Contract for Work

Gravel Packing at UGS’s of RWE Gas Storage

entered into pursuant to the provisions of Section2586 et seq.Act no. 89/2012 Sb., the Civil Code

Client's contract registration no.:

Contractor's contract registration no.:

**Art. I**

**Contracting Parties**

1. **Client:**  **RWE Gas Storage, s.r.o.**

Registered office: Prosecká 855/68, 190 00 Prague 9

Represented by: Andreas Frohwein, Chairman of Executives, and

Ing. Lubor Veleba, Executive

Identification No.: 27892077

VAT No.: CZ27892077

Bank details: ČSOB, a.s. Prague

Bank account no.: 000000-0017805243/0300

Entered in: the Commercial Register administered by the Prague Municipal Court, Section C, File no. 124711

(the "**Client**" only hereinafter)

and

1. **Contractor:**

Registered office:

Acting through:

Identification No.:

VAT No.:

Bank details:

Entered in:

(the "**Contractor**" only hereinafter)

**Art. II**

**Subject Matter of Contractual Performance**

* 1. Based on the present Contract, the Contractor undertakes to install screens, and perform gravel packing jobs during the workovers:

|  |  |
| --- | --- |
| **Location** | **Well No.** |
| UGS Tvrdonice | Z-19 |
| Z-24 |
| Z-34 |
| UGS Lobodice | Lo-28 |
| UGS Štramberk | Tv-2 |
| UGS Třanovice | Ts-7 |
| Ts-9 |
| Ts-12 |

The installation of screens and gravel packing job will be performed within the scope defined in the Client's tender documentation forming Annex no. 1 hereof, Technical specification forming Annex no. 2 hereof and the Contractor's bid no. of xxxxxxx forming Annex no. 4 hereof (the “Work” only hereinafter).

* 1. The delivery of material as defined in Annex no. 7, gravel pack fluid and its subsequent liquidation shall be a part of the Work performance. Gravel pack fluids (gel, brine) must be stored in separate tanks.
  2. The drafting-up of the technological procedure for gravel packing shall be a part of the Work as well. The technologicalprocedure must be submitted to the Contractor no later than 30 days prior to the commencement of works.
  3. The Client undertakes to comment on the draft technological procedure submitted to it by the Contractor in writing without undue delay after they have been submitted by the Contractor. The Contractor is not authorised to start executing the Work before it receives a written statement from the Client regarding the given drafts. Late handover of the technological procedure does not constitute a reason for extending the deadlines for completing the Work.
  4. The supply of all media necessary for Work execution (e.g. fuel for equipment), including their payment, shall be a part of the Work performance.
  5. The Client undertakes to accept the properly executed Work from the Contractor and to pay the agreed price.
  6. The Client has the right to modify the subject matter of the Contract as per paragraph 2.1. of this Article, even in the course of the installation of gravel packs and gravel packing, except where this concerns a significant amendment to the Contract pursuant to Section 82(7) of the Czech Public Procurement Act. This is without prejudice to para. (9) of this Article. The Client must promptly notify the Contractor in writing of any such requirement for changes. Save for material reasons (e.g., operational reasons), the Contractor is not entitled to refuse such modifications to the subject of the Work. However, the Parties undertake to address the impact of the requested change on, in particular, the price for Work and the deadline for completion, in an amendment to this Contract. Any and all changes to the subject of the Work shall be made in accordance with Act no. 137/2006 Sb. Czech Public Procurement Act, as amended.
  7. The Parties have agreed that the installation of screens and gravel packing job, including the preparation of technological procedure for such repairs is considered a separate Part of Work. For this reason, the term "Work" or "performance" or “job” in the text below shall, depending on the context, be understood to also comprise the meaning of "Part of Work".
  8. Should the need for extra work arise during the performance of the subject-matter hereof which, by quantity, is not more than 20% of the total price for the Work of each well under Article IV hereof, the tenderer shall carry out that part of the performance within the scope of the contractual relationship with the Client at a price comprising the unit prices included in the bid for the performance of the relevant part of the public contract. The Client shall invite the Contractor to provide additional services by way of an entry in the construction diary and the Contractor shall accept the invitation in the same manner within three working days. The entry shall include a designation of the price of the extra work, which shall be based solely on the Contractor’s unit prices contained in the bid submitted in tendering procedure. If the relevant unit price is not included in the Contractor’s price list, the Contractor shall provide performance at prices normal for the place and time of performance.
  9. The Contractor declares that it has got acquainted with the subject-matter of this Contract in detail.

## **Art. III**

**Time and Place of Performance; Effectiveness of the Contract**

* 1. The Contractor undertakes to perform the Parts of Work (each well shall be deemed a Part of Work) set out in Article II hereof within anticipated periods of performance.

