs, exploration costs, operating costs, service costs and general and administrative costs and annual overhead charge as those terms are defined in the 1999 Petroleum Agreement.

The Contractor was requested to credit the Cost Recovery Statement for this July 2020 retroactive adjustment that booked Hess' costs heretofore not included insurance cost into the Cost Recovery Statement and advised,

> The granted amount will be credited to the Stabroek Recoverable Contract Costs.

Stabroek Block
Review Period: 2018 - 2020

Duplicate Charge - Kongsberg Maritime and RPS Group

Exception:	6
Credit Requested:	$ 53,928.00
Cost Object:	WBSEXS/18003.1.12.02 and WBSEXS/19002.1.04.08.01
Invoice Document:	9500137193 and 9500384375
Reference Document:	5006224257 and 5006206229
Vendor:	Kongsberg Maritime Inc. and RPS Group Inc.
Invoice Number:	600-60024662
Invoice Amount:	$ 53,928.00

The Contractor included on the Cost Recovery Statement duplicate charges for a 30% progress payment for a CTV workshop.

Kongsberg Maritime Inc. invoice 600-60024662 was processed twice, once under the Kongsberg vendor name and again as RPS Group, Inc.

The Contractor agreed the charge was billed twice and advised an adjustment was made to a 2021 Cost Recovery Statement.

> Invoice related to RPS was cancelled and the cancellation entry was posted in 2021. This information will be evident in the 2021 JADE.
>
> $ 53,928.00 was credited to the Stabroek Recoverable Contract Costs in 2021. The Contractor agrees that this item is closed.

Costs Not Recoverable - "P&GA - Project Cost" Cost Object

Exception: 7
Credit Requested: $ 18,308.44

Cost Object: CTRE8902CR0NX (P&GA - Project Cost)
Invoice Document: ADJ RI F
Reference Document: 10025468
Vendor: Enetworks
Invoice Number: N/A
Invoice Amount: $ 19,071.29

The Contractor included on the Cost Recovery Statement public relations media costs coded to the "PGA - Project Costs" Cost Object. The Contractor agreed these costs were not for Petroleum Operations, thus not recoverable.

> The line highlighted in yellow, $ 19,071.29, was incorrectly coded and will be credited to the cost bank.

2019 P&GA Costs	$ 19,071.29
2019 Cost Object Allocation Percentage	96.00%
Credit Due	$ 18,308.44

Exceptions 8 and 9 address almost-identical costs, just for different Cost Objects.

The Contractor agreed credit was due and advised,

> $ 19,286.38 was credited to Stabroek Recoverable Contract Costs in 2022. The Contractor agrees this item is closed.

Costs Not Recoverable - “Public Affairs” Cost Object

Exception:	8
Credit Requested:	$ 4,982,959.59
Cost Object:	CTRE8902CR000 (Public Affairs)
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement an allocation of between 92.87% and 100% of costs charged into the “Public Affairs” Cost Object. Exception is taken to 100% of these Public and Governmental Affairs (P&GA) costs charged to Stabroek because they are corporate costs not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> “Petroleum Operations” means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for production operations. The Contractor acknowledged that the costs are not recoverable because it reversed more than two million dollars charged into the Cost Object, such as sponsorships, social media management, and other similar costs. The remaining costs must also be reversed. Non-recoverable costs included:

- Sponsorship of Uncapped Marketplace Public Awareness Campaign for the Guyana Manufacturing and Services Association
- Third-party P&GA staffing
- P&GA expatriate rent
- P&GA expatriate's children school tuition
- P&GA expatriate travel

Below are Stabroek's percentages of the Public Affairs Cost Pool and calculation of the credit due.

Year	Public Affairs Costs	Stabroek Percentage	Credit Due
2018	$ 957,692.71	100.00%	$ 957,692.71
2019	1,864,810.75	96.00%	1,790,218.31
2020	2,406,642.14	92.87%	2,235,048.57
Totals	$ 5,229,145.60		$ 4,982,959.59

Exceptions 7 and 9 address almost-identical costs, for different Cost Objects; the Operator granted Exception 7.

The Contractor agreed to issue $ 19,119.09 credit to the Cost Recovery Statement for "Public Affairs" costs not chargeable, but denied the remaining $ 4,963.840.58 credit requested, advising,

> The granted amount (for Sponsorship of Uncapped Marketplace Public Awareness Campaign for the Guyana Manufacturing and Services Association) will be credited to the Recoverable Contract Costs....
>
> This finding related to the Public Affairs work effort is in conflict with the generally accepted customs and practices of the international petroleum industry whose application to the Stabroek Petroleum Operations is provided for in the Petroleum Agreement. The Public Affairs group is fully engaged in and dedicated to Petroleum Operations in Guyana, with which every activity undertaken is connected. That includes interactions with our HQ in Houston, which involve reports and discussions connected.
>
> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement. The Act broadly defines Prospecting Operations and/or Production Operations as operations carried out for, <u>or in connection with</u>, the production or exploration for petroleum.

These costs are not "in connection with the production or exploration for petroleum"; they are not operational costs. In addition, the Contractor removed more than $ 2,000,000 from this Cost Object; the remainder must likewise be removed.

Credit Requested	$ 4,982,959.59
Less: Credit Granted	(19,119.09)
Remaining Credit Due	$ 4,963,840.50

The Contractor is requested to credit the Cost Recovery Statement for these non-recoverable costs.

Stabroek Block
Review Period: 2018 - 2020

Costs Not Recoverable - "CA-Public Affairs Program" Cost Object

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Exception: 9
Credit Requested: $ 2,465,061.62

Cost Object: CTRE8902CR001 (CA-Public Affairs Program)
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 92.87% and 100% of costs charged into the "CA-Public Affairs Program" Cost Object. Exception is taken to 100% of these Public and Governmental Affairs (P&GA) costs charged to Stabroek because they are corporate costs not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for production operations. The Contractor acknowledged that the costs are not recoverable because it reversed more than one million dollars charged into the Cost Object, such as a report on Guyana emigration, sponsorships, advertising, goodwill, media, and other similar costs. The remaining costs must also be reversed. Non-recoverable costs included:

- Media messaging, stakeholder relations, issues management
- Recording, editing, and voice talent for public service messages on Guyana's Sovereign Wealth Fund
- Hosting visit for Shell Beach Outreach Program including catering and boat and ground transportation
- Liza Destiny Arrival Commemoratory Event
- Branded drawstring sportspacks and bottles
- Media monitoring services and newspapers
- Exxon Brochures
- Center for Strategic & International Studies (CSIS) Support for Guyana Diaspora
- P&GA employee / expatriate labor and associated expenses

Year	CA-Public Affairs Program Costs	Stabroek Percentage	Credit Due
2018	$ 489,637.18	100.00%	$ 489,637.18
2019	1,627,292.37	96.00%	1,562,200.68
2020	444,948.59	92.87%	413,223.76
Totals	$ 2,561,878.14		$ 2,465,061.62

Exceptions 7 and 8 address almost-identical costs, for different Cost Objects; the Operator granted Exception 7.

The Contractor agreed to issue $ 2,373,712.00 credit to the Cost Recovery Statement for "Public Affairs" costs not chargeable, but denied the remaining $ 91,349.62 credit requested, advising,

> The remaining exception is in conflict with the generally accepted customs and practices of the international petroleum industry whose application to the Stabroek Petroleum Operations is provided for in the Petroleum Agreement. Employee-related expenses including periodic staff events, staff salary & business cards are typical in any organization and common practice in the international oil and gas industry in connection with the exploration and production of petroleum.

These costs are not "Petroleum Operations."

Credit Requested	$ 2,465,061.62
Less: Credit Granted	(2,373,712.00)
Remaining Credit Due	$ 91,349.62

The Contractor is requested to credit the Cost Recovery Statement for these non-recoverable costs.

Stabroek Block
Review Period: 2018 - 2020

Incorrect 100% Charge For Guyana Shorebase Expansion Costs

Exception: 10
Credit Requested: $ 78,220.08

Cost Object: Various
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement 100% of the costs for a major expansion of the Guyana shorebase (GYSBI). These facilities benefit more than just Stabroek operations, so while the costs can be contractually initially charged to Stabroek, the costs must then be allocated over time to all users of the facility.

The project was a comprehensive GYSBI undertaking, including a massive expansion of the shorebase footprint and capabilities, construction of fuel bunkering facilities, a fuel farm, a cargo marshalling location, and building and supplying an operations warehouse.

Guyana oil and gas exploration and production has been conducted in several blocks and will be conducted offshore Guyana for many decades, with these facilities providing ongoing service to all the Contractor's operations.

Section 2.4(a) (Service Costs) of Annex C of the June 27, 2016, Petroleum Agreement (PA) allows the Contractor to charge Stabroek for the costs of facilities serving Petroleum Operations.

> (Service Costs)…These are direct and indirect expenditures in support of the Petroleum Operations including but not limited to warehouses, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities and safety and security services. Service Costs in any Calendar Year shall include the total costs incurred in such Year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same.

These facilities costs are allowed as Stabroek charges under this provision, but these "capital" costs must be shared with Canje and Kaieteur because those operations have used and will continue to use these facilities. The Contractor allocates GYSBI monthly facility operating costs based on usage metrics; proper accounting would have these "capital" costs also allocated as part of the monthly operating expenses.

Equitable accounting would have the Contractor allocate, in effect amortize, these "capital" costs beginning in 2020 over 10 years through an annual charge into the appropriate Cost Object(s), or new Cost Objects established for this purpose, so that all users properly and equitably pay a share of these costs along with the routine operating costs they now pay.

Direct Costs	$ 12,107,296.60
Allocated Costs	2,486,001.88
Total Costs	$ 14,593,298.48
Years	10
Cost Per Year	$ 1,459,329.85

	2020 Allocation	Cost Per Year	Total
Tanager	4.97%	$ 1,459,329.85	$ 72,528.69
Bulletwood	0.39%	1,459,329.85	5,691.39
		Credit Due	$ 78,220.08

The Contractor advised,

> These shore base expansion costs were incurred in support of production operations - specifically Liza Phase 2. Cost related to the expansion was booked accordingly.

These costs were incurred in support of current operations such as Liza Phase 2, but will unquestionably also benefit all future operations. For the same reasons discussed in this report for the Ogle campus and other long-term costs which benefit all the Contractors licenses, all operations which use the shorebase should pay a proportional share of all shorebase costs, capital and maintenance.

The Contractor is requested to credit the Cost Recovery Statement for these costs to be shared with non-Stabroek users of the Guyana shorebase.

Stabroek Block
Review Period: 2018 - 2020

Vehicle Costs Incorrectly Charged 100% to Stabroek

Exception: 11
Credit Requested: $ 404,285.96

Cost Object: WBSE13/18001.1.01.01 and WBSE13/19001.1.01
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: 2280
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement 100% of the costs for various vehicles. These vehicles were purchased in support of all the Operator's Guyana operations, not just Stabroek, so the costs have been allocated to all Blocks.

The Contractor confirmed the vehicle costs were charged 100% to Stabroek.

> …Yes, all vehicles in the #2 were capitalized 100% to the Stabroek block during the auditable period.

Employees serving Stabroek, Canje, and Kaieteur operations used the vehicles purchased from Beharry Automotive LTD, Ideal Autos Inc., and Massy Motors Guyana LTD, so all the Blocks should have shared the costs.

The Contractor verbally advised that the 100% charge to Stabroek was proper because, paraphrasing, the reason the Contractor was in the country was because of Stabroek operations. The Contractor's major development at this point may be Stabroek, but wells have been drilled in Canje and Kaieteur and additional exploration activities are planned. Those Blocks should receive an allocation of all costs from which they derive benefit.

A 75% cost allocation to Stabroek and 12.5% each to Canje and Kaieteur is a reasonable allocation considering the expected level of activity in the three blocks over the next few years.

Stabroek Block
Review Period: 2018 - 2020

Total Vehicle Purchases	$ 1,617,143.85
Stabroek Share (75.0%)	1,212,857.89
Canje Share (12.5%)	202,142.98
Kaieteur Share (12.5%)	202,142.98
Total Credit Due	$ 404,285.96

The Operator disagreed that vehicle costs should be shared.

> The decision to acquire the vehicles was taken by the Stabroek block. As demonstrated during fieldwork, ongoing cost of operating of the vehicle (fuel, maintenance, etc.) was allocated across blocks based on use.

For the same reasons discussed for exceptions in this report for the payroll costs of the EEPGL President, General Counsel, Treasurer, and others, as well as all office costs, all ongoing operations benefit and use the vehicles. A portion of the capital costs should be paid by those other operations, and a 100% corporate account; otherwise, Stabroek is overcharged for equipment utilized by non-Stabroek operations and activities.

The Contractor is requested to credit the Cost Recovery Statement for this incorrect allocation of vehicle costs.

Costs Not Recoverable - "Local SSHE Department / Services" Cost Object

Exception: 12
Credit Requested: $ 136,003.62

Cost Object: CTRE8382CR000 (Local SSHE Department/Services)
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 94.17% and 98.00% of costs charged into the "Local SSHE Department / Services" Cost Object. Included in the Cost Object were costs for sponsorships, "Culture of Health" events, fitness classes, promotional items, and other similar corporate and goodwill types of costs; these corporate costs are not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for production operations; they were for corporate goodwill and are thus not recoverable. The Contractor acknowledged the costs are not recoverable because it reversed more than $ 1,500,000 charged into the Cost Object. The selected non-recoverable costs included in this exception must also be reversed.

- Port Authority Exxon polo shirts
- Pioneer Sponsorship of Enhancing Offshore E&P Regional Capacity: Operational and Environmental Safeguards
- Hosting visit for Shell Beach Outreach Program including catering and boat and ground transportation
- Exxon branded duffel bags, coolers, and lanyards for Contractor Safety Workshop
- Meals, beverages, tents, chairs, and facilities for "Culture of Health" 5K run/walk and other similar events
- Yoga and Zumba fitness classes
- "Culture of Health" Christmas potluck luncheon

Year	Non-Recoverable Local SSHE Costs	Stabroek Share	Credit Due
2018	$ 18,908.90	97.20%	$ 18,379.45
2019	35,683.28	98.00%	34,969.61
2020	87,771.65	94.17%	82,654.56
Totals	$ 142,363.83		$ 136,003.62

The Contractor agreed to issue $ 24,636.00 credit to the Cost Recovery Statement, but denied the remaining $ 111,367.63 credit requested.

> The granted amount (related to sponsorship activities) will be credited to the Recoverable Contract Costs....

> The remaining exception is in conflict with the generally accepted customs and practices of the international petroleum industry whose application to the Stabroek Petroleum Operations is provided for in the Petroleum Agreement. Employee recognition programs including periodic staff events, health awareness & seasonal awards are typical in any organization and common practice in the international oil and gas industry in connection with the exploration and production of petroleum.

These costs were not directly for Petroleum Operations; they were corporate goodwill and thus not recoverable. As mentioned, the Contractor reversed more than $ 1,500,000 charged to the Cost Object and is requested to issued credit for the $ 111,367.62 not reversed.

Credit Requested	$ 136,003.62
Less: Credit Granted	(24,636.00)
Remaining Credit Due	$ 111,367.62

Duke Street Office Renovation Costs Not Allocated

Exception:	13
Credit Requested:	$ 3,812,653.49
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for 100% of renovation costs of the Contractor's Duke Street office, including upgrades, furniture, and setup costs. The Contractor operates all its Guyana operations out of the Duke Street office, so charging 100% of the more than $ 6,000,000 of renovation costs entirely to Stabroek is patently inequitable. The renovation costs should be allocated to all the Contractor's Guyana operations.

This exception does not include the ongoing monthly rent, utilities, supplies, and other Duke Street office operating expenses. Those costs are properly billed monthly into "Office - Guyana" Cost Objects CTRE7762CR001, CTRE7762CR002, and CTRE7762CR003 for allocation to all operations based on Cost Object metrics; those costs are accepted. Rather, this exception is for major renovation costs billed 100% to Stabroek Cost Objects even though other operations certainly used the renovated Duke Street office just as much as they did pre-renovation.

The Contractor renovated and set up offices at 161 Lamaha Street and 99 New Market Street prior to 2018. The Contractor then renovated and set up the Duke Street office in 2019. All three offices are utilized and will continue to be utilized until the Ogle complex is completed in a few years.

The Contractor executed a March 1, 2019, lease for the Duke Street office which referenced renovations to be performed with a May 1, 2019, starting term. The renovations were performed by the landlord, numerous other vendors installed audio/video equipment, security, furniture, and other necessary items.

The Contractor explained that major renovations, and all capital costs, for any office were charged 100% to Stabroek because, paraphrasing, "Stabroek is the reason ExxonMobil is in Guyana."

It is obvious that Kaieteur and Canje Blocks utilize the offices and generate office operating costs because operating costs are allocated among all blocks. These office operating expenses are captured in the three “Office - Guyana” Cost Objects.

To charge 100% of the Duke Street renovation costs to Stabroek, whilst the other Blocks unquestionably utilize the office, is clearly inequitable because the other Blocks receive free use of the renovated office. The Operator’s rationale that the major reason for the renovations was the existence of Stabroek may be explanatory, but it does not follow basic equity and accounting principles.

Basic accounting rules hold that capital costs for assets that benefit multiple properties should be charged to benefitting properties based on usage or other metric over time. Under no circumstance should one property bear 100% of the capital costs simply because it was the first property developed, because it is larger, or because it is “more important” than others. Accounting principles require capital costs, and other long-term costs, to be amortized over an asset’s expected life and charged to benefitting properties when used.

Duke Street office renovations occurred in 2019; based on the nascent Ogle office complex construction, it is likely the office will be utilized through 2024. Such would result in a five-year amortization period. The following tables detail the Cost Objects charged and calculate the monthly Duke Street office amortized/capital cost over a five-year period.

