



KOCHENEVSKY OIL REFINERY VPK-OYL LLC PROCEDURE AGREEMENT FOR SELL OF RUSSIAN PETROLEUM PRODUCT'S ON FOB RUSSIAN PORTS BASES.

Registration of purchase request of petroleum products:

- 1-** Articles of association as well as company's registration certificates.
- 2-** Names and particulars of the main shareholders of the company.
- 3-** Full particulars of applicant and its activities in petroleum products business for last four years (e.g. brochures, catalogues, etc.)
- 4-** Financial statements (balance sheet and profit and loss statement) for last four years, audited and approved by an internationally reputable auditing firm.
- 5-** Financial and credit references at least from three prime European banks acceptable to VPK-OYL and their readiness to open L\C for the applicant in favor of VPK-OYL .
- 6-** Issue LOI to VPK-OYL.
- 7-** References at least from three major and reputable oil companies acceptable to VPK-OYL, regarding their experiences in oil transactions with the applicant.

PART ONE: MAIN TEXT

ARTICLE 1: DEFINITIONS

In this "GENERAL TERMS AND CONDITIONS" (G.T.C) unless the context otherwise requires, each of the following terms shall have the following meanings:

- "Metric Ton" a quantity equals to a mass of 1,000 kilograms.
- "Barrel" equals to 42 U.S. Gallons.
- "Petroleum products" as mentioned in this General Terms & Conditions refers to any petroleum product(s) as per the relevant contract.
- "F.O.B" shall have the meaning ascribed thereto in Incoterms (ICC 1990 edition), as amended or supplemented from time to time.
- "L/C" stands for Unconditional Irrevocable Confirmed and Transferable Documentary Letter of Credit (L/C) conforming to the specimen inserted in APPENDIX "A".



- "Contract" refers to any agreement entered into and concluded between SELLER and BUYER for spot or term sale of petroleum product(s), on F.O.B basis.
- "Day" shall mean a period of time of twenty-four (24) consecutive hours beginning at 8:00 A.M. local time at the loading port.
- "Vessel" refers to tank ship.

ARTICLE 2: DELIVERY PROCEDURES

SELLER undertakes to deliver and BUYER undertakes to receive from SELLER the quantity of petroleum products deliverable in full cargo lots by vessel(s) nominated and accepted for this purpose.

The products shall be delivered to BUYER in bulk, F.O.B vessel(s) to be provided by BUYER at the Loading Port.

SELLER shall narrow down the provisional delivery period to a two-day delivery laycan and advise the above by telex, latest by the fifth day of the month preceding the month during which delivery shall take place, to BUYER who shall then confirm the above within five (5) days from the date of SELLER's telex.

BUYER may propose an alternative delivery laycan within the above respite for approval of SELLER within a period of five (5) days from the date of SELLER's telex.

However, in the event that the parties hereto shall fail to reach an agreement on the BUYER's proposed alternative delivery laycan, the SELLER's original delivery laycan shall be deemed as confirmed and final and it shall be duly observed by BUYER.

SELLER may revise a confirmed or agreed delivery laycan due to any unforeseen operational problem.

Delivery shall be deemed completed and title to petroleum products shall pass at loading port to BUYER as product passes the flanges connecting SELLER's pipeline or delivery hose with vessel's manifold at which point SELLER's responsibility shall cease and BUYER shall assume all risks of loss, damage, deterioration or shrinkage to product so delivered.

- VLADIVOSTOK BERTH NO.1

BERTH NO.2 DWT Min: 150,000

MT 25,000 MT

DWT Max: 225,000 MT 65,000 MT

L.O.A. Min: 168 Meters 168 Meters L.O.A.

Max: Not Important 259 Meters Max

Arrival Draft:

Max Departure Draft:

Not Important

63 Feet

34 Feet

30 Feet



Any loss or damage to the product, or any property of SELLER or any other party and also damages resulting from any type of pollution caused by the vessel, during berthing, ballasting / deballasting, loading, shifting, reberthing and unberthing shall be borne by BUYER.

Vessel shall vacate berth as soon as loading is completed. Any actual loss or damage incurred by SELLER as a result of vessel's failure to vacate berth promptly, including such, as may be incurred due to resulting delay in the docking of other vessels awaiting at the loading port, shall be paid by BUYER to SELLER.