Cost Object	Name	Charged
WBSE13/18006.1.01.02	Misc. Consulting CPX	$ 45,193.13
WBSE13/19002.1.01	Guyana Duke Street Office	181,469.77
WBSE13/19003.1.01.01	PMT	437,982.72
WBSE13/19003.1.02.01	Construction Package #1 Landlord	3,267,880.36
WBSE13/19003.1.02.02	Construction Package #2 General	1,154,841.48
WBSE13/19003.1.03.01	Furniture	1,077,005.29
WBSE13/19003.1.03.02	Equipment	15,727.24
WBSE19/18101.1.07.01.01	FOC Misc. 3P	23,449.17
WBSE44/16119.1.01	Improvements to leased office - Second	2,151.21
WBSEXH/19002.1.01	Non-Workforce Expense	28,131.65
WBSEXH/19003.1.03.01	Office Moves	10,891.61
	Total	$ 6,244,723.63

Renovation Costs	$ 6,244,723.63
Amortization Months	60
Monthly Duke Street Capital Cost	$ 104,078.73

This monthly cost should be charged to all Blocks. The following table computes the 2019 and 2020 Stabroek shares of Duke Street office capital costs.

Year	Monthly Capital Cost	Months	Annual Cost	Percentage	Share
2019	$ 104,078.73	12	$ 1,248,944.76	98.94%	$ 1,235,705.95
2020	104,078.73	12	1,248,944.76	95.79%	1,196,364.19
				Total	$ 2,432,070.14

Renovation Costs Charged to Stabroek	$ 6,244,723.63
Less: Stabroek Share of Amortized Usage	(2,432,070.14)
Credit Due	$ 3,812,653.49

It is noted that approximately $ 113,000 of Lamaha renovation costs were charged in early 2018 for 2017 renovations; the same concept applies to those renovations, but those costs are not included in this exception for materiality reasons.

The Contractor agreed to issue $ 204,808.39 credit to the Cost Recovery Statement, but denied the remaining $ 3,607,845.10 credit requested. The Contractor provided no explanation of the amount to be credited.

> The granted amount will be credited to the Recoverable Contract Costs.
>
> Renovations to Duke Street Office was a leasehold improvement and not an asset purchase. The renovations were made to support the growth of the Stabroek Block operations in advancement of production. While the Contractor grants that the building was used to support non-Stabroek block activities, the best allocation methodology is drill days hence the amount credited.

Use of drilling days is unquestionably not the proper way to allocate these costs. The building provides ongoing service to all operations, not just drilling wells. The offices are used to analyze, develop, plan, study, engineer, procure, develop logistics, and a host of other functions long before any well is drilled. It is patently inequitable to base an office cost allocation solely on drilling activity.

The Contractor is requested to document the credits agreed to and credit the Cost Recovery Statement for these Duke Street renovation costs improperly charged 100% to Stabroek. The Contractor is also requested to begin allocating the amortized capital costs monthly based on usage.

Credit Requested	$ 3,812,653.49
Less: Credit Granted	(204,808.39)
Remaining Credit Due	$ 3,607,845.10

Costs Not Recoverable - Enterprise Development Center

Exception: 14
Credit Requested: $ 3,623,487.20

Cost Object: Various
Invoice Document: Various
Reference Document: Various
Vendor: DAI Guyana, Inc. and Development Alternative, Inc.
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement costs for an Enterprise Development Center (EDC); the establishment and operation of an EDC is not a Petroleum Operation, thus not recoverable.

The Enterprise Development Center was established in 2017 by DAI Global which is funded by the Contractor and is referred to as the "Centre for Local Business Development" (CLBD). A 2017 Guyana Chronicle article described the facilities.

> Funded by ExxonMobil and managed by DAI Global, the center will provide business opportunities for local entities in the area of catering services, safety equipment, marine operations and warehousing. Over time the center will evolve and will serve other sectors, such as the information communication technology, mining, forestry, and agriculture.

The EDC provides a service that can be accessed by any Guyanese or Non-Guyanese individual and business from any sector. The EDC also provides support to non-Stabroek Block operators.

Section A of Exhibit C to Amendment 001 of Contract A2593421 describes the DAI services to establish and operate the EDC.

> 1. Establish an Enterprise Development Center as a center of excellence for Small and Medium size enterprise (SME) development, focused on integrating the supply chains of multiple industrial sectors in collaboration with local institutional partners.

> 2. Build the capacity of local institutional partners to manage and implement the EDC over the medium and long-term by developing a cost-effective model that is self-sustaining (within 3 years).
>
> 3. Facilitate business-to- business linkages in growth sectors in the Guyanese economy by building the capacity of local business development specialists and conduct assessments, trainings, advisory services, and other technical activities that build SME competitiveness.
>
> 4. Position the EDC as a reliable and neutral source of information on technical standards, procurement opportunities, tendering processes, project specific information (Liza), and support for O&G and other sectors.

Section 3.1 of Annex C of the June 27, 2016, Petroleum Agreement (PA) identifies "Costs Recoverable Without Further Approval of the Minister." Costs for an EDC are not addressed in any of the enumerated items. Section 3.2 of Annex C identifies "Costs Recoverable Only With Approval of the Minister"; costs for an EDC have not been approved by the Minister.

A cost must qualify as a Petroleum Operation to be recoverable. Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> “production operations” means operations carried out for, or in connection with, the production of petroleum;
>
> “prospecting operations” means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. News reports and interviews with ExxonMobil personnel are clear that the EDC was established for all industries across Guyana, to promote the general welfare of the entire populace, not directly for Stabroek operations; as such they are not recoverable costs.

A similar project was undertaken after the EDC. On February 9, 2021, the Contractor launched the “Greater Guyana Initiative” (GGI) to fund operation of the Center for Local Business Development. In a February 11, 2021, interview, Mr. Alistair Routledge, President of ExxonMobil Guyana, stated,

> I want to be clear that these initiatives will be fully funded by the Stabroek Block co-venturers and will not be part of the cost recovery process.

This Greater Guyana Initiative provides a parallel to the Contractor’s EDC initiative and intent to have the Stabroek Contractors pay for the Enterprise Development Center and GGI projects to improve the quality of life across all levels of society and industries in Guyana.

This intent is confirmed by the fact the Contractor has already credited a significant amount of EDC costs out of the Cost Recovery Account, acknowledging they are not recoverable costs. The remaining costs must also be reversed.

Cost Object	Name	Charged
	Total EDC Costs	$ 6,410.147.40
	Costs Reversed	(2,786,660.20)
CTRE8382CRSE1	Socioeconomic	$ 654,428.12
CTRE8902CRSE1	Socioeconomic	16,334.88
WBSE19/16101.1.04.08	Liza Phase 1 Misc 3P	2,952,724.20
	Remaining Credit Due	$ 3,623,487.20

The Contractor denied the exception, advising,

> Pursuant to the terms of the Stabroek Petroleum Agreement (Article 18 and 19), these charges relate to petroleum operations. The costs are in line with the training and local content efforts required to support operations related to Stabroek. The cost represented were for startup activity in support of Article 18 and 19. The CLBD was originally set up to foster training and local content generation in Guyana for the oil and gas industry. Upon establishment of the Greater Guyana Initiative (GGI), there was alignment between COVs that GGI-related cost would not be cost recoverable, but it would be shared amongst the COY. Cost incurred prior to GGI, was cost recoverable.

Petroleum Agreement Articles 18 and 19 contain requirements related to local procurement (18.1, 18.2), planning and reporting (18.4, 19.4), local employment (19.1, 19.2), and direct transfers to the Government (19.3). Article 18.3 requires "reasonable efforts to train Guyanese suppliers and Sub-Contractors in the mechanics of participating in tenders and competing for contracts to be offered pursuant to the Petroleum Operations." EEPGL notes that the EDC "*was originally set up to foster training and local content generation in Guyana for the oil and gas industry*" and that "*the costs are in line with the training and local content efforts required to support operations related to Stabroek*." Thus the Enterprise Development Center was likely instituted to fulfil the requirement of Article 18.3. However, while any costs associated with amounts paid to local contractors or salaries in respect of local employment would be recoverable, the Accounting Procedures (Annex C) do not provide for recovery of amounts expended in compliance with Article 18. Accounting Procedures Article 3.1(i) allows for recovery of training costs expended pursuant to Article 19 (not Article 18). These Article 19 costs would include only:

> (a) cost expended under Article 19.3, which are covered by the specified $300K budget or
> (b) cost expended under Article 19.4, which provides for an annual plan to be agreed with the Minister – to our knowledge, no expenditures were agreed with the Minister to be cost recoverable under this provision.

It is further noted that Accounting Procedures Article 3.2 requires prior Ministerial approval of costs related to donations and contributions to organisations in Guyana.

The Contractor is requested to credit the Cost Recovery Statement for these non-recoverable costs.

Marine Studies Costs to be Shared

Exception:	15
Credit Requested:	$ 1,391,902.88
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement 100% of costs from Environmental Resources Management, ERM Guyana, and RPS Group for various studies of the impact of oil and gas operations on fish, bird, and turtle migrations, habitats, and survival. A portion of the costs should have been allocated to non-Stabroek operations.

The Contractor advised these studies were necessary as part of the Payara Environmental Impact Assessment (EIA) and were needed to meet requirements following the issuance of an environmental permit for the Payara project in the Stabroek Block.

The Contractor's Oil Spill Response Plan (OSRP) for Guyana included the Wildlife Response Plan and indicated these studies were fundamental for the drafting of the OSRP. These costs were charged 100% to Stabroek but should be allocated because the Wildlife Response Plan for Guyana covers the operations of all ExxonMobil-operated Guyana blocks.

The broad scope of these studies, the fact these are multi-year programs, and that they cover the entire Guyana offshore area confirm Canje and Kaieteur also benefitted from these services. In the event of an oil spill, these studies identify the geographical concerns with specific marine life in the region and what actions are needed. All three blocks have the same risks for marine life species and their habitats.

When these studies were undertaken, all blocks were involved in active drilling activities and posed the risk of an oil spill. Therefore, an oil spill response program would need to be in place for all three blocks, to which these studies are attributable. These studies provided beneficial data to appropriately respond to an oil spill in any block. The scope of work included in these costs was:

Stabroek Block
Review Period: 2018 - 2020

Project	Description	Appendices
101MA03	Guyana Coastal Bird 18/19	Payara EIA Volume 2
101MA03	ExxonMobil Marine Bird	Payara EIA Volume 2
419GU01	Participatory Fishing Study	Payara EIA Volume 2
101MA03	Guyana YR2 Fish Survey	Payara EIA Volume 2
101MA03	Guyana YR2 Fish Survey Pre-Work	Payara EIA Volume 2
419GU01	Exxon Payara EIA	Payara EIA Volume 2
101MA03	Guyana Turtle Studies	Payara EIA Volume 2
419GU01	Exxon Turtle Studies	Payara EIA Volume 2
	Demarra Harbor Marine Mammal Study	Chapter 7 - Assessment and Mitigation of Potential Impacts from Planned Activities

These studies were required as part of the Payara EIA, but it is important to note that Canje and Kaieteur were not required to conduct the same studies. As such, these studies also benefitted Canje and Kaieteur and were relevant and applicable to them because those blocks would not have to repeat these studies.

A 75% cost allocation to Stabroek and 12.5% each to Canje and Kaieteur is a reasonable allocation considering the benefits accruing to each and the expected level of activity in the three blocks over the next few years.

Total Study Costs	$ 5,567,611.53
Stabroek Share (75.0%)	4,175,708.65
Canje Share (12.5%)	695,951.44
Kaieteur Share (12.5%)	695,951.44
Total Credit Due	$ 1,391,902.88

The Contractor disagrees the costs should be shared, advising,

> The studies were initiated solely for work conducted to develop the Environmental Impact Assessments (EIA) for Payara Development. Canje and Kaieteur blocks are not in development. EEPGL is unable to predict what the environmental study requirements will be for permits and impact assessments if and when the time comes to create development plans for the Canje and Kaieteur blocks.

Studies of the impact of oil and gas operations on regional fish, bird, and turtle migrations, habitats, and survival have as much relevance to wells being drilled on other blocks as to the Stabroek block. In fact, EEPGL noted within its Oil Spill Response Plan (OSRP) that the studies were fundamental to the OSRP - which covers all EEPGL-operated blocks. The broad geographic scope of these studies, the fact these are multi-year programs, and that they cover the entire Guyana offshore area confirm Canje and Kaieteur Blocks also benefitted from the studies. Further, when these studies were undertaken, all EEPGL blocks were involved in active drilling activities and posed the risk of an oil spill. Therefore, an OSRP was required to be in place for all three blocks whether in development or merely exploration. An appropriate cost allocation methodology should therefore be adopted.

EEPGL has claimed that "the studies were initiated solely for work conducted to develop the Environmental Impact Assessments (EIA) for [the] Payara Development." This statement does not align with the content of the OSRP. EEPGL further notes that "Canje and Kaieteur blocks are not in development." The development status is irrelevant to whether the studies benefitted the blocks, nor is it relevant to whether costs should be allocated. EEPGL concludes by noting that it "is unable to predict what the environmental study requirements will be for permits and impact assessments if and when the time comes to create development plans for the Canje and Kaieteur blocks." As noted above, when these studies were undertaken, all EEPGL blocks were involved in active drilling activities and posed the risk of an oil spill. The development status and potential for future required expenditure does not affect the recoverability of costs incurred to benefit a block.

Credit remains due; in the event of an oil spill, these studies identify the geographical concerns with specific marine life in the region and what actions are needed. The studies were required as part of the Payara EIA, but Canje and Kaieteur were not required to conduct the same studies. The broad scope of these studies, the fact these are multi- year programs, and that they cover the entire Guyana offshore area confirm Canje and Kaieteur also benefitted from these services and would not need to repeat these studies. All three blocks present risks of a similar nature for marine life species and their habitats. For these reasons, the proposed a 75% Stabroek share, 12.5% Canje share, and 12.5% Kaieteur share are equitable.

The Contractor is requested to credit the Cost Recovery Statement for these costs to be shared.

EEPGL President's Costs Partially Not Recoverable

Exception: 16
Credit Requested: $ 789,391.69

Cost Object: CTRE9202CR001 (General Management)
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 94% and 100% of costs charged into the "General Management" Cost Object. This Cost Object includes the EEPGL President's August 2020 through December 2020 and former EEPGL President's 2018 through September 2020 allocated expat labor, executive local administrative assistant labor, and an allocated amount for their housing and office costs. A portion of the EEPGL President's time and functions is unquestionably for non-Petroleum Operations, for corporate costs not recoverable.

Section 3.1(b) (Labour and Associated Labour Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the following as recoverable costs.

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

The EEPGL President does not spend 100% of his time engaged in Petroleum Operations, so his time should have been apportioned.

The Contractor asserts 100% of the EEPGL President's costs are recoverable.

> This finding is in conflict with the generally accepted customs and practices of the international petroleum industry whose application to the Stabroek Petroleum Operations is provided for in the Petroleum Agreement. The Lead Country Manager is fully engaged in and dedicated to Petroleum Operations in Guyana, with

> which every activity undertaken is connected. That includes interactions with Co-Venturers and the HQ in Houston, which involve reports and discussions connected with those same Petroleum Operations.
>
> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement. The Act broadly defines Prospecting Operations and/or Production Operations as operations carried out for, or in connection with, the production or exploration for petroleum.

Credit remains due. Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The very nature of the EEPGL President's roles and responsibilities includes many components beyond the direct production of Stabroek oil and gas, such as speaking at the Energy Conference, attending civic functions and goodwill events, dedicating facilities and the like. These are not Petroleum Operations, they are general company management functions, such as long-term planning, policy, finance and treasury management, etc. as distinguished from those directly relevant to petroleum operations.

The "General Management" Cost Object is allocated to various activities based on the President's "time writing of Prod MPT's." That is, all "General Management" costs are allocated based on the operations where the EEPGL President notes his time. While a timewriting system is accepted as an industry standard, the flaw in the Contractor's system is that there is no corporate "code," only operations codes, so the President's time to non-Petroleum Operations functions is not recorded or tracked.
The EEPGL President and his associated costs are not 100% recoverable because he does not spend 100% of time on truly "operational" matters. In addition, of his "operational" time, some is devoted to blocks other than Stabroek and should be allocated as noted.

Examples of the President's time not recoverable would include:

- Time spent on matters related to other blocks
- Managing EEPGL's relationship with its joint venture parties across all Guyana Blocks
- Promotion of EEPGL's and ExxonMobil's interests in Guyana
- ExxonMobil corporate reporting
- ExxonMobil corporate management not specific to EEPGL
- Management and interaction with ExxonMobil's Houston, Texas corporate office

The exact number of hours spent on these functions is unknown, but likely represent approximately one day per week for these functions. This results in approximately 20% of the EEPGL President's time. This allocation would apply to the President's and his assistant's time and expenses, but not to all costs charged into the General Management Cost Object because some of them are solely for Petroleum Operations.

The following table reallocates expat labor, local labor, office, and housing costs included in the General Management Cost Object using a 20% assignment to corporate functions for the EEPGL President.

Stabroek Block
Review Period: 2018 - 2020

Year	Amount	Corporate Percentage	Corporate Amount	Stabroek Percentage	Credit Due
2018	$ 2,254,610.67	20%	$ 450,922.13	94.03%	$ 425,219.57
2019	1,082,959.97	20%	216,591.99	100.00%	216,591.99
2020	770,170.78	20%	154,034.16	95.81%	147,580.13
Totals	$ 4,107,741.42		$ 821,548.28		$ 789,391.69

The Contractor is requested to credit the Cost Recovery Statement for these corporate costs not recoverable.