ARTICLE 3: NOMINATION PROCEDURES

B U Y E R shall nominate to SELLER, for each lifting under the contract, a vessel plying with port restrictions as set out herein under. SELLER shall not accept a vessel which is prohibited from operating at the port of loading according to applicable regulations issued by the government of *Russian Federation* or authorities responsible for such port of loading. Port restrictions for Bandar Mahshahr and Lavan are as follows:

1- Bandar Mahshahr

Max. L.O.A: 780 Feet / Max.Draft: 40 Feet

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Vessel nomination(s) shall be advised by telex to SELLER latest by five (5) days before the first day of the loading laycan and shall specify:

(a): Estimated Time of Arrival (E.T.A) at loading port.

(b): VESSEL PARTICULARS:

- Name and previous name(s), if any.
- SDWT MT
- L.O.A M
- Maximum Draft M
- Beam M
- Flag
- Year Built and/or Rebuilt

The vessel(s) nominated by BUYER for lifting of petroleum product(s) should be seaworthy, staunch and in a proper operating conditions and not older than fifteen (15) years and should have necessary insurance policies and/or bank guarantees for compensation of any damage which may be caused through pollution of seawater as a result of spillage or leakage.

SELLER shall give BUYER a notice accepting or rejecting any vessel nomination within (48) hours from the time of receipt of formal telex nomination from BUYER. SELLER shall not reject any nomination unreasonably. In case of rejection, BUYER has to nominate an alternative vessel for the agreed laycan to obtain SELLER's acceptance.



B U Y E R may, with prior notification to SELLER (at least five days before the arrival of the vessel at loading port), substitute any vessel by another appropriate vessel. The scheduled date of arrival of any vessel, thus substituted as well as the quantity and quality of product to be lifted thereby shall not differ from nominated and accepted schedule.

B U Y E R shall arrange for the vessel to report by radio to SELLER, E.T.A of the vessel at least seven (7) Days in advance (whenever it applies) and followed by 72, 48 and 24 hours notices prior to arrival at loading port. Any delay resulting from a failure to give the twenty four hours advance notice of arrival shall not count as laytime.

After the vessel has arrived at the anchorage of the loading port and is ready to load, Notice of Readiness (N.O.R) shall SELLER at the loading port by letter, telex, telegraph, radio or telephone subsequently confirmed in writing of vessel's readiness to load the cargo, berth or no berth. Otherwise SELLER shall not be responsible for any delay in loading of the vessel. The anchorage areas located in following coordinates:

- 1) Anchor point #8 - 42,54'21 N 131,26'02" E
- 2) Anchor point RPK Slavyanka 2 - 42,54'18 N 131,26'58,50" E
- 3) Anchor point RPK Slavyanka - 42,53'17 N 131,25'32,50" E

Vessel calling at VTS "Vladivostok-Traffic" on VHF 16/71, and then "Slavyanka Pilot" on VHF 16(30) or "Slavyanka-Port control" should tender N.O.R to Slavyanka pilot station not later than 08:00 hour on the last day of the agreed laycan. 3.7 Loading of the vessel is subject to its arrival and berthing within the confirmed or agreed laycan, tendering N.O.R in the manner set out in 3.6 above to SELLER and observing the custom regulations and practices at the port of loading.

SELLER shall not be obliged to load a vessel if she arrives after the above respite unless SELLER notifies BUYER of its willingness to do so.

The vessel shall load at any safe place or wharf reachable on her arrival, which shall be designated and provided by SELLER, provided that the vessel can proceed thereto, lie at and depart therefrom always safely afloat. Each vessel shall comply with all applicable government and SELLER's regulations at any time in force at the loading port.

All loading and docking procedures shall be subject to the port regulations of the loading port(s) (including but not limited to conditions of use of the oil terminal and tug requisition) as may be in force from time to time.

The allowed laytime shall be (48) hours plus (6) running hours, SHINC weather permitting after N.O.R is tendered and accepted.

Subject to vessel's arrival within the agreed laycan in accordance with item (3.5) above, laytime shall commence 6 hours after vessel has tendered N.O.R.

Should the vessel arrives outside the agreed laycan, then laytime shall commence as follows:

- (a) If the vessel arrives before the first day of the agreed two-day laycan, then laytime shall commence after 06.00 hours on the first day of the agreed laycan or when the loading is commenced whichever is earlier.
- (b) If the vessel arrives after the last day of the agreed two-day laycan, then laytime shall commence upon commencement of loading.

Loading shall be deemed completed when hoses are disconnected.



ARTICLE 4: QUALITY & QUANTITY DETERMINATION

The quality of product, except as otherwise more particularly defined in the relevant contract, shall be the usual production quality made available by SELLER at the port of loading. There are no guarantees or warranties, expressed or implied, of merchantability, fitness or suitability of the products for any particular purpose.