Guyana Withholding Taxes Not Recoverable - Guyana Deep Water UK

Exception:	17
Credit Requested:	$ 1,834,383.36
Cost Object:	CTRE2702L1FL2 and CTRE3812L1000
Invoice Document:	95002320793, 9500320809, 9500358536, and 9500396170
Reference Document:	5006051925, 5006051922, 5006157288, and 5006240018
Vendor:	Guyana Deep Water UK, Ltd.
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for Guyana Withholding Tax (WHT) on the recurring Guyana Deep Water invoices for Destiny FPSO financing costs. The contract stipulates the financing amounts are inclusive of WHT, so the WHT amounts are costs not recoverable.

The original contract stipulated the $ 46,163.00 per day financing costs were inclusive of WHT.

> Project Debt Financing Component (Inclusive of Guyana Withholding Tax)

The other component of the financing cost invoice is the capital costs of the FPSO. It is important to note that the exact "inclusive" language was used for the $ 327,053.00 per day capital cost component billed on the same invoices as the financing cost. The Contractor did not assess WHT on that amount.

> Capex Daily Amount (Inclusive of Guyanese Withholding Tax)

Amendment 002 to the contract was executed December 15, 2017, and changed the method of charging the financing component, but still included the "inclusive of" language for WHT.

> Project Debt Financing Component (Inclusive of Guyana Withholding Tax)

The Contractor was asked why WHT was added to the Guyana Deep Water invoices when all language indicated the financing costs were "inclusive of" WHT. The Contractor responded:

> Regarding WHT, the "Total interest due for the Period" is a function of the Interest Rate + Libor Rate and therefore does not include WHT. The amount must be

> grossed up for WHT to arrive at the correct total. Section 3.5 of the agreement should not have stated that the Project Debt Financing Component is "Inclusive of Guyana Withholding Tax." The language is an administrative / documentation oversight - a copy from Amendment 1 and will be clarified in the next amendment.

The original contract and Amendment 002 both reference "inclusive of" but WHT was added. The capital cost component also contained the "inclusive of" language but WHT was not assessed.

Invoice	Period	Withholding
SI172000022020	12/19/19 – 01/31/20	$ 285,898.81
SI172000172020	02/01/20 – 04/30/20	566,887.36
SI172000182020	03/04.20 – 04/30/20	81,846.02
SI172000222020	05/01/20 – 07/31/20	532,981.46
SI172000272020	08/01/20 – 10/30/20	366,769.71
	Total	$ 1,834,383.36

The Contractor disagreed with this exception.

> Withholding tax was included in the total invoice amount in a separate line item not in the rate. The Project Debt Financing Component for this agreement is inclusive of many components including withholding tax. Inclusion of withholding tax in the Project Debt Financing rate is required to ensure financial institutions receive actual debt financing costs. Without the WHT amount, financing of FPSO projects would not be possible and as such is a recoverable contract cost.

The arguments that including WHT in the debt financing rate is required to ensure that institutions receive debt financing costs and that without the WHT amount, no financing of FPSO projects would be possible, does not withstand scrutiny. In any event, it does not change the analysis under the Petroleum Agreement making WHT recoverable. There is nothing in the PA that would create a recoverable costs out of something non-recoverable in order to facilitate the Contractor's financing transactions. There were several amendments to the relevant agreements and the clause did not change despite the claimed error.

The Contractor provided an explanation, but not a contractual justification. The Guyana Deep Water contract is clear the financing amounts are inclusive of WHT, so the amount charged to the Cost recovery Statement is contractually overstated.

The Contractor is requested to credit the Cost Recovery Statement for these costs not recoverable.

Stabroek Block
Review Period: 2018 - 2020

Corporate Costs Not Recoverable - “General Management” Cost Object

Exception: 18
Credit Requested: $ 285,422.48

Cost Object: CTRE9202CR000 (General Management)
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 94.03% and 100% of costs charged into the “General Management” Cost Object. Included in the General Management Cost Object were costs for Family Fun Day, First Oil celebratory fireworks, Christmas parties, staff social gatherings, and other similar corporate and goodwill events; these corporate costs are not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> “Petroleum Operations” means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for production operations; they were for corporate goodwill and general morale. The Contractor acknowledged these types of costs are not recoverable because it reversed more than $ 12,000,000 charged into the Cost Object and moved other costs into the Cost Object from the CA-Public Affairs Program Cost Object. "Public Affairs" Cost Object costs were the basis of Exception 9 of this report as also being non-recoverable.

Costs identified in this exception must also be reversed; these costs include:

- Foundation Partner / Sponsor of the Caribbean Oil & Gas Virtual Summit
- Christmas parties, dinners, gifts, bands, and decorations
- Family Fun Day supplies, such as catering, tents, tables, performing artists, puppet shows, engraved trophies, and gifts and prizes
- First Oil Event fireworks, dance group, bands, and advertising
- Executive airport lounge access
- Staff gatherings, such as catering and go-kart rentals

Additionally, included in the exception are costs for expatriate travel and expenses; the Contractor was requested to, but did not, provide support for these costs, so no determination as to their validity could be made. Due to the numerous non-recoverable corporate costs charged into the Cost Object, these expatriate expenses must be included in this exception until the requested support is reviewed.

	Non-Recoverable Costs	Allocation Percentage	Credit Due
2018	$ 39,263.10	94.03%	$ 36,919.09
2019	66,707.33	100.00%	66,707.33
2020	189,746.44	95.81%	181,796.06
Totals	$ 295,716.87		$ 285,422.48

Stabroek Block
Review Period: 2018 - 2020

The Contractor agreed to issue $ 53,686.23 credit to the Cost Recovery Statement for corporate costs not chargeable, but denied the remaining $ 231,736.25 credit requested.

> The granted amount will be credited to the Recoverable Contract Costs. See attached file on the ShareFile...
>
> The remaining exception is in conflict with the generally accepted customs and practices of the international petroleum industry whose application to the Stabroek Petroleum Operations is provided for in the Petroleum Agreement. First oil event was jointly planned with the government. Employee recognition programs including periodic staff events, employee team building events, health awareness & seasonal awards are typical in any organization and common practice in the international oil and gas industry in connection with the exploration and production of petroleum.

Credit Requested	$ 285,422.48
Less: Credit Granted	(53,686.23)
Remaining Credit Due	$ 231,736.25

Whether a customary cost or not these corporate costs are not recoverable and the Contractor is requested to credit the Cost Recovery Statement for the remaining $ 231,736.25 credit due.

Costs Not Recoverable - Media Costs for Film and Documentary Productions

Exception:	19
Credit Requested:	$ 1,539,719.09
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for film productions detailing the Contractor's progress and operational successes in Guyana. These are not Petroleum Operations, thus not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 20186, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. The Myriad Global Media and Falcon Logistics film and documentary production services were not directly for Stabroek production operations; they were for public relations and are not recoverable. Services included:

- Series of films for Liza Project electronic newsletter
- The production of films for ExxonMobil and Saipem for activities that take place offshore aboard the Constellation
- Liza Ph2 film including animation and graphic
- "The Guyana Project" video
- Provisions of communications tools throughout the Liza Project Development from VLCC arrival in Singapore to First Oil
- First Oil Documentary
- Logo Design for Liza Phase 2 Project
- Post-production of a film for Destiny FPSO Naming Ceremony
- Filming at various yards for Liza Project Communications
- The production of a film to explain the FPSO flowstream process for external consultants in Guyana
- Filming at the Chagterms Yard in Trinidad shoot on 23rd and 24th February 2019
- Liza Phase 1 First Oil Appreciation Book
- Liza Phase 1 – Appreciation Event
- Clearance of Media equipment

Cost Object	Cost Object Description	Amount
WBSE08/16101.1.01	Liza-2 Appraisal Well 3pty costs	$ 13,885.84
WBSE19/16101.1.04.08	Liza Phase 1 Miscellaneous 3P	1,453,863.25
WBSE19/18101.1.04.05	Miscellaneous 3P	71,970.00
	Total	$ 1,539,719.09

The Contractor contends the costs are recoverable.

Stabroek Block
Review Period: 2018 - 2020

> The media items were used for internal and external communications in connection with and for the benefit of Stabroek Contractor Petroleum Operations. There are several videos, pictures and key project information used on various platforms and outlets to communicate progress of FPSO construction, provide overview/education related to petroleum operations, etc. to Guyana. Content can be viewed at: www.guyanaprojects.com.

This statement confirms that the media were produced for public relations.

Credit remains due; the Contractor is requested to credit the Cost Recovery Statement for these public relations and promotional costs not recoverable.

Promotional and Goodwill Items Not Recoverable

Exception:	20
Credit Requested:	$ 259,690.32
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included in the Cost Recovery Statement $ 266,490.32 for promotional items such as caps, tumblers, Columbia fishing shirts, t-shirts, sweatpants, sweatshirts, fleece pants, etc., each emblazoned with the Contractor's and/or vendor logos. These discretionary costs are not Petroleum Operations and thus not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> “production operations” means operations carried out for, or in connection with, the production of petroleum;
>
> “prospecting operations” means operations carried out for, or in connection with, exploration for petroleum;

As such a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. The Wayne D. Enterprises and Branderz costs were not directly for Stabroek production operations; they were for goodwill and general morale and thus not recoverable.

Excluded from this exception are $ 6,800.00 of safety glasses purchased which do qualify as a cost of Petroleum Operations.

Vendor	Invoice	Charged	Allowed	Credit Due
Noble	90018015	$ 51,349.06	$ 6,800.00	$ 44,549.06
Noble	90017976	49,150.00		49,150.00
Noble	90017994	47,890.18		47,890.18
Noble	90018986	49,466.07		49,466.07
Noble	90018090	26,795.17		26,795.17
Noble	90018076	3,989.30		3,989.30
Branderz	2848	37,850.54		37,850.84
	Totals	$ 266,490.32	$ 6,800.00	$ 259,690.32

The Contractor did not agree with this exception, stating,

> The Contractor respectfully disagrees with the Auditor’s “Promotional and Goodwill” classification of the identified items. It is common practice in the international oil and gas industry for such items to be awarded to Contractor and Sub-Contractor personnel for employee recognition and safety performance. The identified awards were not in any way used as promotional items.

Credit is still due.
The Contractor is requested to credit the Cost Recovery Statement for these discretionary costs not recoverable.

Guyana Value Added Tax Not Recoverable

Exception:	21
Credit Requested:	$ 3,574,393.54
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement Guyana $ 3,574,393.54 as 14% Value Added Tax (VAT) assessed on various third-party invoices. The Contractor is exempt from VAT, so there should never be VAT charged to the Cost Recovery Statement.

Article 15.1 (Taxation and Royalty) of the June 27, 2016, Petroleum Agreement (PA) states the Contractor is not subject to VAT.

> Subject to Article 32, and except as provided in Article 15.2, 15.8, and except as otherwise set forth in this Article 15.1, no tax, value-added tax, excise tax, duty, fee, charge or other impost shall be levied at the date hereof or from time to time thereafter on the Contractor or Affiliated Companies in respect of income derived from Petroleum Operations or in respect of any property held, transactions undertaken or activities.

The Contractor acknowledged it is exempt from VAT, but nonetheless pays VAT when included on invoices and charges VAT to the Cost Recovery Statement. The Contractor advised the Guyana Revenue Authority (GRA) has not yet issued exemption letters for all vendors, so it must pay VAT as invoiced until it receives vendor-specific letters which will then allow the vendor to cease assessing VAT.

The Contractor advised it identifies VAT paid each quarter and moves the VAT amounts into a 6-series "VAT Account" for tracking purposes. The Contractor then submits a monthly refund request to the GRA, which, the Contractor advised, typically takes six-to-12 months to receive. VAT refunds are credited to the Cost Recovery Statement when received.

The Contractor was asked that, given the PA language, why the VAT amounts are not booked into a 100%-Contractor account so they never get charged to the Cost Recovery Statement. The Contractor responded that it did not believe it should be required to "hold" the funds until refunds were received from the GRA. While that position is understood, it nonetheless is contradictory to and not in compliance with the PA.

The Contractor may contend that VAT paid is a recoverable cost per Section 3.1(f) of Annex C (Rentals, Duties and Other Assessments) of the PA which allows the following as recoverable costs.

> All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the Government in connection with the Petroleum Operations and paid directly by the Contractor.

Such a contention would not be correct, however, because the Contractor is contractually exempt from VAT; the VAT amounts are not "levied by the Government."

While the VAT paid may ultimately be refunded, it is not an allowed charge to the Cost Recovery Statement either when billed or when it is pending refund. The only VAT that would be recoverable would be a VAT amount rejected by the GRA; the amount would then be considered a cost of service.

Article 1.2 (Documentation Required to be Submitted by the Contractor) of Annex C is clear that VAT should not be charged.

> (a) The Contractor shall keep the accounts, operating records, reports and statements relating to the Petroleum Operations:
>
> > (i) in accordance with the terms of the Agreement and this Accounting Procedure; and

Subsection (ii) of Article 1.2 is the contractual provision allowing the Contractor to propose a change to agreed-upon Annex C language.

> (ii) in such form as may be agreed from time to time between the Parties which shall identify the categories of costs, expenses, expenditures and credits classified in Sections 2 and 3 of this Annex.

That provision is the mechanism available to the Contractor to modify the contract to allow these "pending" VAT taxes to be included in the Cost Recovery Statement. The Contractor could maintain that its handling of the VAT amounts does not matter in a practical sense because the Cost Recovery Statement is in a "negative" balance, but that is not the point. The issue is that the Contractor is exempt from VAT and such is not allowed as a Cost Recovery Statement item.

The VAT account totals $ 3,574,393.54 as of December 31, 2020, representing the VAT amount paid but not yet refunded.

The Contractor agreed to remove the VAT from the Cost Recovery Statement, advising,

> EEPGL retains the Tax protection granted under the Petroleum Agreement and will vigorously defend its position. The VAT will be removed from the Stabroek Recoverable Contract Costs pending refunds from GRA. If the GRA declines to credit EEPGL for VAT cost incurred, the related amount will be charged to the Stabroek Recoverable Contract Costs.

In addition to crediting the Cost Recovery Statement, the Contractor is requested to cease including VAT amounts awaiting refund on Cost Recovery Statements.

Stabroek Block
Review Period: 2018 - 2020

Incorrect Decimal Allocation of Marine Fuel Costs

Exception:	22
Credit Requested:	$ 195,867.46
Cost Object:	CTRE3782CR000
Invoice Document:	Various
Reference Document:	Various
Vendor:	N/A
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement allocated marine vessel and fuel costs coded to Marine Support Vessel (MPV), Marine Supply Vessel (PSV), and Marine Fuel Cost Objects. In 2020, MPV and PSV charter costs were allocated using unrounded usage percentages, but marine fuel costs were allocated based on percentages rounded to the nearest whole percent. The fuel costs should have been allocated precisely the same as the boat costs; that is, using unrounded percentages.

The same metric is used to allocate boat and associated fuel costs, so the ultimate percentage shares paid by a given property should be the same for both boats and fuel. This is especially true with high-dollar cost pools where fractions of a percentage can mean huge sums. Also, "rounding down" can result in an operation not sharing any costs even if it used a boat and associated fuel.

Using unrounded percentages ensures a more equitable allocation of fuel costs and matches the Contractor's 2020 decimal methodology for boats.

	Actual Allocation		Correct Allocation		
	Percentage	Amount	Percentage (1)	Amount	Credit Due
Stabroek	94.00%	$ 59,392,069.03	93.69%	$ 59,196,201.57	$ 195,867.46
Non-Stabroek	6.00%	3,790,983.13	6.31%	3,986,850.59	(195,867.46)
Totals	100.00%	$ 63,183,052.16	100.00%	$ 63,183,052.16	$ 0.00

(1): Calculated as 100% less Tanager (6.2%) plus Bulletwood (.11%).

The Contractor agreed to grant $ 126,366.10, but that amount only includes using Tanager's 6.2%, it did not include the Bulletwood 0.11% percentage.

Credit Requested	$ 195,867.46
Less: Credit Granted	(126,366.10)
Remaining Credit Due	$ 69,501.36

The Contractor is requested to credit the Cost Recovery Statement for this incorrect allocation of 2022 marine fuel costs, correct 2021 and 2022 allocations based on unrounded percentages, and begin using decimalized percentages to more equitably allocate boat and associated fuel costs.

Stabroek Block
Review Period: 2018 - 2020

Pre-Effective Date Shorebase Costs Not Recoverable

Exception:	23
Credit Requested:	$ 1,019,945.58
Cost Object:	WBSE08/16101.1.01, WBSE08/16102.1.01, and WBSE44/16104.1.01
Invoice Document:	Various
Reference Document:	Various
Vendor:	Guyana Energy Support Services
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for pipe racks and general and usual shorebase operations at the JFL shorebase. Guyana Energy Support Services provided labor for loading and offloading boats and transporting equipment to various locations. These invoices were booked in February, April, and May 2018 and January and February 2019, but were for costs incurred prior to October 7, 2016. Costs incurred prior to October 7, 2016, are not Recoverable Costs.

Section 3.3 of Annex C to the June 27, 2016, Petroleum Agreement (PA) stipulates costs incurred before the Effective Date are not recoverable.

> Costs not Recoverable under the Agreement
> (a) With the exception of the sum specified in sub-section 3.l(k), costs incurred before the Effective Date.

The Effective Date is defined in Article 1.1 (Definitions) of the PA.

> Effective Date means the date on which this Agreement comes into force pursuant to Article 30;

Article 30.1 (Effective Date) provides:

> This Agreement shall enter into force and effect on the date in which the Petroleum Prospecting Licence in respect of the Contract Area is in full force and effect (the "Effective Date").

Article 3.1(a) (Petroleum Prospecting License) of the PA discusses the Petroleum Prospecting Licence.

> On the date of this Agreement, the Minister, in accordance with the Act, the Regulations and the terms of this Agreement, shall grant to the Contractor the Petroleum Prospecting Licence for an initial period of four (4) years from the Effective Date over the area described in Annex A and shown on the map attached as Annex B hereto.

October 7, 2016, is the Effective Date of the License, so costs incurred prior to that time are not Recoverable Contract Costs.

Section 3.1(k) of Annex C allows direct charges for Pre-Contract Costs, but the Annex C language below states all such costs have already been settled.

> Costs Recoverable Without Further Approval of the Minister
> (Pre-Contract Costs)
>
> Costs incurred by Contractor in connection with petroleum operations carried out pursuant to the 1999 Petroleum Agreement, which shall include: (1) four hundred and sixty million, two hundred and thirty seven hundred thousand and nine hundred and eighteen United States Dollars (US$ US$460,237,918) in respect of all such costs incurred under the 1999 Petroleum Agreement prior to year end 2015, and (2) such costs as are incurred under the 1999 Petroleum Agreement between January l, 2016 and the Effective Date which shall be provided to the Minister on or before October 31, 2016 and such number agreed on or before April 30, 2017. For purposes of this paragraph, the term Pre-Contract Costs include contract costs, exploration costs, operating costs, service costs and general and administrative costs and annual overhead charge as those terms are defined in the 1999 Petroleum Agreement.

Cost Object	Description	Amount
WBSE08/16101.1.01	Liza-2 Appraisal Well 3pty costs	$ 784,921.43
WBSE08/16102.1.01	Liza 3 3pty costs	110,065.78
WBSE44/16104.1.01	GUY Skipjack 3rd Party Costs	124,958.37
	Total	$ 1,019,945.58

The Contractor denied the exception, advising,

> Invoiced amounts and activities identified by the Auditors were accrued in the pre contract costs outlined in section 3.1(k) of Annex C. The delay between the activity occurring and the invoice being finalized and paid was caused by the lengthy process for EEPGL to receive VAT exemptions (per Article 15.1) from the GRA. Prior to first oil (December 2019) EEPGL was not VAT registered as had not VAT Output, this prevented EEPGL from reclaiming VAT Input through a VAT refund claim.
>
> To ensure compliance with Article 15 of the Petroleum Agreement, EEPGL was unable to pay any invoices from local suppliers containing Guyana VAT and such payments could only be made once the GRA had granted VAT exemptions in accordance with Article 15.1.
>
> In any case, given the ongoing accruals of the identified exploration and appraisal wells, the delay in the invoices being finalized / paid had no overall net impact to the pre-contract amount.

These statements suggestthe costs in question are already contained in the Pre-Contract Costs; as a result, in addition to the current claim being improper, including the costs in the Cost Recovery Statement would constitute double-counting. The Contractor's response will be evaluated but any cost incurred prior to October 7, 2016, no matter when booked,is a non-recoverable cost.

September 2020 Marine Fuel Costs Not Reversed

Exception:	24
Credit Requested:	$ 39,868.51
Cost Object:	WBSEXM/19001.1.05.02.02
Invoice Document:	Various
Reference Document:	Various
Vendor:	Chagterms Trinidad and Sol Guyana
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement allocated marine vessel and fuel costs coded to Marine Support Vessel (MPV), Marine Supply Vessel (PSV), and Marine Fuel Cost Objects. In October 2020, the Contractor reversed a portion of the MPV and PSV costs but failed to reverse the marine fuel costs associated with those boat costs.

A portion of September 2020 pool costs were allocated to the "3rd Party Services" Cost Object, which was then allocated 100% to the Cost Recovery Statement. The 3rd Party Services costs received from the MPV and PSV cost objects were then reversed in October 2020 through negative allocation percentages, while the costs received from the Marine Fuel cost object were not reversed. The reversal caused the annual allocation percentages for all other receiving Cost Objects to increase and the allocation percentage to the 100% 3rd Party Services Cost Object to net to zero. Because the fuel costs allocated to the 3rd Party Services Cost Object were not reversed, however, the fuel costs remained charged to the Cost Recovery Statement, even though the boat charges were reversed.

The Contractor correctly used the same metric to allocate boat and associated fuel costs, so the allocations should mirror each other.

Exception 22 addressed the incorrect allocation of fuel costs and utilized correct allocation percentages; the credit for this exception uses the 6.31% non-Stabroek percentage calculated in Exception 22.

Stabroek Block
Review Period: 2018 - 2020

Third Party Services Marine Costs	$ 631,830.52
Non-Stabroek Percentage	6.31%
Credit Due	$ 39,868.51

The Contractor agreed to grant $ 39,173.49, but that amount only includes using Tanager's 6.2%, it did not include the Bulletwood 0.11% percentage.

Credit Requested	$ 39,868.51
Less: Credit Granted	(39,173.49)
Remaining Credit Due	$ 695.02

The Contractor is requested to credit the Cost Recovery Statement for the remaining fuel costs that should have been reversed.

Stabroek Block
Review Period: 2018 - 2020

Legal Fees Not Recoverable

Exception: 25
Credit Requested: $ 42,623.36

Cost Object: CTRE8802CR001
Invoice Document: N/A
Reference Document: Various
Vendor: Hughes, Fields & Stoby, White & Case, and Hogan Lovells
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement costs for legal costs the Contractor agreed were not chargeable into the Cost Recovery Account.

		Stabroek	
Vendor	Amount	Share	Credit Due
Hughes, Fields & Stoby	$ 19,650.00	94.00%	$ 18,471.00
White & Case	9,799.50	85.46%	8,374.65
White & Case	4,865.00	85.46%	4,157.63
Hogan Lovells	12,104.25	96.00%	11,620.08
Totals	$ 46,418.75		$ 42,623.36

The Operator advised credit for the Hughes, Fields & Stoby charge was issued in October 2019 and that the remaining credit would be issued on the November or December 2022 Cost Recovery Statement.

Stabroek Block
Review Period: 2018 - 2020

Legal Costs Not Recoverable

Exception:	26
Credit Requested:	$ 498,414.46
Cost Object:	CTRE8802CR000 and ORD007000009422
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for non-chargeable corporate legal matters.

The following legal matters include corporate and other costs not recoverable:

- 2015-000233 Expl - Guyana (Boundary)
- 2019-003667 UBD-Georgetown II
- 2019-004516 Guyana Production (General Matters)
- 2000-003128 Expl - Exxon E&P Guyana Ltd - Stabroek Block

Section 3.1(h) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement 2016 (PA) lists the strict criteria and conditions required for a legal cost to be recoverable.

> All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement or sums paid in respect of legal services necessary or expedient for the protection of the interest of the Parties are recoverable.

The legal matters discussed below do not meet the terms set forth in Section 3.1(h).

2015-000233: Expl - Guyana (Boundary)
Charges for the Guyana boundary dispute were charged by ESSO Exploration, Risk Advisory, and Skadden Arps Slate Meagher & Flom LLP, outlined below:

The Contractor provided the following explanations for this matter.

> Skadden Arps
> This relates to advice sought in the context of Venezuela/Guyana boundary dispute, the potential impact that might have on the Contractor's interest in Stabroek and what could be done to defend that interest.
>
> Advice in the context of the Venezuela/Guyana boundary dispute, the potential impact that might have on the Contractor's interest in Stabroek
>
> Advice in the context of the Venezuela/Guyana boundary dispute
>
> Risk Advisory
> Relates to the defence of the Contractor's licence interests in the context of allegations made against the co-venturers in various blocks. Connected to an investigation initiated by the Guyana State Assets Recovery Agency (now disbanded) in 2019.

For ESSO Exploration charges the Contractor responded as follows.

> Work Supported: Provide law support to all aspects of EEPGL's business, liaising with ExxonMobil lawyers in other jurisdictions and with local and international external law firms where necessary. This includes advising on EEPGL's rights under the various project agreements, managing litigation, drafting and negotiating procurement and other contracts, compliance training, and support to the various functions within the company (e.g. treasurers, HR, Controllers, Tax).

The Guyana and Venezuela border controversy stems from a contention that the Arbitral Award 1899 between British Guiana and Venezuela is null and void. From 1990 to 2017 the Secretary General of the United Nation conducted the Good Office process between the two countries. In 2017 the Good Office process ended, and the Secretary General chose the International Court of Justice as the means to be used for the solution for this controversy. In 2018 Guyana filed an application to institute proceedings against Venezuela with the International Court of Justice.

The border controversy is a dispute between the Government of Guyana and the Government of Venezuela. The Contractor has no official legal standing. As such, the Contractor is not a party to this dispute so any legal fees incurred by the Contractor is a cost to be shared only among the three parties comprising the Contractor.

Even though the Stabroek Block is within the disputed area it is only a portion of the entire disputed area. This dispute dates to the Good Office process over three decades ago; it is reasonably presumed that the Contractor was aware of this dispute before their acquisition of Stabroek Block interests.

The legal services retained by the Contractor from Skadden Arps Slate Meagher & Flom for advice pertaining to the border dispute is also not recoverable because it does not meet the Section 3.1(h) criteria.

These legal services are not recoverable because the claim does not arise out of specific Stabroek Petroleum Operations.

<u>2019-003667: UBD-Georgetown II and 2019-004516: Guyana Production (General Matters)</u>
The Contractor was requested to provide explanations for these matters but no documentation, such as the explanations provided for other legal matters, were provided. Without further documentation, no determination could be made to the validity or property of these costs.

<u>2000-003128: Expl - Exxon E&P Guyana Ltd - Stabroek Block</u>
These are charges from Hogan Lovells International LLP (London), Hughes Fields & Stoby, and Willkie Farr & Gallagher LLP for the following non Stabroek Petroleum Operations matters.

- Advice on cross border unitization; overlap of maritime boundaries; 2007 UNCLOS award Guyana/Suriname
- Registration of ExxonMobil entities as “external companies” per the Guyana Companies Act, plus related registration fees; provision of service agent and registered office.
- Defense of the provenance of, and title to, the prospecting license.

Total charges in this exception are summarized as follows.

Stabroek Block
Review Period: 2018 - 2020

Matter	Vendor	Amount	Stabroek Share	Credit Due
2015-000233	Skadden Arps	$ 360,150.79	96.06%	$ 345,960.85
2015-000233	Skadden Arps	2,180.02	94.00%	2,049.22
2015-000233	Skadden Arps	9,975.00	96.06%	9,581.99
2015-000233	Risk Advisory	12,000.00	85.46%	10,255.20
2015-000233	ESSO Exploration	88,040.25	85.46% (1)	75,239.20
2019-003667	ESSO Exploration	6,462.17	85.46%	5,522.57
2019-004516	ESSO Exploration	7,044.98	85.46%	6,020.64
2000-003128	Hogan Lovells	24,661.41	96.06%	23,689.75
2000-003128	Hughes Fields	12,464.00	96.06%	11,972.92
2000-003128	Willkie Farr	9,504.00	85.46%	8,122.12
	Totals	$ 532,482.62		$ 498,414.46

(1) Most charges were in 2020, so the 2020 Stabroek percentage was used.

The Contractor agreed to issue $ 12,000.00 credit to the Cost Recovery Statement for legal costs not chargeable, possibly for the "Risk Advisory" item noted above, but did not confirm that or why the remaining $ 486,414.46 credit requested was not granted.

Credit Requested	$ 498,414.46
Less: Credit Granted	(12,000.00)
Remaining Credit Due	$ 486,414.46

EEPGL General Counsel's Labor Partially Not Recoverable

Exception: 27
Credit Requested: $ 38,353.25

Cost Object: CTRE8802CR000 (Law - Internal)
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an 89.93% allocation of 2020 costs charged into the "Law - Internal" Cost Object. This Cost Object includes EEPGL General Counsel's allocated expat labor. A portion of the EEPGL General Counsel's time and functions is unquestionably for non-Petroleum Operations, for corporate costs not recoverable.

Section 3.1(b) (Labour and Associated Labour Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the following as recoverable costs.

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

The EEPGL General Counsel does not spend 100% of his time engaged in Petroleum Operations, so a portion of his time should have been charged to a 100% Contractor account.

The Contractor may contend corporate costs are General and Administrative Costs recoverable in Section 3.1(j) of Annex C and explained in Section 2.5 of Annex C.

> General and Administrative Costs are all general and administrative costs in respect of the local office or offices including but not limited to supervisory, accounting and employee relations services, but which are not otherwise recovered.

General and Administrative Costs are only recoverable if they are Petroleum Operations.

Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The nature of the EEPGL General Counsel's roles and responsibilities includes components beyond the direct production of Stabroek oil and gas, as explained by the Contractor.

> Work Supported: Provide law support to all aspects of EEPGL's business, liaising with ExxonMobil lawyers in other jurisdictions and with local and international external law firms where necessary. This includes advising on EEPGL's rights under the various project agreements, managing litigation, drafting and negotiating procurement and other contracts, compliance training, and support to the various functions within the company (e.g.. treasurers, HR, Controllers, Tax).

The “Law - Internal” Cost Object is allocated to various activities based on “work effort analysis.” That is, all “Law - Internal” costs are allocated based on an approximate split of time spent on various production, exploration, development, and other projects. While this process is accepted, the flaw in the system is that there is no corporate “code,” only operations codes, so the General Counsel’s time for non-Petroleum Operations functions is not recorded or tracked. Without such an option for allocating time, the General Counsel’s labor is necessarily recorded as 100% recoverable even though there is a non-recoverable portion.

Examples of the General Counsel’s time not recoverable would include working on non-Petroleum Operations legal matters, such as those legal costs discussed in Exception 25 and removed from the Cost Recovery Account by the Contractor. In addition, Exception 26 includes other non-recoverable legal costs for boundary disputes and other legal matters for which Mr. Wills undoubtedly played an advisory role or directly spent time handling for EEPGL.

The exact number of hours spent on these corporate functions is unknown because such was not provided, but likely represent approximately one day per week. This results in approximately 20% of the EEPGL General Council’s time being non-recoverable.

The following table reallocates expat labor included in the “Law – Internal” Cost Object with a 20% assignment to corporate functions.

		Corporate		Stabroek	Credit
Year	Amount	Percentage	Amount	Percentage	Due
2020	$ 213,239.46	20%	$ 42,647.89	89.93%	$ 38,353.25

The Contractor asserts these costs are recoverable.

> The General Counsel is fully engaged in and dedicated to Petroleum Operations in Guyana, with which every activity undertaken is connected. That includes interactions with Co-Venturers and our HQ in Houston, which involve reports and discussions connected with those same Petroleum Operations. Furthermore, the boundary dispute between Guyana and Venezuela has the potential to impact EEPGL’s rights in the Contract Area. As with other disputes, EEPGL often provides guidance and opinions to the Government of Guyana, even if EEPGL is not always a party to the dispute. As you know Annex C specifically allows EEPGL to cost recover all costs and expenses of litigation and legal services necessary or expedient to retain and protect the Contract Area. Work done on the

boundary dispute falls in this category because of the potential adverse impact on our rights in the Contract Area

The fact remains that not all of the General Counsel's time and costs pertain to Petroleum Operations. The General Counsel may be in Guyana because of Petroleum Operations, but that does not automatically mean 100% of the General Counsel's time is spent on Petroleum Operations. There is a difference between the reason for being in Guyana and what work is performed in Guyana. In addition, some of the General Counsel's work is to protect EEPGL or ExxonMobil's interests, in the Stabroek and other areas or other matters, not the interest of the government.

Credit remains due for a portion of the General Counsel's time and expenses. The Contractor is requested to credit the Cost Recovery Statement for these corporate costs not recoverable.

Incorrect Allocation of Stena Carron COVID-19 Standby Costs

Exception:	28
Credit Requested:	$ 4,176,934.55
Cost Object:	WBSE08/19008.1.06 (Stena Carron Standby)
Invoice Document:	Various
Reference Document:	Various
Vendor:	Stena Carron Drilling, LTD
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included in the Cost Recovery Statement $ 8,424,636.03 as 100% of the costs for the COVID-19-associated March 30 through May 31, 2020, Stena Carron drillship and other vendors' standby time while the rig was "warm stacked" because of the unavailability of crews to staff all four of the Contractor's drillships; the costs should have been allocated to wells which used the Stena Carron over the succeeding 12 months, not allocated 100% to Stabroek (Yellowtail 2).

The "Stena Carron Standby" Cost Object included costs from Stena Carron, Schlumberger, Technip, Franks International, Quail Tools, and other vendors whose services were suspended during that time due to COVID-19 staffing issues. The Contractor advised it experienced staffing shortages on the four drillships in service in early-2020, so decided to suspend operations on the Stena Carron and Noble Tom Madden and move the drillships closer to shore into a "hot standby" mode until the staffing shortages could be alleviated. This allowed the Contractor to focus on development operations and minimize exploration efforts.

The Operator was asked why the April and May standby costs should not be allocated; it responded:

> The decision to retain the Stena Carron rig (as opposed to releasing it) during the COVID-19 pandemic, was driven solely by the planned Yellowtail-2 drilling operations. In furtherance of the plan, the Yellowtail-2 AFE was supplemented. Key reasons for the supplement were costs associated with COVID-19 operations disruptions including the full Stena Carron rig standby charges.

That response did not answer the question because the issue was not at all about the release or suspend decision and has nothing to do with AFE supplements; the question was only about the proper allocation of standby costs that happenstance dictated occurred during Stabroek operations.

Industry standard is to allocate extended rig downtime or standby time to future wells, not charge it 100% to the well the rig was on when the downtime or extended downtime event occurred. Such eliminates simple happenstance to dictate a specific operation bears 100% of the downtime cost. The same would be true for rig modifications, rig sea trials, and rig acceptance costs, as the costs are properly allocated over time, not charged 100% to one operation.

The Contractor was asked for its methodology to allocate rig mobilization costs, another type of costs that should be allocated.

> Rig mobilization costs are allocated in an equitable manner to all subsequent well(s) drilled by the rig, typically during the first year (12-months) of mobilization.

The Yellowtail 2 was underway immediately preceding the shut-down period; as discussed, it is inequitable for 100% of the costs to be charged to Yellowtail 2 merely because that is where the drillship was when the decision was made to suspend operations. It is more equitable, and follows the Contractor's established policy for mobilizations and other general costs, as well as industry standard, to allocate these unusual and certainly non-standard shut-down costs to all wells which used the drillship in the subsequent 12 months.