The quantity of each delivery shall be determined by shore tank(s) measurements carried out by SELLER at the port of loading in the manner customary in that port. Such quantity determination shall be final and binding for purposes of the quantity stated in the Bill of Lading and the obligation of BUYER to make payment in accordance with the provisions of Article "6".

An independent inspector appointed by BUYER (at BUYER's cost) with prior notice and approval of SELLER may witness measurement of quantity/quality of product delivered to the vessel.

ARTICLE 5: CERTIFICATION& DOCUMENTATION

SELLER shall issue and provide BUYER with following documents after completion of loading:

- 1) Bill of Lading 6) Sample Receipt
- 2) Certificate of Quantity 7) Time Sheet
- 3) Certificate of Quality 8) Cargo Manifest
- 4) Certificate of Origin 9) Master Receipt
- 5) Ullage Report For Documents

BUYER shall inform SELLER by telex at least 10 days before the expected arrival date of a nominated vessel on the required documents and distribution of copies.

ARTICLE 6: PAYMENT

Unless otherwise notified by SELLER, the payment for each shipment hereunder shall be made by BUYER in U.S. Dollars.

BUYER shall establish an irrevocable, confirmed, unconditional and transferable Letter of Credit (L/C) in favor of SELLER through one of the designated banks (as per ANNEX "B" which may be amended from time to time) covering the anticipated value of product comprising such shipment. The L/C should be duly received at least seven (7) days prior to the first day of agreed laycan and in a manner acceptable to SELLER. The text and format of the required L/C shall conform to the specimen form given in ANNEX "A" hereof.

SELLER may refuse delivery of cargo and it shall not be responsible for any delay caused to a vessel in case the required L/C is not duly received by SELLER as and in the manner stipulated hereinabove.

Payment against the L/C, established in accordance with 6.2 above, shall be made on the due date upon presentation of following documents by SELLER either to the representative office of confirming bank in Tehran or directly mailed to main office of the confirming Bank.

- (a) Original Commercial invoice plus two copies.



(b) Full set Bills of Lading in triplicate, made out to the order of shipper (VPK-Oyl), account (BUYER's complete registered name) and blank endorsed. Such Bills of Lading should be marked "insurance and freight payable as agreed".

(c) Original certificate(s) of quantity and quality plus two copies.

BUYER undertakes to give clear instructions to the vessel agent concerned in Iran to sign any amended document which may be necessary for payment of a shipment of product immediately upon receiving a request from SELLER to this effect.

ARTICLE 7: DEMURRAGE

Demurrage claims, if any, shall be evaluated by SELLER upon receipt of the demurrage invoice, the copy of the relevant charter party and the supporting calculations plus the following documents duly signed by port authorities at the loading port:

(a) Notice of readiness.

(b) Time sheet or statement of facts.

(c) Letter of protest (if any).

SELLER shall pay demurrage to BUYER, subject to the provisions of sub-Article 3.5, 3.6, 3.7, 3.12 and 7.3 hereof, equal to the time certified by the authorities of the port of loading. The applicable demurrage, if any, shall be calculated on the basis of the actual quantity of the cargo lifted at the lowest of the following rates:

(a) The Average Freight Rate Assessment (AFRA) for the month in which lifting has commenced.

(b) The rate provided as per actual charter party applicable or prevailing spot market rate for the same size vessel whichever is less.

(c) The daily rate provided for a time charter vessel as per actual charter party plus a fixed amount of U.S Dollar 1,000 per day.

However the final agreed amount of payable demurrage, if any, shall not exceed the actual amount paid by the BUYER/CHARTERER to the vessel's owners.

The period of time allowed within which the loading of the vessels are to be completed shall be increased by any amount of time which is consumed due to:

(a) The breakdown of terminal loading equipment and/or any other operational reasons and/or inability of the vessel's facilities to receive the cargo within the time allowed.

(b) Delay to the vessel reaching her berth, caused by conditions not reasonably within SELLER's control.

(c) Regulation of the owners or the operators of the vessel or any strike by the crew which prohibit loading at any time.

(d) Delays caused by weather or by Force Majeure resulting in port closure. In such cases the period of port closure and a period equal to port closure after the port reopens shall be added to the laytime.

(e) Discharging ballast and/or slops and bunkering.

(f) The time consumed for inward passage from the anchorage to the berth.