It could be argued the allocation period for these types of costs should be longer than 12 months, but that period is used to reallocate the Stena Carron standby costs on Schedule A to be consistent with the Contractor's practice. Some of the dates and day counts on Schedule A may be slightly off due to incomplete 2021 information,

As a note, the Noble Tom Madden was also on "hot stack" during this period, but a reallocation of standby costs is not required because the drillship was dedicated 100% to Stabroek during the subsequent 12-month period.

The Contractor believes all costs should remain charged to Stabroek.

> The standby cost of the Stena Carron rig was assessed to the activity that was interrupted (Yellowtail-2) during the pandemic as indicated on the daily drilling reports provided to the GoG. The Stabroek partners are aligned, that is where the cost belongs. This is consistent with the correspondence that the Operator has made on behalf of the contractor, to the Government of Guyana, in seeking an extension

to the prospecting license because of the impacts of the covid-19 pandemic which constitutes force majeure.

Whether the Stabroek "partners" are aligned that 100% of the cost should be charged to Stabroek is irrelevant, as is the fact that Yellowtail 2 may have been interrupted because of COVID-19. Proper joint interest accounting, and, importantly the Operator's established practice of allocating unusual or costs applicable to multiple years, such as mobilizations, over 12 months, requires costs such as the Stena Carron drillship "warm-stack" to be allocated as calculated on Schedule A.

The Contractor is requested to credit the Cost Recovery Statement for this allocation error.

Stabroek Block
Review Period: 2018 - 2020

Incorrect Allocation of Stena Carron COVID-19 Standby Costs

Well	Block	Begin Date	End Date	Total Days	Percentage	Charged	Correct Charge	Credit/(Charge) Due		
								Stabroek	Canje	
Yellowtail 2	Stabroek	06/01/20	08/02/20	63	17.65%	$ 8,424,636.03	$ 1,486,948.25	$ 6,937,687.78		
Liz 4P	Stabroek	08/03/20	08/08/20	6	1.68%	0.00	141,533.89	(141,533.89)		
Tanager	Kaieteur	08/09/20	11/23/20	107	29.97%	0.00	2,524,863.42			$ (
Redtail	Stabroek	11/24/20	12/30/20	37	10.36%	0.00	872,792.29	(872,792.29)		
Bulletwood	Canje	12/31/20	03/02/21	62	17.37%	0.00	1,463,359.28		$ (1,463,359.28)	
Koebi 1	Stabroek	03/03/21	03/11/21	10	2.80%	0.00	235,889.81	(235,889.81)		
Jabillo	Canje	03/12/21	03/20/21	8	2.24%	0.00	188,711.85		(188,711.85)	
Stena Maintenance	N/A	03/21/21	03/28/21	0	0.00%	0.00	0.00			
Koebi 1	Stabroek	03/29/21	05/31/21	64	17.93%	0.00	1,510,537.24	(1,510,537.24)		
				357	100.00%	$ 8,424,636.03	$ 8,424,636.03	$ 4,176,934.55	$ (1,652,071.13)	$ (

Notes: Dates beginning 3/2/21 are approximate, as these were derived from press reports.
This allocation is based on active days. Maintenance conducted in 3/21 not counted as active.

Stabroek Block
Review Period: 2018 - 2020

Duplicate Charge - M/V Murray

Exception:	29
Credit Requested:	$ 442,943.02
Cost Object:	CTRE37H2CR000
Invoice Document:	9500409887
Reference Document:	1003886190
Vendor:	Seacor Marine
Invoice Number:	501166YE
Invoice Amount:	$ 472,472.55

The Contractor included on the Cost Recovery Statement an allocated share of August 2020 M/V Murray Marine Supply Vessel (MSV) costs. The Contractor determined the split between development and exploration was incorrect for all Seacor Marine boats and rebooked the costs at the correct split, but failed to reverse the $ 472,472.55 coded to development for the Murray boat, resulting in a duplicate charge.

The Contractor charged 99% ($ 472,472.55) of Murray costs to development and 1% ($ 4,772.45) to exploration, but did not reverse the $ 472,472.55 charged to development when reversing that amount to exploration.

Here is the full accounting for all August 2020 Seacor boat costs.

Boat	August Invoice Amount	Amount Charged After Corrections	Credit Due
Emily McCall	$ 241,800.00	$ 241,800.00	$ 0.00
Michael McCall	227,974.00	227,974.00	0.00
Mixteca	415,400.00	415,400.00	0.00
Amazon	486,545.00	486,545.00	0.00
Congo	477,245.00	477,245.00	0.00
Murray	477,245.00	949,717.55	472,472.55
Nile	477,245.00	477,245.00	0.00
Totals	$ 2,803,454.00	$ 3,275,926.55	$ 472,472.55

Stabroek Block
Review Period: 2018 - 2020

Duplicate Murray Costs	$ 472,472.55
2020 PSV Allocation Percentage	93.75%
Credit Due	$ 442,943.02

The Contractor agreed a duplicate charge was booked and advised,

The granted amount will be credited to the Stabroek Cost Bank

NGL Plant Studies Costs Not Recoverable

Exception: 30
Credit Requested: $ 2,133,234.94

Cost Object: Various
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement costs for ground and air surveys, mooring studies, and Contractor and Affiliate labor for the proposed gas-to-power pipeline and onshore NGL plant. Costs for the gas-to-power pipeline project are recoverable, but those for the NGL plant are not.

The Contractor directly billed 100% of NGL plant -related costs to Stabroek. Projects included:

- 101MA03 XOM Gas to Shore
- 101MA03 EM Guyana NGL
- 419GU01 XOM Gas to Shore
- 03.20180049 Esso GPL Aerial Lidar and Imagery Survey
- Guyana Gas-Fired Power Plant Study

Section 3.3(a) (Costs not Recoverable) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) lists costs not recoverable.

> Petroleum marketing or transportation costs of Petroleum beyond the Delivery Point.

Article 1 (Definitions) of Annex C defines "Delivery Point."

> "Delivery Point" means, unless otherwise agreed, the point at which title, control and possession of a marketed product under this Agreement transfers from seller or rightholder to buyer, as defined in a Development Plan and agreed to by the Contractor and the Minister. In the event there is no agreement between the Minister and the Contractor in regard to the preceding sentence: (i) in the case of waterborne export of a marketed product

> (including but not limited to Crude Oil, LNG or NGLs) the Delivery Point shall be the inlet loading flange and (ii) in the case of pipeline deliveries of a marketed product (including but not limited to Natural Gas or NGLs), the Delivery Point shall be inlet flange to buyer's pipeline or distribution system, or the inlet flange to a third party's pipeline transporting buyer's product;

Costs for the gas-to-power pipeline are recoverable under the Petroleum Agreement because the pipeline will transport gas to the "Delivery Point." Costs associated with the NGL plant, however, are not recoverable because the plant will be located past the "Delivery Point."

Section 3.4 (Other Costs and Expenses) of Annex C states:

> Other costs and expenses not covered or dealt with in the provisions of this Section 3 and which are incurred by the Contractor in the conduct of the Petroleum Operations are recoverable subject to the approval of the Minister.

That provision is not applicable, however, because studies and construction costs of a NGL plant is not a Petroleum Operation. Section 2 of Annex C allows as recoverable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;

> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. A NGL plant is a midstream operation, not a production operation.

Cost Object / Partner Object	Name	Amount
WBSEXS/16001.1.08	Misc. 3P	$ 293,360.63
WBSEXS/16001.2.04.01	Misc. 3rd Party	199,758.84
WBSEXS/18002.1.06.01	Gas Pipeline / Power Plant Misc. SSHE 3rd	130,769.67
WBSEXS/18002.1.06.02	Gas Pipeline / Environmental Baseline Su	76,665.25
WBSEXS/18002.1.07	Surveys/Studies/Pre-Feed/FEED	187,489.07
WBSEXS/18002.1.07.01.03	NGL Plant - Onshore Surveys & Studies	295,041.18
WBSEXS/18002.1.07.01.03	NGL Plant - Onshore Surveys & Studies	33,105.00
	Total	$ 1,216,189.64
CTRE7872CR001	Global Security Cost Center	$ 26,566.77
CTRE8052CR000	Project Management	9,132.85
CTRE8052CR001	Project Management FY	58,217.66
CTRE8102CR000	OPS Tech - Surface Eng.	0.00
CTRE8152CR0CM	Commercial Management	338,002.00
CTRE8382CR000	Local SSHE Department / Services	433,471.10
CTRE8382CREN1	SSHE Services – Environment	24,360.99
CTRE9202CR000	General Management	27,293.93
	Total	$ 917,045.30
	Total Charged	$ 2,133,234.94

It is possible the Government of Guyana may have agreed that these costs are recoverable in Section 16 of the GtE HOA. Confirmation of such has not been received. The Contractor is requested to credit the Cost Recovery Statement in respect of any costs not recoverable or not agreed to be recoverable.

Allocation Error - Trinidad RAMPS Logistics

Exception: 31
Credit Requested: $ 29,382.55

Cost Object: WBSE13/17001.1.07.01.03 and WBSE08/19008.1.01.03
Invoice Document: Various
Reference Document: Various
Vendor: RAMPS Logistics Guyana, Inc.
Invoice Number: Various
Invoice Amount: Various

The Contractor included in the Cost Recovery Statement $ 209,380.00 as 100% of July and August 2020 logistics costs. The costs should have been included in the Shorebase Cost Object so Tanager (Kaieteur) operations could share the costs.

The Contractor agreed the costs were booked into the wrong account.

> The invoices identified represent charges for Trinidad shore base logistics coordinator. The charges should have been booked to the shore base cost center and allocated through the monthly logistics allocations process.
>
> …This resulted in $ 29,382.55 being credited to the Stabroek Block and charged to non-Stabroek Blocks.

The Contractor agreed this was an allocation error and advised credit was issued on either the November or December 2022 Cost Recovery Statement.

Stabroek Block
Review Period: 2018 - 2020

Incorrect Allocation Basis of Expat Labor Costs

Exception: 32
Credit Requested: TBD

Cost Object: CTRE9982CR000
Invoice Document: Various
Reference Document: Various
Vendor: EEPGL
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement 2018 through 2020 in-country "expat" employee labor costs allocated to Stabroek through the "Expat Pool Costs" Cost Object. The Contractor's allocation metric (the basis of the allocation) to share expat labor costs among the varying business and service lines (departments such as General Management, Commercial Management, Geoscience, Controllers, etc.) is not equitable and results in improper labor costs allocated to the wells, blocks, or projects of the associated departments.

The Expat Pool serves as a "third-level" cost pool; that is, expat labor costs are allocated to business and services lines (departments), which are then subsequently allocated to properties from the respective department Cost Objects. Other than the expat labor addressed in other exceptions, expat labor costs are recoverable, but the Operator's allocation metric used to allocate expat labor to departments is solely based on pooling together total expat labor costs (salaries, wages, benefits, taxes, etc.) across all departments and allocating that total cost pot by employee headcounts per-department.

That "simple-average" metric only works if the payroll costs across departments are the same; otherwise, it is a mathematical certainty that a disproportionate share of payroll costs is charged to departments with lesser-paid employees, and vice versa because the "simple-average" metric does not consider varying employee labor costs across departments.

This "simple-average" metric would not be an issue if all departments allocated to Orders, wells, etc. based on the same metric. But, different departments allocate based on varying metrics, such as timewriting, work effort analysis, drill days, etc. This causing the "simple-average" method to distort the costs of each department and thereby distort (overstate or understate) the department costs allocated to Orders, properties, wells, operations, etc.

A more accurate metric is one the Contractor already uses, so would be easy to implement: a weighted-average metric. This would simply calculate a department's payroll cost as its share of total payroll costs. Such would result in accurate payroll amounts flowing into each Cost Object.

A simple example, followed by a specific one, will illustrate the inequity of the "simple-average" metric and the equity of the "weighted-average" metric. Suppose there were two departments, each with five employees. Assume each employee in department A had $ 100,000 of monthly payroll costs and department B employees each had $ 60,000 of monthly payroll costs. The Operator's "simple-average" metric would allocate $ 400,000 to each department, even though one department's actual costs were $ 500,000 and the other department's was $ 300,000. This inequitably affects the costs that are then allocated out to Orders, wells, etc.

	Employees	Average Salary	Total Salary	Share	Allocated Payroll
Department A	5	$ 60,000	$ 300,000	.50	$ 400,000
Department B	5	100,000	500,000	.50	400,000
		Totals	$ 800,000		$ 500,000

A specific example of this inequitable allocation is May 2020 expat labor costs allocated to the "General Management" and "Departmental Costs - Treasury" Cost Objects (departments). General Management includes then-EEPGL President and the Treasurer Cost Object included then-Treasurer. Because the Contractor pooled together all labor costs and allocated that total based on headcount rather than a weighted average of salaries, the General Management and Treasury Cost Objects each received the same allocation of the total expat pool. That is, in May 2020, each Cost Object was allocated $ 65,552.69 of the $ 4,358,162.81 total expat labor costs. Salary information was not available, but it is reasonable to conclude the EEPGL President and Treasurer do not make the same salary. Another example is a geoscientist's salary is allocated the same as a human resource employee when their salaries could be vastly different.

The "Housing" Cost Object allocated residential rent based on a weighted average of actual total housing costs attributable to each department. That the Contractor already uses the weighted-average method, an identical method should be computed for expat labor costs. Here is how it would work for the expat payroll costs.

Stabroek Block
Review Period: 2018 - 2020

	Employees	Average Salary	Total Salary	Share	Allocated Payroll
Department A	5	$ 60,000	$ 300,000	.375	$ 300,000
Department B	5	100,000	500,000	.625	500,000
		Totals	$ 800,000		$ 500,000

In this methodology, each department receives the proper share of total payroll costs; there is no distortion or overcharge.

It is important to note that administrative ease cannot take precedence over equity and proper allocation accounting.

This exception could not be quantified because actual information was not provided.

The Contractor is requested to revise the Expat Pool Costs metric and reallocate expat labor costs.

Costs Covered by Overhead - Guyana Integrated Operations Strategy Workshop

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Exception: 33
Credit Requested: $ 981,513.00

Cost Object: ORD007000009033/Stabroek Integ Ops Workshop
Invoice Document: Various
Reference Document: Various
Vendor: KPMG
Invoice Number: Various
Invoice Amount: Various

The Contractor included in the Cost Recovery Statement costs for a KPGM-led integrated operations strategy workshop at ExxonMobil's Houston, TX, corporate headquarters to analyze ExxonMobil's Guyana operations. This strategy workshop was not directly for Stabroek Petroleum Operations; it was solely for ExxonMobil's corporate purposes and delivered to EEPGL's parent company, not to the Contractor (EEPGL, Hess, and CNOOC). These costs are covered by the Annual Overhead Charge.

ExxonMobil Upstream Oil & Gas Company hired KPMG to conduct a workshop that was billed from ExxonMobil Upstream Oil & Gas Company to the Contractor. KPMG's description of work explained:

> Based on our conversations and our understanding of your objectives, we understand that ExxonMobil Upstream Oil & Gas Company wants to develop an integrated operations support strategy for Guyana. Providing integrated support across disciplines will be critical to maximizing the upside value potential and minimizing value erosion across all of the operating assets in Guyana…
>
> Key Value Driver Analysis (Field-level)
>
> - Work with the current economic models to evaluate potential value drivers for individual Guyana assets as well as integrated drivers across all Guyana assets
>
> Targeted Lookbacks & External Perspective
>
> - Gather lessons learned from ExxonMobil experience in integrated operations support, including locations with remote operations centers

- Capture lessons learned of successes and challenges in reservoir management with relevant ExxonMobil assets
- Summarize best practices of integrated operations and reservoir management from across the Oil and Gas industry

Operating Strategy Component Identification

- Assist with the collaborative definition of key elements of the integrated operations support for Guyana
- Perform high-level quantitative tradeoff analysis of the enabling options
- Work with the team to identify capabilities that drive value and the key enablers that underpin these capabilities

Workshop Facilitation Support

- Assist with workshop facilitation to promote stakeholder alignment on integrated operating strategies and recommended forward plans

Next Step Framing

- Development of a high-level roadmap to define the processes, KPls, workflows, organization development requirements, and other enablers for the integrated operations strategy
- Build an action list, prioritized by you, outlining the opportunities identified during the workshop

The strategy workshop was conducted in May 2019, prior to several key strategic decisions made by ExxonMobil; KPMG's work continued through January 2020. It is clear the strategy workshop is specific to ExxonMobil's interest in Guyana assets and involves strategically managing all its Guyana assets to maximize value. It is not specific to Stabroek Petroleum Operations.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;

> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The KPMG strategy workshop was not directly for Production Operations; it was a corporate strategy program for EEPGL's parent company.

While business strategies and management of corporate assets performed by the parent company of EEPGL may evolve to benefit Stabroek Petroleum Operations, the Contractor does not perform them specific to Petroleum Operations. The wide-ranging nature of this strategy workshop was focused on ensuring the greatest value for ExxonMobil Corporation.

Annex C, Article 2.5(b) – General and Administrative Costs and Annual Overhead Charge sets forth the services covered by overhead.

> An annual Overhead Charge for services rendered outside Guyana and not otherwise charged under this Accounting Procedure, for managing the Contractor's activities under the Agreement and for staff advice and assistance including, but not limited to financial, legal, accounting and employee relations services.

The strategy workshop specific to EEPGL's parent company was performed outside of Guyana and specifically for managing all ExxonMobil's assets in Guyana. It is not "otherwise chargeable under this Accounting Procedure" because it is not for Petroleum Operations.

The Contractor is requested to credit the Cost Recovery Statement for this ExxonMobil strategy workshop covered by the Annual Overhead Charge.

Guyana-Wide EIA Study Incorrectly Charged to 100% to Stabroek

Exception:	34
Credit Requested:	$ 86,840.00
Cost Object:	WBSEXS/18003.1.14.01.01
Invoice Document:	N/A
Reference Document:	Various
Vendor:	N/A
Invoice Number:	N/A
Invoice Amount:	N/A

The Contractor included on the Cost Recovery Statement 100% of costs for a Guyana-wide Environmental Impact Assessment (EIA) through the "JGP0097908 GUY Blockwide EIAs" Cost Object. The cost should have been allocated among Stabroek, Canje, and Kaieteur.

The Contractor agreed the cost should have been split between all blocks.

> These charges were mistakenly labeled as 'Kaieteur Emission Estimating Support' and in fact relate to efforts to support EIA Blockwide studies. The former Executive Director of the EPA (until mid-2020), Dr. Adams, required EEPGL to complete a blockwide EIA before any additional well or project approvals. EEPGL put a team together to start the preparation of the blockwide EIA. Dr. Adams left the EPA in August 2020. At that time, the new acting Executive Director of the EPA reversed the decision, and asked EEPGL to stop work on the blockwide EIA.
>
> The allocation to split the charges equitably between to all license areas was completed during fieldwork of the 2021 COV Audit. Please see JE attached.

The Contractor provided evidence of a $ 16,976.35 credit processed in an April 2021 voucher, but the voucher did not explain the exact allocation basis or show how the Contractor calculated the credit amount. This 2021 credit is outside the scope of the 2018 through 2020 review period; analysis of the credit, including whether it properly allocated the EIA study among the blocks, will be conducted during the audit of the 2021 Cost Recovery Statements.

Stabroek Block
Review Period: 2018 - 2020

Credit Requested	$ 86,840.00
Less: Credit Granted	(16,976.35)
Remaining Credit Due	$ 69,863.65

The Contractor did not explain why credit was not issued for the remaining $ 69,863.65 credit due.

Costs Not Recoverable - "Office - Guyana" Cost Objects

Exception: 35
Credit Requested: $ 23,313.91

Cost Object: CTRE7762CR000 and CTRE7762CR001
Invoice Document: Various
Reference Document: Various
Vendor: Various
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 97.93% and 93.91% of costs charged into the "Office - Guyana" Cost Object. Exception is taken to 100% of these costs because they are corporate costs not recoverable.

Section 2 of Annex C (Accounting Procedure of the June 27, 2016, Petroleum Agreement (PA)) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for production operations. The Contractor has acknowledged similar costs are not recoverable because it reversed more than $ 2,000,000.00 charged into other Cost Objects, such as sponsorships, social media management, and other similar or identical costs. These costs must also be reversed. Non-recoverable costs included:

- Annual membership subscription to AMCHAM Guyana (The American Chamber of Commerce of Guyana)
- Awards Gala tickets
- Snacks and catering for Culture of Health events, day of caring events, Duke St. office appreciation, and executive visits
- Vouchers, meals, cards, DJ, and other costs for Christmas parties
- Welcome mugs for Duke Street staff

Year	Costs	Stabroek Percentage	Credit Due
2018	$ 16,415.57	97.93%	$ 16,075.77
2019	7,060.32	97.75%	6,901.46
2020	358.48	93.91%	336.68
Totals	$ 23,834.37		$ 23,313.91

Exceptions 7, 8, 9, 12, and 18 address almost-identical costs charged into different Cost Objects.

The Contractor agreed to issue $ 6,801.00 credit to the Cost Recovery Statement, but did not explain how that amount was calculated, or why the remaining $ 16,512.91 credit requested was not granted..

Credit Requested	$ 23,313.91
Less: Credit Granted	(6,801.00)
Remaining Credit Due	$ 16,512.91

Incorrect Allocation of Block-Specific SSHE Costs

Exception:	36
Credit Requested:	$ 45,610.25
Cost Object:	CTRE8382CR000 and CTRE8382CREN1
Invoice Document:	Various
Reference Document:	Various
Vendor:	Environmental Resources Management
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement a 94.17% allocation of Environmental Resources Management contract labor for well mapping, various modeling, Environmental Assessment and Management Plan (EAMP), and other similar costs charged into the "Local SSHE Department / Services" and "SSHE Services - Environment" Cost Objects. These costs were billed for block-specific wells and should be charged directly to each block.

Each individual project invoice specifies the block and number of wells included in the project scope. The Contractor acknowledged the costs were incorrectly allocated because it reversed all 2019 ($ 85,000.00) Canje-specific costs charged into the "Local SSHE Department / Services" Cost Object in 2019. No such credits were made for 2020 costs. The remaining costs must also be reversed and re-billed directly.

Invoice Number	Amount	Project/ Block	Stabroek Amount	Non-Stabroek Amount
177688	$ 30,091.00	Kaieteur	0.00	$ 30,091.00
175545	16,215.75	Stabroek	16,215.75	0.00
174782	12,968.50	Stabroek	12,968.50	0.00
179063	9,552.50	Kaieteur	0.00	9,552.50
178024	8,673.75	Stabroek	8,673.75	0.00
177965	3,126.75	Kaieteur	0.00	3,126.75
176969	2,612.50	Canje	0.00	2,612.50
175546	227.50	Canje	0.00	227.50
Totals	$ 83,468.25		$ 37,858.00	$ 45,610.25

Stabroek Block

Review Period: 2018 - 2020

Non-Stabroek Direct Costs	$ 45,610.25
2020 Stabroek Allocation	94.17%
Credit Due	$ 42,951.17

The Contractor agreed to issue credit to the Cost Recovery Statement for these non-Stabroek costs.

Incorrect Allocation of Software Cost - IsoMetrix

Exception:	37
Credit Requested:	$ 16,666.80
Cost Object:	WBSE19/18101.1.04.03
Invoice Document:	9500266374
Reference Document:	5005893632
Vendor:	IsoMetrix USA Inc.
Invoice Number:	221
Invoice Amount:	$ 25,000.20

The Contractor included on the Cost Recovery Statement 100% of costs for an "ExxonMobil Guyana Compliance Import Tool and Additional Scope." The Contractor advised that two-thirds of the invoice amount should not have been charged to Stabroek.

> IsoMetrix is a software used to manage commercial obligations. The charges referenced were related to the build out phase of the software installation, which was done for the Stabroek block. The IsoMetrix software was implemented late 2019 for use to manage non-Stabroek blocks.
>
> Kaieteur: 09/16/2019
>
> Canje: 09/20/2019
>
> Absent the charges related to the software installation and build out, there were no additional charges, to EEPGL, for the IsoMetrix software.
>
> $ 16,666.80, which represents two-thirds of the October 2019 IsoMetrix charge ($ 25,000.20) will be credited to the Stabroek Block.

The Contractor advised credit was issued on either the November or December 2022 Cost Recovery Statement.

EEPGL Treasurer's Costs Partially Not Recoverable

Exception: 38
Credit Requested: $ 104,117.77

Cost Object: CTRE8672CR000 (Departmental Costs - Treasurers)
Invoice Document: Various
Reference Document: Various
Vendor: EEPGL
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 86% and 94% of costs charged into the "Departmental Costs - Treasurers" Cost Object. This Cost Object includes EEPGL Treasurer's 2019 and 2020 allocated expat labor costs. A portion of the EEPGL Treasurer's time and functions is unquestionably for non-Petroleum Operations, for corporate costs not recoverable.

Section 3.1(b) (Labour and Associated Labour Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the following as recoverable costs.

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

The EEPGL Treasurer does not spend 100% of his time engaged in Petroleum Operations, so his time should have been apportioned.

The Contractor advised it believes 100% of the Treasurer's costs are chargeable as Petroleum Operations, advising,

> The Treasurer is fully engaged in and dedicated to Petroleum Operations in Guyana, with which every activity undertaken is connected. That includes interactions with our HQ in Houston, which involve reports and discussions connected with those same Petroleum Operations.

Credit remains due. Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The very nature of the EEPGL Treasurer's roles and responsibilities includes components beyond the direct production of Stabroek oil and gas.

The "Departmental Costs - Treasurers" Cost Object is allocated to various activities based on ."work effort analysis." While this is an acceptable methodology to allocate these support costs, the flaw in the Contractor's methodology is that there is no corporate "code," only operations codes, so the Treasurer's time to non-Petroleum Operations functions cannot be tracked. The EEPGL Treasurer and his associated costs are not 100% recoverable because he does not spend 100% of time on truly "operational" matters.

Examples of the Treasurer's time not recoverable would include:

- Managing incoming and outgoing funds
- Budgeting for various projects and departments
- ExxonMobil corporate financial reporting
- ExxonMobil corporate management not specific to EEPGL
- Management and interaction with ExxonMobil's Houston, Texas corporate office

The exact number of hours spent on these corporate functions is unknown, but likely represent approximately one-half day per week for these functions. This results in approximately 10% of the EEPGL Treasurer's time. This allocation would apply to the Treasurer's time and expenses, but not to all costs charged into the Departmental Costs - Treasurers Cost Object because some costs are solely for Petroleum Operations.

The following table reallocates expat labor costs included in the Cost Object with a 10% assignment to corporate functions.

		Corporate		Stabroek	Credit
Year	Amount	Percentage	Amount	Percentage	Due
2019	$ 652,693.20	10%	$ 65,269.32	94.00%	$ 61,353.16
2020	493,817.70	10%	49,381.77	86.60%	42,764.61
Totals	$ 1,146,510.90		$ 114,651.09		$ 104,117.77

The fact remains that not all of the Treasurer's time and costs pertain to Petroleum Operations. The Treasurer may be in Guyana because of Petroleum Operations, but that does not automatically mean 100% of the Treasurer's time is spent on Petroleum Operations. There is a difference between the reason for being in Guyana and what work is performed in Guyana.

Credit remains due for a portion of the Treasurer's time and expenses. The Contractor is requested to credit the Cost Recovery Statement for these corporate costs not recoverable.

EEPGL Controllers and Financial Labor Costs Partially Not Recoverable

Exception:	39
Credit Requested:	$ 712,631.68
Cost Object:	CTRE8602CR000 (Controllers Operations and Financial)
Invoice Document:	Various
Reference Document:	Various
Vendor:	ExxonMobil
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement an allocation of between 86% and 94% of costs charged into the "Controllers Operations and Financial" Cost Object. This Cost Object includes various costs for EEPGL controllers, control advisors, control and financial analysts, and other similar 2018 through 2020 allocated expat and local labor costs. A portion of this EEPGL labor time and functions is unquestionably for non-Petroleum Operations, for corporate costs not recoverable.

Section 3.1(b) (Labour and Associated Labour Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the following as recoverable costs.

> Gross salaries and wages including bonuses of the expatriates of the Parties comprising the Contractor directly engaged in the Petroleum Operations, irrespective of the location of such expatriates, it being understood that in the case of those personnel only a portion of whose time is wholly dedicated to Petroleum Operations, only that pro-rata portion of applicable wages and salaries will be charged.

These EEPGL Controllers do not spend 100% of their time engaged in Petroleum Operations, so their time should have been apportioned.

The Contractor advised it believes 100% of the Controller's organization's costs are chargeable as Petroleum Operations, advising,

> The Controllers organization in Guyana is fully engaged in and dedicated to Petroleum Operations in Guyana, with which every activity undertaken is

> connected. That includes interactions with our HQ in Houston, which involve reports and discussions connected with those same Petroleum Operations

Credit remains due. Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

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> "production operations" means operations carried out for, or in connection with, the production of petroleum;

> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The very nature of the EEPGL Controllers' roles and responsibilities include components beyond the direct production of Stabroek oil and gas.

The "Controllers Operations and Financial" Cost Object is allocated to various activities based on "work effort analysis." While this is an acceptable methodology to allocate costs, the flaw in the Contractor's methodology is that there is no corporate "code" available for use, only operations codes, so the Controllers' time for non-Petroleum Operations functions cannot be tracked. The EEPGL Controllers' associated costs are not 100% recoverable because they do not spend 100% of time on truly "operational" matters.

The following expatriates positions are included in the Cost Object.

Job Title
Controls Analyst
Controls Analyst
Business Services Mgr.
Planning Advisor
Controller
Ops & Reporting Supervisor
Ops Accounting & Reporting Manager
Financial Analyst
Business Services Mgr.
Process & Controls Manager
Process & Controls Manager
Controls Advisor

Examples of their time not recoverable would include:

- Planning, directing, and coordinating accounting functions
- Preparing financial statements
- Evaluating accounting and internal controls systems
- ExxonMobil corporate financial reporting
- ExxonMobil corporate management not specific to EEPGL
- Management and interaction with ExxonMobil's Houston, Texas corporate office

The exact number of hours spent on these functions is unknown, but likely approximates one-half day per week for these functions, which would equate to 10% of the employees' time. This allocation would apply to the Controllers' time and expenses, but not to all costs charged into the Controllers Operations and Financial Cost Object because some costs are solely for Petroleum Operations.

The following table reallocates these labor costs included in the Controllers Operations and Financial Cost Object with a 10% assignment to corporate functions.

Stabroek Block
Review Period: 2018 - 2020

Year	Amount	Corporate Percentage	Corporate Amount	Stabroek Percentage	Credit Due
2018	$ 1,167,865.30	10%	$ 116,786.53	94.00%	$ 109,779.34
2019	2,834,804.80	10%	283,480.48	94.00%	266,471.65
2020	3,884,303.54	10%	388,430.35	86.60%	336,380.689
Totals	$ 7,886,973.64		$ 788,697.36		$ 712,631.68

The fact remains that not all of the Controller's time and costs pertain to Petroleum Operations. The Controller may be in Guyana because of Petroleum Operations, but that does not automatically mean 100% of the Controller's time is spent on Petroleum Operations. There is a difference between the reason for being in Guyana and what work is performed in Guyana.

Credit remains due for a portion of the Controller's time and expenses. The Contractor is requested to credit the Cost Recovery Statement for these corporate costs not recoverable.

EEPGL Tax Manager’s Costs Partially Not Recoverable

Exception: 40
Credit Requested: $ 72,749.85

Cost Object: CTRE8642CR000 (Departmental Costs - Tax)
Invoice Document: Various
Reference Document: Various
Vendor: EEPGL
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocation of between 85% and 94% of costs charged into the “Departmental Costs - Tax” Cost Object. This Cost Object includes 2019 and 2020 allocated expat labor costs for EEPGL’s Tax Manager. A portion of her time and functions is unquestionably for non-Petroleum Operations, for corporate costs not recoverable.

Section 3.1(b) (Labour and Associated Labour Costs) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the following as recoverable costs.

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

The EEPGL Tax Manager does not spend 100% of her time engaged in Petroleum Operations, so her time should have been apportioned.

The Contractor advised it believes 100% of the Controller’s organization's costs are chargeable as Petroleum Operations, advising,

> The Tax Manager Guyana is fully engaged in and dedicated to Petroleum Operations in Guyana, with which every activity undertaken is connected. That includes interactions with our HQ in Houston, which involve reports and discussions connected with those same Petroleum Operations. The tax position of

> EEPGL arises specifically out of the Petroleum Agreements and their related Petroleum Operations.

Credit remains due. Section 2 of Annex C allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;

> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, Production Operations for the cost to be recoverable. The very nature of the EEPGL Tax Manager's roles and responsibilities includes components beyond the direct production of Stabroek oil and gas.

The "Departmental Costs - Tax" Cost Object is allocated to various activities based on "work effort analysis." While this is an acceptable methodology to allocate costs, the flaw in the Contractor's methodology is that there is no corporate "code" available for use, only operations codes, so the Tax Manager's time for non-Petroleum Operations functions cannot be tracked. The EEPGL Tax Manager and her associated costs are not 100% recoverable because she does not spend 100% of time on truly "operational" matters.

Examples of the Tax Manager's time not recoverable would include:

- Preparing and filing tax documents
- Developing tax strategies and policies
- ExxonMobil corporate tax reporting
- ExxonMobil corporate management not specific to EEPGL
- Management and interaction with ExxonMobil's Houston, Texas corporate office

The exact number of hours spent on these functions is unknown, but likely approximates one-half day per week for these functions, which would equate to 10% of her time. This allocation would apply to the Tax Manager's time and expenses, but not to all costs charged into the Departmental Costs - Tax Cost Object because some costs are solely for Petroleum Operations.

The following table reallocates expat labor costs included in the Cost Object with a 10% assignment to corporate functions.

Year	Amount	Corporate Percentage	Amount	Stabroek Percentage	Credit Due
2019	$ 326,346.59	10%	$ 32,634.66	94.00%	$ 30,676.58
2020	493,817.70	10%	49,381.77	85.20%	42,073.27
Totals	$ 820,164.29		$ 82,016.43		$ 72,749.85

The fact remains that not all of the Tax Manager's time and costs pertain to Petroleum Operations. The Tax Manager may be in Guyana because of Petroleum Operations, but that does not automatically mean 100% of the Tax Manager's time is spent on Petroleum Operations. There is a difference between the reason for being in Guyana and what work is performed in Guyana.

Credit remains due for a portion of the Tax Manager's time and expenses. The Contractor is requested to credit the Cost Recovery Statement for these corporate costs not recoverable.

Stabroek Block
Review Period: 2018 - 2020

Affiliate Transfer Pricing Assessments Not Recoverable

Exception: 41
Credit Requested: $ 3,314,007.73

Cost Object: Various
Invoice Document: N/A
Reference Document: Various
Vendor: Various EEPGL Affiliates
Invoice Number: N/A
Invoice Amount: N/A

The Contractor included on the Cost Recovery Statement the actual costs of Affiliate employees performing work for Stabroek, plus a profit margin. While the Contractor advised the profit margin is a "transfer pricing" issue imposed by some countries, it nonetheless results in an Affiliate "profit" not recoverable.

The Contractor charged salaries, wages, and benefits of Affiliate employees plus the profit margin component from the following affiliates.