- (g) Vessel awaiting agent's completing all formalities including customs, free pratique, immigration and port clearance.
- (h) Vessel awaiting suitable tide.
- (i) Maximum (4) hours for preparation and submission of documents on board.
- (j) Vessel awaiting Letter of Credit clarification and/or confirmation.
- (k) Vessel awaiting for tank inspection before loading and surveyor's inspection after completion of loading (if requested by BUYER).

Demurrage claims shall be considered if they are submitted fully documented as per 7.1 above within (90) days from the Bill of Lading date. Any demurrage claim(s) received by SELLER after ninety (90) days from the date of Bill of Lading shall not be taken into consideration and BUYER shall have no right to raise any claim(s) afterwards in this respect.

ARTICLE 8: CHARGES AND DUES

- 8.1 It is understood that products supplied hereunder shall not be subject to any taxation, fee or charge of any nature or license fee in the Russian Federation. BUYER and/or agent of the vessel nominated hereunder shall, however, be jointly and severally liable for payment of the port dues and charges in respect of the services utilized by the vessel at the Russian loading ports. SELLER shall, in no case, be responsible for payment of any taxes, charges arising from the port Authorities or Agency fee as official procedures for vessel's entrance/ departure, arranging mooring/ unmooring, pilot, tugboat, etc.

ARTICLE 9: FORCE MAJEURE

Any failure by a party to comply with the terms of the contract which is attributable solely to Force Majeure shall not be regarded as a failure to perform its obligations. For the purpose of this Article, Force Majeure shall mean any event beyond the reasonable control of a party and shall include (but not limited to) acts of God, acts of governments, war, civil commotion, strike, storm, tidal waves, flood, epidemics, explosion, fire, lightning and earthquake.

If due to any cause beyond the control of SELLER, the ability to deliver product at the loading port concerned is diminished, SELLER shall be entitled to suspend or reduce deliveries, at SELLER's discretion and such suspension or reduction shall not give rise to any claim whatsoever by BUYER.

ARTICLE 10: ASSIGNMENT

The contract shall not be assigned by BUYER without the prior written consent of SELLER which may be withheld in SELLER's absolute discretion assigning any reason thereof.

ARTICLE 11: APPLICABLE LAW AND JURISDICTION

The contract shall be governed by and construed according to the laws of Russian Federation.

Any dispute between the parties arising out of the contract shall be settled amicably, if not the parties hereto shall submit to the sole jurisdiction of competent courts of Russian Federation.

ARTICLE 12: DESTINATION

Product sold hereunder is intended for export to the destination(s) indicated in the relevant contract, or any other destination(s) approved by seller thereafter.



BUYER has to furnish Certificate of Discharge for the product purchased under the contract. The Discharge Certificate shall be prepared on headed stationery and attested by an official seal and signature of port and customs authorities or local Chamber of Commerce. The certificates should be received by SELLER within 120 days from the Bill of Lading date. The certificate should include the names of the loading and discharge ports, the dates of loading and discharging, the grades, volumes involved and the vessel's name. BUYER's failure to comply with provisions stipulated in paragraph 12.1 and 12.2 shall be deemed as breach of contract. In such event, SELLER shall have the right to suspend or terminate the contract at SELLER's discretion and such suspension or termination shall not give rise to any claim whatsoever, by BUYER.

SELLER reserves the right to appoint its representative(s) to witness and verify discharge operations. In case any special formality is required, then BUYER to facilitate accordingly.

ARTICLE 13: TRANSSHIPMENT AND PARTIAL SHIPMENT

Transshipment and partial shipment of products are prohibited, unless otherwise agreed by SELLER.

ARTICLE 14: CONFIDENTIALITY

SELLER and BUYER undertake to treat the contents of the contract as strictly private and confidential.

ARTICLE 15: BREACH OF CONTRACT

Failure on the part of either party to carry out, in part or in whole, the terms and conditions of the contract and this G.T.C as set forth hereof and any attachments hereto or any deviation by either party from the said terms and conditions, shall be deemed as breach of contract by such party. In such event the other party shall be entitled to suspend or terminate the contract at its discretion and take all necessary measures to redeem its rights and dues hereunder.

ARTICLE 16: NOTICES

Any notices or communication required in connection with the contract shall be in writing and deemed to have been served at the expiry by registered mail or telex, as the case may be, to the addresses as the parties may designate by written notice from time to time for this purpose.

SELLER: (VPK-OYL LLC)

ADDRESS: 632640, NOVOSIBIRSKAYA OBLAST, RP. KOCHENEVO, UL. PROMYSHLENNAYA, D 17.