		Profit Markup		
Affiliate	Actual Cost	Percentage (A)	Amount	Charged
Netherlands	$ 45,476,175.09	5%	$ 2,273,797.66	$ 47,749,972.75
Singapore	37,494,973.63	1%	345,022.10	37,104,814.84
Brazil	2,936,934.26	15%	440,540.10	3,377,474.36
China	2,928,450.47	8%	254,647.87	3,183,098.34
Totals	$ 88,836,533.45		$ 3,314,007.73	$ 91,415,360.29

(A) The Contractor advised 5% profit margin was charged on Netherlands Affiliate labor. Used actual profit markup for Singapore (1%) and China (8%) Affiliate labor.

Affiliate employees are addressed in Section 3.1(d)(ii) (Affiliated Companies) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA). The language is clear that Affiliate costs must be charged without profit.

> Without prejudice to the charges to be made in accordance with sub-section 2.5, in the case of services rendered to the Petroleum Operations by an Affiliated Company, the charges will be based on actual costs without profits. The charges will be no higher than the usual prices charged by the Affiliated Company to third parties for comparable services under similar terms and conditions elsewhere and will be fair and reasonable in the light of prevailing international oil industry practice and conditions…
>
> …The salaries, wages and related costs of employees of an Affiliated Company that are temporarily or permanently outside of Guyana and are directly engaged in Petroleum Operations shall be chargeable to the project at their actual documented cost. Costs for salaries, wages and related costs shall be charged to the project on an actual basis or at a rate based upon the average cost in accordance with the Affiliated Company's usual practice. The methodology of determining rates based on average cost shall be provided to the Government upon their request. Such rates may be reviewed at least annually with the Minister. Reasonable actual documented expenses (including travel costs) of those employees whose salaries and wages are chargeable to the project and are reimbursed by the Contractor under their usual practice shall also be charged to the project.

The "and will be fair and reasonable in light of prevailing international oil industry practice and conductions" and "based on the average cost in accordance with the Affiliated Company's usual practice" does not and cannot override the fact that charges are to be "based on actual costs without profits."

The Contractor described these percentage assessments as "gross-ups" required to meet "transfer pricing" laws of the countries to enable the Affiliate to show an annual profit that can be subjected to corporate taxation. That very definitive nature of the assessments confirms the intent of the gross-ups as a mechanism for the Affiliate to show a profit on its services, which are otherwise billed at-cost, to be compliant with the corporate taxation laws of each country.

The 1%, 5%, 8%, and 15% gross-ups are not taxes assessed by the countries or the corporate income tax rates of the countries. Rather, this transfer price establishes a revenue base upon which the Affiliate pays in-country taxes. For example, in the case of Brazil, the 15% gross-up amount is not remitted to the Brazilian government; it is the mechanism for the Contractor's Brazil Affiliate to record a profit upon which the government will assess a corporate tax. Without profit, there would be no tax, so the gross-up is the profit that serves as the tax base above the at-cost amounts billed to the Contractor's Guyana operations.

The Contractor may contend this transfer pricing assessment is recoverable because it was incurred to have the Affiliate work on Stabroek matters. It is true the causation of the gross-up, the transfer pricing assessment, is Stabroek's need for the Brazil Affiliate's services, but that does not change the fact that the entries are specifically required so the Affiliate will show a profit over the costs billed at-cost. The PA prohibits billings over cost.

The Contractor advised that $ 2,203,071.46 credit would be issued to the Cost Recovery Statement for these tax gross-up transfer pricing assessments, presumably for a portion of its Netherlands Affiliate charges, but did not show the calculation of the exception amount, explain why full credit was withheld for the Netherlands Affiliate costs, and why no credit was issued for the Singapore, Brazil, and China Affiliate costs.

Also, the Contractor did not explain why the provisions of Section 3.1(d)(ii) of Annex C (Accounting Procedure) requiring Affiliate costs to be billed at actual cost, without profit, is not applicable for the credit amounts denied.

Credit Requested	$ 3,314,007.73
Less: Credit Granted	(2,203,071.46)
Remaining Credit Due	$ 1,110,936.00

Stabroek Block
Review Period: 2018 - 2020

Use of Incorrect Foreign Exchange Rate (Procedural)

Exception: 42
Credit Requested: Not Applicable

Cost Object: Not Applicable
Invoice Document: Not Applicable
Reference Document: Not Applicable
Vendor: Not Applicable
Invoice Number: Not Applicable
Invoice Amount: Not Applicable

The Contractor is not in full compliance with how Section 1.3(c) of Annex C of the June 27, 2016, Petroleum Agreement stipulates monthly currency exchange rates are to be determined.

> (i) Amounts received and costs, expenses and expenditures made in currencies other than United States dollars or Guyanese dollars shall be converted into United States dollars by using the relevant foreign exchange rate published in the Wall Street Journal on the first business day following the Month in which the relevant transaction occurred.
>
> (ii) Amounts received and costs, expenses and expenditures made in Guyanese dollars or in United States dollars shall be converted from Guyanese dollars into United States dollars or from United States dollars into Guyanese dollars on the basis of the average of the buying and selling exchange rates between the currencies in question as determined and published by the Bank of Guyana, prevailing on the last Business Day of the Calendar Month preceding the Calendar Month that the relevant transaction occurred.

There is no issue with subsection (ii) for the conversion of Guyana dollars to U.S. dollars, but the Contractor does not comply with subsection (i) for conversion of non-Guyanese currencies into U.S. dollars.

The Contractor confirmed that for subsection (i) it used the Wall Street Journal closing rate on the last business day of the preceding month in which the relevant transaction occurred, rather than the Wall Street Journal closing rate on the first business day following the month in which the relevant transaction occurred.

Here is a comparison of the difference between the Wall Street Journal rates used by the Contractor and the rates stipulated in Annex C.

2020 Month	Contractor Rate	Wall Street Journal Rate
January	$ 1.1469	$ 1.1459
February	1.1448	1.1367
March	1.1371	1.1216
April	1.1218	1.1195
May	1.1215	1.1242
June	1.1171	1.1285
July	1.1371	1.1084
August	1.1078	1.0971
September	1.0990	1.0933
October	1.0900	1.1166
November	1.1153	1.1079
December	1.1018	1.1264

Whatever rate is used to initially process the transaction is “trued-up” to the actual conversion rate when the invoice or other source document is paid, so any conversion rate difference is eliminated when the invoice is paid, usually two to three months later.

This is acknowledged as a one-day difference that is no more than a timing issue at this stage of Stabroek development because all oil sales are of Cost Oil. That is, while a potential Cost Recovery Statement overcharge in a given month is not correct, because there is a current large positive balance in the Cost Recovery Statement, the overstatement has no effect on the Profit Oil available to the Contractor and the Government of Guyana.

This several-months-long overstatement or understatement of monthly costs to be recovered could matter when Profit Oil is attained because having a misstated monthly Cost Recovery amount will affect the amount of Profit Oil available, in either a negative or positive direction.

The Contractor is requested to the use the correct Wall Street Journal closing rate or request the Government of Guyana agree to an Annex C amendment to change the contractual date of currency conversion.

EEPGL Engineers Incorrectly Charged at Affiliate Payroll Rates

Exception:	43
Credit Requested:	$ 782,496.00 + TBD
Cost Object:	ORD007000007261
Invoice Document:	Various
Reference Document:	Various
Vendor:	EEPGL
Invoice Number:	N/A
Invoice Amount:	N/A

The Contractor included on the Cost Recovery Statement April 2019 through January 2020 EEPGL payroll costs for three in-country Guyanese engineers labor charged to the Stabroek BTPO Support Cost Object. The engineers were charged at ExxonMobil Production Co. Affiliate (EPC) rates during these months; they should have been charged at their actual salaries, resulting in excess Cost Recovery Account charges.

These engineers are in-country Guyanese locals working for EEPGL. Except for April 2019 through January 2020, they were properly and contractually billed into the Local Pool Costs Cost Object at their actual salaries, wages, and benefits (SWBs). The Contractor explained that from April 2019 through January 2020 all three temporarily relocated to Houston, Texas to train at ExxonMobil's headquarters so they could return to Guyana as more experienced engineers.

The concept of training these three Guyanese nationals is accepted and encouraged, but billing them as an Affiliate employee at EPC rates instead of their SWB amounts is neither correct nor contractual.

The Contractor explained its internal accounting in these situations is that during the training period, an EEPGL employee's salary is credited to the "Local Pool Costs" Cost Object and billed to the EPC Affiliate. The EPC Affiliate then bills the employee back to EEPGL at the EPC Affiliate rates based on timewriting hours. While such may be the Contractor's internal procedure to account for employee payroll, such a billing procedure is not compliant with Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA).

Section 3.1(b) of Annex C allows a direct charge for:

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

The three Guyana engineers are “employees of the Parties comprising the Contractor” so they can only be charged at their actual SWB payroll amounts, no matter where they are physically working. The Contractor’s internal, cross-departmental billing process resulted in charges for the three engineers far greater than their actual SWB amounts because they are certainly not paid $ 388 per hour as an EEPGL employee in Guyana.

July 2019 is a clear example of the inequity of the Contractor’s internal accounting. The engineers charged an accumulated 464 hours at $ 388 per hour, for a total US$ 180,032 (GY$ 37,665,395) July 2019 charge. Actual payroll data was not provided, but there is no question whatsoever these EEPGL employees would not have been paid more than US$ 180,000 in July 2019 alone.

Using the EPC Affiliate rates results in a prohibited and non-contractual over-recoupment of the three engineers’ “salaries and wages” for the time they were training in Houston.

The Contractor advised that $ 537,178.00 credit would be issued to the Cost Recovery Statement, but did not explain why credit was not granted for the full $ 782,496.00 credit requested.

Credit Requested	$ 782,496.00
Less: Credit Granted	(537,178.00)
Remaining Credit Due	$ 245,318.00

Freight Invoices Incorrectly Charged to Stabroek

Exception:	44
Credit Requested:	$ 443,348.43
Cost Object:	WBSE33/19003.1.01.03 and WBSE33/18011.1.01.03
Invoice Document:	Various
Reference Document:	Various
Vendor:	Blue Water Shipping US Inc.
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement freight costs that were directly charged to Stabroek but that should have been coded into the 100% EEPGL Freight Account.

The Contractor's practice is to book costs for materials moved into Guyana to the Inventory Account (225002000) and freight costs to the Freight Account (225002109). The cumulative balances of the Freight and Inventory Accounts are used to compute a Freight Rate, which is a percentage assessment applied to all material movements as a mechanism for the Contractor to recover the freight costs. As such, actual freight costs should not be directly charged to properties.

The Contractor advised the following Blue Water Shipping invoices should have been charged into Freight Account and not directly charged to the Tripletail 1 and Tilapia 1.

Stabroek Block
Review Period: 2018 - 2020

Invoice	Voucher	Credit Posted
301392	9500218779	$ 141,791.09
316694	9500308876	209,978.09
304451	9500227825	33,738.55
316703	9500304977	32,851.14
303306	9500224374	18,283.10
303109	9500222257	2,845.32
316898	9500304953	2,688.16
303197	9500224367	452.25
303121	9500132716	398.51
317167	9500304960	302.63
304407	9500227818	19.59
	Total	$ 443,348.43

The Contractor initially agreed with the exception and advised that credit was issued on either the November or December 2022 Cost Recovery Statement:

> Agree - adjustment was made in 2022 during fieldwork.

Subsequently, the Contractor advised $ 301,557.00 credit would be granted, with no explanation as to why full credit was not issued.

Credit Requested	$ 443,348.43
Less: Credit Granted	(301,557.00)
Remaining Credit Due	$ 141,791.43

Non-Recoverable Employee Expenses

Exception:	45
Credit Requested:	$ 299,120.96
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	EEPGL
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement costs for employee expenses for corporate matters not recoverable as Petroleum Operations.

Some examples of non-recoverable expenses include:

- Facebook / Instagram advertising
- 2019 Safety Leadership and Safe Choice
- Expense report for June 2019 (travel and hotel expenses for four (4) Govt officials who attended the naming Ceremony of the Liza Destiny FCPO in Singapore
- Houston trip to meet with Partners on JV audit
- Host 1Q Finance sub-committee with Partners
- Venues for staff parties
- Expense reports for March-June 2019 (including out of pocket and expenses for tickets purchased for intended business trip to Singapore for Naming Ceremony of FPSO Vessel)

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs

> and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for Stabroek production operations, they are corporate expenses not recoverable.

Schedule A details the expenses and provides descriptions from the expense report detail. The costs were included in various allocation Cost Objects. Because this expense report detail information was not provided until the end of scheduled fieldwork, exact Stabroek percentages from each Cost Object were not used in the quantification. For ease of quantification, a 95% allocation was applied as a reasonable approximation of the share actually allocated to Stabroek. As amounts are granted, the Operator is requested to credit the amounts at the correct Stabroek percentages.

Non-Recoverable Expenses	$ 314,864.17
Stabroek Share	95%
Credit Requested	$ 299,120.96

The Contractor advised that $ 130,277.00 credit would be issued to the Cost Recovery Statement, for these travel expenses not chargeable, but did not explain why credit was not granted for the full $ 299,120.96 credit requested.

Stabroek Block
Review Period: 2018 - 2020

Credit Requested	$ 299,120.96
Less: Credit Granted	(130,277.00)
Remaining Credit Due	$ 168,844.96

Exception 45
Schedule A

Stabroek Block
Review Period: 2018 - 2020

Non-Recoverable Employee Expenses

Expense Report	Amount	Employee	Description (1)
10622637	$ 117,448.64		2019 Safety Leadership and Safe Choice
11231638	4,269.19		Facebook / Instagram advertising
10353661	12,597.29		May and June 2019, including expenses to Singapore (naming ceremony of Liza Destiny-FPSO)
10353669	10,805.97		May-June 2019, including expenses for trip to Singapore for naming ceremony of FPSO
10389155	2,392.53		Houston trip for Country Stategy Workshop
10408078	2,581.80		Attend finance leader workshop in Houston
10410036	55,949.00		June 2019 travel expenses for four Govt officials who attended Liza Destiny FCPO naming ceremony in Singapore
10419027	1,806.31		Business trip to Houston (Pre gate to Framing Agreement Workshop with Global Projects)
10433088	2,817.01		2019 Global Controls Network Meeting - June 2019
10440548	1,357.07		Participated in the controls face-to-face workshop in Houston. Shared best practices, lessons learned around business controls, including Business Process Risk Assessments and controls catalogs, fraud awareness, etc.
10445777	5,843.83		Business Trip (Meet with Executive Coach and Southeast Hub Transition)
10465812	550.40		Final expenses for meeting in Houston including Payara, LP1/LP2 updates and attendance of SPE Conference planning mtgs 10-11 in Houston as an Env. Subcommitee Member for XOM
10482636	2,919.80		To attend Advanced Negotiation training
10491209	1,440.82		One time 2018 recognition award, paid using personal credit card instead of company Amex
10492496	2,208.68		Support GM for P&B prep and cross train replacement
10500387	2,935.69		Travel, accomodation and meals for July 16 Stabroek partners' Finance Subcommitee meeting
10689976	2,801.13		September to October (including business trip to Houston-Leadership Culture Workshop)
10434742	24,418.31		Facebook / Instagram advertising
10210667	15,124.85		March-April 2019, including expenses for trip to Singapore for naming ceremony of FPSO
10720507	18,246.20		Venue for Staff Party
10938825	3,261.14		Dec 2019 and Jan 2020 expenses for tickets to Houston for World Wide Operations Meeting)
10446259	9,204.81		Attend 2-day conference in London to hear Dr. Bynoe and Dr. Adams speak on oil and gas industry development strategy and regulatory issues
10051788	4,088.43		Partner Audit March 4 - 29, 2019
10231560	3,846.01		Houston trip to meet with Partners on JV audit
10231606	4,907.27		Host 1Q Finance sub-committee with Partners
10766405	1,041.99		Expenses for Interface Agreement (IA) Training in Mobile, AL. Flight for Netherlands (Topsides HAZOP). Flight for contract kick-off in Mobile, AL. Mileage for United Way Global Projects and UOG Deepwater Day of Caring.
Total	$ 314,864.17		

(1) Input from expense report invoice support.

Expenses Not Recoverable - Socioeconomic Advisor

Exception:	46
Credit Requested:	$ 8,194.73
Cost Object:	WBSE19/16101.1.01.02.01 (JP20079344Liza PH1 GPC CSC)
Invoice Document:	N/A
Reference Document:	100027211, 100027212, 100027226, and 100027237
Vendor:	EEPGL
Invoice Number:	N/A
Invoice Amount:	N/A

The Contractor included on the Cost Recovery Statement expenses for Socioeconomics Advisor, to travel to the Offshore Technology Conference in Houston, Texas, a technical and vocational educational (TVET) engagement, and various meetings. These expenses are not for Petroleum Operations, therefore not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

> "production operations" means operations carried out for, or in connection with, the production of petroleum;
>
> "prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for Stabroek production operations.

Ms. Roberts works in the Contractor's Public and Governmental Affairs (P&GA) department in Guyana; her time is charged to a P&GA Cost Object. Exceptions 7, 8, and 9 explain why the entirety of costs booked to the P&GA Cost Objects are not recoverable.

The expense report detail does not indicate why these expenses were charged to a Liza Phase 1 project, but the expenses for a Socioeconomic Advisor to attend a global technology conference and attend meetings is not for Petroleum Operations.

The Contractor is requested to credit the Cost Recovery Statement for these non-recoverable costs.

Stabroek Block
Review Period: 2018 - 2020

Corporate Costs Not Recoverable - Security Cost Objects

Exception:	47
Credit Requested:	$ 75,323.98
Cost Object:	CTRE7872CR002 and CTRE7872CR001
Invoice Document:	Various
Reference Document:	Various
Vendor:	EEPGL
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement an allocation of between 95% and 99% of costs charged into the "Security - Guyana" and "Global Security Cost Center" Cost Objects. Included in the Cost Objects were costs for holiday gift vouchers, special escorts for Exxon dignitaries, security for Family Fun Day, and other similar corporate and goodwill types of costs not recoverable.

Section 2 of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement (PA) allows as chargeable costs,

> All costs, expenses and expenditures relating to the Petroleum Operations…

Section 3.1 of Annex C provides:

> Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

Petroleum Operations is defined as:

> "Petroleum Operations" means Prospecting Operations and/or Production Operations, as defined in the Act conducted pursuant to this Agreement and which were conducted under the 1999 Petroleum Agreement such previous operations being hereby deemed by the Minister to be carried out under this Agreement;

Part I.1 of the Act defines Prospecting Operations and/or Production Operations.

"production operations" means operations carried out for, or in connection with, the production of petroleum;

"prospecting operations" means operations carried out for, or in connection with, exploration for petroleum;

As such, a cost must be carried out for, or in connection with, production operations for the cost to be recoverable. These costs were not directly for Stabroek production operations; they were for corporate goodwill and to support morale. These costs include:

- Holiday gift vouchers for all security personnel
- Monthly security escorts and residential building security guards
- Special Exxon dignitary / executive escorts around Georgetown
- Security personnel for Family Fun Day and other corporate events

Cost Object	Year	Non-Recoverable "Security" Costs	Stabroek Percentage	Credit Due
Security - Guyana	2018	$ 69,019.96	97.78%	$ 67,487.72
Global Security Cost Center	2018	2,397.53	97.96%	2,348.62
Security - Guyana	2019	4,492.99	98.94%	4,445.36
Security - Guyana	2020	1,089.79	95.64%	1,042.28
	Totals	$ 77,000.27		$ 75,323.98

The Contractor advised that $ 2,398.00 credit would be issued to the Cost Recovery Statement, for these corporate costs not recoverable, but did not explain why credit was not granted for the full $ 75,323.98 credit requested.

Credit Requested	$ 75,323.98
Less: Credit Granted	(2,398.00)
Remaining Credit Due	$ 72,925.98

Stabroek Block
Review Period: 2018 - 2020

Worldwide Drilling Warehouse Overhead Not Chargeable

Exception: 48
Credit Requested: $ 5,272,735.40

Cost Object: CTRE79H28STB01/Stabroek Drilling Warehouse
Invoice Document: N/A
Reference Document: Various
Vendor: EEPGL
Invoice Number: N/A
Invoice Amount: N/A

The Contractor included in the Cost Recovery Statement an allocated share of overhead for its worldwide drilling warehouse(s). The Stabroek Annual Overhead Charge covers all overhead functions performed outside of Guyana, including this worldwide drilling warehouse overhead. Directly charging the warehouse overhead is a duplication of amounts covered in the Annual Overhead Charge.

The Contractor accumulated overhead costs of its global warehousing operations and allocated the overhead to various countries based on the value of material transfers in those countries. It is not known whether the worldwide drilling warehouse overhead is for actual costs or some type of percentage assessment to cover overhead functions. Regardless, the concept is the same; the overhead is for general and administrative functions associated with ExxonMobil's global warehousing operations. 2019 overhead was allocated as follows.

Country	Transfer Value ($M)	Percentage of Transfers	Overhead Allocation
Australia	$ 0.7	2%	$ 52,698.71
Canada	1.7	5%	127,982.59
Guyana	30.2	86%	2,273,573.01
GOM	2.5	7%	188,209.69
Totals	$ 35.1	100%	$ 2,642,463.99

Annex C, Article 2.5(b) (General and Administrative Costs and Annual Overhead Charge) of the June 27, 2016, Petroleum Agreement establishes the services covered by overhead.

> An Annual Overhead Charge for services rendered outside Guyana and not otherwise charged under this Accounting Procedure, for managing the Contractor's activities under the Agreement and for staff advice and assistance including, but not limited to financial, legal, accounting and employee relations services. For the period from the Effective Date until the date on which the first Petroleum Production Licence under the Agreement is granted by the Minister this annual charge shall be five percent (5%) of the annual Contract Costs, including those covered in sub-section 2.5(a), incurred during the Calendar Year. From the date of grant of the Petroleum Production Licence the Annual Overhead Charge will be:

First \$ 5,000,000 of annual Contract Costs:	5%
Next \$ 5,000,000 of annual Contract Costs:	4%
Next \$ 5,000,000 of annual Contract Costs:	3%
Next \$ 20,000,000 of annual Contract Costs:	2%
In excess of \$ 35,000,000 of Contract Costs	1%

The worldwide drilling warehouse overhead is for overhead functions specific to ExxonMobil's global materials management and warehousing, the Stabroek Annual Overhead Charge covers all general and administrative functions performed outside of Guyana.

The Contractor advised why it believes these costs are valid and proper:

> Pursuant to the terms of the Petroleum Agreement (Annex C Section 2.4a), these charges relate to petroleum operations' warehousing costs for long lead exploration materials held at our Houston warehouse. The Stabroek Cost Bank received an allocation based on the value of material transfers to Guyana Stabroek operations in the period assessed.

The Contractor did not confirm that 100% of Stabroek materials were sourced from its Houston warehouse, how many warehouses exist, and what comprised the cost base of the Stabroek allocation (leasing costs, payroll costs for only warehouse personal, payroll costs for the Contractor's parent's entire Procurement and Logistics group, real estate costs, etc.), and the propriety of using material transfer values as a basis of cost allocations. Until such detailed information is provided, this indeterminable "worldwide warehousing" cost is disallowed and deemed covered by the Annual Overhead Charge.

Stabroek Block
Review Period: 2018 - 2020

Unsupported Affiliate EMIT / IT Costs

Exception: 49
Credit Requested: TBD

Cost Object: Various
Invoice Document: Various
Reference Document: Various
Vendor: Esso Corporation Inc.
Invoice Number: Various
Invoice Amount: Various

The Contractor included on the Cost Recovery Statement an allocated share of EMIT (ExxonMobil Information Technology) and IT costs billed by EEPGL's Affiliate ESSO Exploration Inc. (ESSO) charged through various Cost Object Orders. The Contractor was requested to provide invoices and journal entry detail for selected sample charges, but only provided general ledger line-item detail and a broad description for what the EMIT / IT charges included. The general ledger line-item detail and broad descriptions do not provide any additional relevant information than what was initially provided on the Contractor's supplemental JADE. The validity and propriety of the EMIT / IT costs cannot be ascertained without the supporting invoices and further documentation and explanations.

Examples of the EMIT / IT costs billed by ESSO included:

- EMIT - Desktop
- EMIT - Email
- EMIT - Technical APP SPT
- EMIT - Software Licenses
- EMIT - SAP APPS
- EMIT - NSAP APPS
- EMIT - Projects
- EMIT - Network

Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the Contractor to recover technology costs such as computers, software, etc., but the costs must be for Petroleum Operations and the Contractor must adequately support that the costs were billed at actual costs. The Contractor only provided the following explanation to support over $ 6,000,000 of EMIT / IT costs subsequently allocated to Stabroek.

> The EMIT / IT charges are for information technology related to desktop, email, and network applications. These IT applications are critical to supporting operations and are billed based upon user network identification numbers. The Project work is for specific IT personnel supporting Guyana operations with various specialized applications.

A brief explanation such as that is not sufficient to conclude that the costs are Stabroek Petroleum Operations costs.

Additionally, the Contractor was requested to explain why costs such as those billed to Cost Object Orders GY BI EMIT SAP Production, GY BU EMIT NSAP Production, etc., through January 2020 were allocated 100% to Stabroek through Partner Object Receiver Stabroek BTPO rather than allocating to various other Cost Objects that shared costs based on respective allocation metrics. The Contractor did not support that the costs were 100% for Stabroek operations and only provided the following explanation:

> BTPO means Build to Production. CTRE2732STB03 (Stabroek BTPO) is used to capture opex expenses incurred prior to the start of production for Stabroek. Once operations commenced in 2020, the charges were booked to E8592CR000 (EMIT/UIT BP IPES) - allocating to benefiting projects and operations based on respective allocation rules.

Without question other departments supported operations other than Stabroek prior to January 2020, so those other operations should have shared in the pre-January 2020 costs unless the Operator can fully explain and support that no other operations utilized any of this equipment. Exception is taken to the costs until the Contractor supports that these costs are for specific Petroleum Operations, were billed at actual costs, are supported by invoices are supported journal vouchers, advises how and where the applications are used, and that 100% of the costs that were directly billed to Stabroek are solely for Stabroek Petroleum Operations.

The Contractor is requested to credit the Cost Recovery Statement for these unsupported EMIT / IT costs.

Unsupported Materials Transferred to Guyana

Exception: 50
Credit Requested: TBD

Cost Object: WBSE08/16101.1.01
Invoice Document: N/A
Reference Document: 100013438
Vendor: EEPGL
Invoice Number: N/A
Invoice Amount: N/A

The Contractor included on the Cost Recovery Statement $ 1,000,645.23 on a journal voucher moving costs for materials to a Stabroek account from an ExxonMobil Affiliate. The Contractor was requested to, but did not, provide a list of materials charged, what they were used for, where they were used, and the current disposition. The validity and propriety of these material costs cannot be ascertained without the supporting invoices and further documentation and explanation.

The Contractor provided a journal entry showing amounts charged and correspondence discussing the amounts, but the journal entry did not include a list of materials transferred, support for prices or values charged, or any other documentation indicating how or even if the material was used for Stabroek Petroleum Operations.

Section 3.1(e)(iii) (b) of Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the Contractor to charge for material costs purchased from Affiliated Companies and stipulates the transfer value for New Material,

> Shall be valued and invoice at a price, which should not exceed the price prevailing in normal “arm’s length” transactions on the open market at the time of procurement.

Section 3.1(e)(iii) (b) Annex C also stipulates values for used materials.

> Contractor must adequately support the costs charged and provide documentation showing the valuation and how they were used for Petroleum Operations. Exception is taken to the costs until the Contractor provides documentation showing the material charged, the valuation, and how it was used in Petroleum Operations.

The Contractor is requested to credit the Cost Recovery Statement for these unsupported material costs.

Unsupported EMIT / IT Costs

Exception:	51
Credit Requested:	TBD
Cost Object:	Various
Invoice Document:	Various
Reference Document:	Various
Vendor:	Various
Invoice Number:	Various
Invoice Amount:	Various

The Contractor included on the Cost Recovery Statement allocated costs for EMIT (ExxonMobil Information Technology) and IT costs charged to Cost Objects EMIT, EMIT/UIT BP IPES, IT FI Branch, OIT Pool Cost Center, and Telephone. The Contractor was requested to provide invoices and journal entry detail for selected sample charges but only provided requested expense reports; none of the third-party or other documents were provided to support the charges. The validity and propriety of the EMIT / IT costs cannot be ascertained without the supporting invoices and further documentation and explanation.

Annex C (Accounting Procedure) of the June 27, 2016, Petroleum Agreement allows the Contractor to recover technology costs such as computers, software, etc., but the costs must be for Petroleum Operations and the Contractor must adequately support that the costs were billed at actual costs. Of the $ 1,381,000 in requested documents, the Contractor only provided $ 68,000 of expense report detail. The remaining costs, and those not included in the sample, could not be determined to be proper and valid costs without the requested supporting documents.

Exception is taken to the costs until the Contractor supports these costs as specific to Stabroek Petroleum Operations and were billed at actual costs by providing the requested invoices and fully supported journal vouchers.

The Contractor is requested to credit the Cost Recovery Statement for these unsupported EMIT / IT costs.

REVIEW OF:

COST RECOVERY AUDIT AND VALIDATION OF THE GOVERNMENT OF GUYANA'S PROFIT OIL SHARE COSTS AND REVENUES
2018 - 2020

Stabroek Block
Offshore, Guyana

PERFORMED ON BEHALF OF:

GOVERNMENT OF THE COOPERATIVE REPUBLIC OF GUYANA

Exhibit B – Revenues

September 11,2023

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Introduction and Background

On June 27, 2016, the Government of the Cooperative Republic of Guyana (GoG) entered into the Petroleum Agreement with Esso Exploration and Production Guyana Limited (EEPGL), CNOOC Nexen Petroleum Guyana Limited, and Hess Guyana Exploration Limited for the purposes of petroleum operations and producing oil and gas in the offshore waters of Guyana. Esso, CNOOC, and Hess are all referred to as the Contractor, with EEPGL acting as the "operator" of Stabroek Block Petroleum Operations and performing the Cost Recovery accounting. Martindale Consultants, Inc. was engaged by VHE Consulting to perform a Cost Recovery audit on behalf of the GoG, in accordance with the Petroleum Agreement, which includes both cost and revenue components. This portion of the report discusses oil and gas produced from the Destiny Liza wells and associated Cost Oil, Cost Gas, Profit Oil and Profit Gas, and the average fair market price determined according to the Petroleum Agreement.

The Destiny Liza 1P3 and Destiny Liza 2P4 wells were drilled by Stena and Noble and began producing oil and gas on December 19, 2019, to the Destiny Liza FPSO (Floating Production Storage and Offloading) vessel. In December 2020, a total of 14 wells were producing, with six wells producing oil and gas, two were gas injection wells, and six were water injection wells. From December 2019 through December 2020, a total of 27,625,084 barrels of oil and 30,735,345 Mcf of natural gas had been produced. Produced oil is stored on the Destiny Liza FPSO and offloaded for sales. During this period, all gas produced was either used for fuel, flared, or injected back into the formation for future oil recovery purposes. No gas was sold; as such, there was no Cost Gas or Profit Gas.

Article 11 of the Petroleum Agreement discusses Cost Recovery and how Cost Oil, Cost Gas, Profit Oil, and Profit Gas are determined. Article 13 provides the governing provisions for the average fair market price to value the Cost Oil and Cost Gas (if applicable). Ernst & Young (EY) as an independent international accounting firm, determines the average fair market price and provides the determinations on monthly statements to EEPGL and the GoG.

EEPGL provided the monthly statements it submits to the GoG as support for production and Cost Oil/Profit Oil allocations. The GoG provided EY's monthly pricing documentation. Using this information, we reviewed all months from December 2019 through December 2020.

Objectives and Scope

Our objectives in performing this review were to determine whether:

1. EEPGL accounted for all oil and gas production and volumetric dispositions,

2. EEPGL determined Cost Oil and Profit Oil barrels in accordance with Article 11 of the Petroleum Agreement,

3. EEPGL valued Cost Oil in accordance with Article 13 of the Petroleum Agreement,

4. All oil barrels lifted/offloaded from the Destiney FPSO were accounted for and included in the average fair market price computation performed by EY, and

5. EEPGL properly accounted for the GoG's 2% royalty.

Findings

1. Oil and gas production volumes were supported by the same monthly statements provided to the GoG. We were not able to obtain the raw measurement data upon which the monthly statements were created, but we have no reason to conclude the data presented in the monthly statements would differ from the raw measurement data utilized by EEPGL for production management. In addition, EEPGL indicated GoG personnel are fully aware of all measurement points and are present for calibrations and offloads.

2. EEPGL was requested but did not provide a schematic showing all metering points on the Destiny Liza FPSO. The schematic would provide a visual representation of the physical flow of production as it is produced onto the FPSO, through the various types of production equipment, and into the storage tanks. For future audits, a schematic would assist in validating the volumetric data provided in the monthly statements submitted to the GoG.

3. We validated EEPGL's methodology of determining Cost Oil for purposes of Cost Recovery and Profit Oil available for sales. EEPGL's methodology accounted for all oil and gas volumes purported by EEPGL as "produced," with a proper allocation between Cost Oil and Profit Oil in accordance with the Petroleum Agreement. The GoG received its proper share of Profit Oil for the review period.

4. Cost Oil barrels equaled 75% of total oil produced except for certain months where total sales barrels were less than 75% of production. EEPGL's methodology limits the Cost Oil to just the sales barrels, resulting in less than 75% of production barrels used in the Cost Recovery for those months. However, the remaining oil production that was not sold was attributed to Profit Oil and split 50/50 between GoG and the Contractors. This

methodology results in more Profit Oil available to the GoG for sale earlier than applying the straight 75% of production to Cost Oil and the Cost Recovery calculation.

5. EEPGL valued Cost Oil using the monthly prices provided by EY. Each month oil was lifted from the FPSO and sold by a Contractor, EY obtained the bills of lading supporting offloaded barrels and the Contractor's third-party and Affiliate sales documentation. EY determined the contractual Cost Oil price as required by Article 13 of the Petroleum Agreement. In any month that the Contractor's total Affiliate sales were 50% or more than total volumes, the correct arithmetic average of the Platts market index price and any third-party sales was used to value the Cost Oil.

6. EEPGL's Cost Recovery calculation used the correct value of Cost Oil to offset the Petroleum Agreement's Recoverable Contract Costs.

7. Profit Oil was appropriately split 50/50 between the GoG and Contractor. EEPGL accounts for GoG's Profit Oil barrels as inventory available for sale and computes a cumulative balance each month. The GoG lifted oil barrels from the FPSO four times during the review period: February 2020, May 2020, August 2020, and December 2020, leaving an ending inventory of (99,949) as a cumulative over-delivered balance at the end of 2020. This overage was likely made-up in January 2021.

8. EEPGL correctly computes the GoG's 2% royalty on oil barrels produced and sold.

9. EEPGL accounted for all gas production as injection, fuel use, or flare, resulting in zero net production from December 2019 through December 2020. As such, no gas was available for Cost Gas or Profit Gas.

Conclusions

We were not able to validate EEPGL's production volumes with measurement data outside of the information provided in the monthly statements to the GoG. However, since the GoG has significant oversight in the FPSO production operations, there is minimal risk for unreported production and furthermore unaccounted for Cost Oil and/or Profit Oil.

We concluded EEPGL has properly accounted for Cost Oil and Profit Oil barrels.

We concluded EEPGL has properly valued Cost Oil for the purposes of Cost Recovery.