PART TWO: ANNEXES

ANNEX "A"

TEXT OF LETTER OF CREDIT FOR F.O.B SALES OF PETROLEUM PRODUCTS

TO: Kochenevsky Refinery VPK-Oyl LLC.Financial

Affairs of Agreements

With reference to the Petroleum Products Sale Contract NO.....date.....and all subsequent amendments thereto between Kochenevsky Refinery VPK-Oyl LLC (SELLER) and..... (BUYER's complete registered name and address).



We..... (Bank's name) hereby issue our irrevocable, confirmed, and transferable documentary letter of credit NO.....by order and for the account of BUYER in favor of Kochenevsky Refinery VPK-Oyl LLC for any amount up to maximum U.S. Dollars (saymax U.S. Dollars)..... covering 100 percent of the invoice value. Credit validity expiry date..... (i.e. 60 days from latest estimated bill of lading date).

PAYMENT AND DOCUMENTATION

The payment to be effected within.....days from bill of lading date (bill of lading to count as day one) to your nominated bank account against presentation of the following documents either through our Tehran representative office or directly to our head office in.....

1- Original commercial invoice plus two copies.

2- Full set bills of lading in triplicate, made out to order of shipper (VPK-Oyl) account..... (Only BUYER's registered name), and blank endorsed. Marked insurance and freight payable as agreed.

3- Original certificate of quantity and quality plus two copies.

Note 1: Combined or separate certificate of quantity and certificate of quality are acceptable. Note

2: Segregated parcels and shipping documents are acceptable.

QUANTITY AND TYPE

.....metric tons (.....percent more or less) of..... (The name of product).

SHIPMENT

F.O.B..... (The name of loading port) between.....and.....

DESTINATION

.....

PRICE

A- Provisional unit price for the purpose of opening the L/C is U.S Dollars.....per metric ton for..... (Product name) F.O.B..... (The name of loading port).

B- Final

F.O.B unit price will be calculated according to the terms stipulated in contract NO

..... dated: ../../....

C- Letter of credit amount will be automatically increased or decreased even above or below stipulated credit limits according to the actual unit price as per pricing formula without any further amendment on our side.

D- In calculating the final unit price arithmetic rules for rounding up to two (2) decimal points shall be applied as follows:

1- If the third decimal point is four or any number less than four then such third and/or more decimal shall be ignored.



2- If the third decimal point is five or any number higher than five, then one digit shall be added to the second decimal point and the rest will be ignored.

E- In calculating the total lifting value, arithmetic rule for rounding the invoice value to the nearest dollar shall be applied as follows:

1- If the decimal figure (cents) is any amount up to 49 cents, then such cent(s) shall be ignored. 2- If the decimal figure (cents) is 50 to 99 then one dollar shall be added to the invoice value and such cents to be ignored.

SPECIAL CLAUSE

In case VPK-Oyl finds it impossible to submit the documents under points 1/2/3 above, within twenty (20) days from bill of lading date, a telex invoice from VPK-Oyl to us (confirming bank) giving details of shipment (i.e. information generally appearing on the invoice) and total amount due is acceptable to avail the letter of credit and therefore to arrange remittance of the funds involved on due date. The above-mentioned invoice must contain beneficiary's engagement to submit to us the documents called for by the letter of credit as soon as available and in any case not later than sixty (60) days from the date of bill of lading.

OTHER CONDITIONS

- 1- Trans-shipment prohibited.
- 2- Partial shipment not allowed.
- 3- Charter party bill of lading is acceptable.
- 4- Photocopies of the above-mentioned documents instead of copies acceptable.
- 5- Documents presented more than twenty one (21) days from the date of bill of lading but within credit validity are acceptable.
- 6- All commissions and sundry banking charges are for the account of BUYER.
- 7- In the event that payment falls due on a non-business day, then settlement by us (confirming bank) will be made value the first ensuing business day for the principal plus interest accrued thereon at LIBOR plus one (1) pct per annum as quoted by the National Westminster Bank of London for one week U.S. dollar deposits at 11.00 hours LONDON time, two working days prior to the due date.
- 8- For payment later than due date (due to any reason), interest as described in item 7 above will be paid to VPK-Oyl for the period elapsed between due date up to the actual payment date.
- 9- We (confirming bank) shall not raise any discrepancy whatsoever in respect of documents of product except for followings:
 - A- Type of product
 - B- Quantity
 - C- Unit price
 - D- Total price

Unless otherwise expressly stated hereinbefore this credit is subject to the uniform customs and practice for documentary credit (1993 revision) I.C.C. (publication NO. 500). This telex message is an operative instrument, however mail confirmation will follow.