The anticipated period of performance and locations are as follows:

|  |  |  |
| --- | --- | --- |
| **Location** | **Well No.** | **Required time of work** |
| UGS Tvrdonice | Z-19 | 15.4. – 31.7. 2016 |
| Z-24 |
| Z-34 |
| UGS Lobodice | Lo-28 | 15.4. – 15.6. 2016 |
| UGS Štramberk | Tv-2 | 1.8. – 30.11. 2016 |
| UGS Třanovice | Ts-7 | 1.8. – 30.11. 2016 |
| Ts-9 |
| Ts-12 |

* 1. The anticipated period of performance is consistent with the knowledge and expectations of developments in formation pressure at storage facilities and the contracting authority reserves the right to make an adequate change thereto. The Contractor obliges himself to accept that change.
  2. The Clientreserves the right to change the schedule for the gravel packing job of individual wells.
  3. Work on the performance of the public contract shall be commenced within 7 days of the notification of the requirement to perform Work.
  4. The Client undertakes to call upon the Contractor to commence the execution of the Work pursuant to paragraph 2.1.of Article II hereof with sufficient advance notice, and to enable the entrance into the place of the performance to the Contractor in accordance with Article IIIhereof.
  5. This Contract shall become effective on the day when signed by both Contracting Parties.

## **Art. IV**

## **Price and Terms of Payment**

* 1. The price for Work within the scope as defined in Art. II hereof is agreed by agreement in compliance with technical specifications (Annex no. 2 hereof) of the Client and the tender documentation (Annex no. 1 hereof) and a bid price set by the Contractor in bid no. ………… of ……………. (Annex no. 4 hereof) and amounts to:

|  |  |  |
| --- | --- | --- |
| **Location** | **Well No.** | **Total price for well** |
| UGS Tvrdonice | Z-19 | XXX.XXX,-- CZK |
| Z-24 | XXX.XXX,-- CZK |
| Z-34 | XXX.XXX,-- CZK |
| UGS Lobodice | Lo-28 | XXX.XXX,-- CZK |
| UGS Štramberk | Tv-2 | XXX.XXX,-- CZK |
| UGS Třanovice | Ts-7 | XXX.XXX,-- CZK |
| Ts-9 | XXX.XXX,-- CZK |
| Ts-12 | XXX.XXX,-- CZK |
| **TOTAL PRICE** | | **XXX.XXX,-- CZK** |

* 1. All Personnel Rates stated in Annex no. 4 are inclusive of all salaries, bonuses, living allowances, pensions, life insurance, medical care & medical insurance, any other benefits or benefit contributions, government taxes, social security, visas, work permits, residence permits, security travel permits, travel expenses, and any other expenses to transport Personnel between home and Well Location.
  2. Transportation cost from base to locations will be charged as lump sum (according Annex 4). Transportation cost between two locations will charged base on real distance in unit prices (according Annex 4).
  3. The VAT at the rate in force as at the date of taxable services and supplies shall be added to the price.This price shall be fixed and shall not be increased and shall contain any and all of the Contractor’s costs and risks associated with the preparation and implementation of the Work, including costs and risks related to the warranty period. The Contraction shall assume the risk of circumstances under Section 1765(2) of the Civil Code.
  4. The consumption of chemical additives for gravel pack fluid and the consumption of gravel pack sand shall be charged by the real amount used.
  5. The Client undertakes to pay the price for Work as set out in this Article to the Contractor (unless the Contractor in view of the provisions of this Contract assigns his claim to the payment to a third party) based upon billing for the individual Parts of Work as per Article II., and always against an invoice – Tax document (hereinafter "tax document"), which the Contractor shall issue within 15 calendar days after handover and takeover of the Part of the Work, i.e., upon completion of the gravel pack job on the individual well at the respective UGS and upon issue of the final report. The tax document must be furnished with a copy of the handover/takeover protocol for the Work, signed by the representatives of both Parties.
  6. The tax documentissued by RWE Gas Storage, s.r.o. must contain formal prerequisites as set out in the VAT Act and:

1. a specification of the financial institution and the number of the account to which payment is to be made,

b) the Client’s registration number of the Contract,

c) the purchase document number (number of purchase order, which will be announced by the Client before start of Part of the Work).

* 1. The tax document must contain the Contactor’s banking details published by the tax administrator in a manner allowing remote access to the registry of VAT payers. Without these prerequisites, the tax document will not be paid and will be returned within the maturity period; a new maturity period will start from delivery of a corrected or newly issued tax document.
  2. The maturity date of duly issued tax documents delivered to the Client is:
     + **Variant 1:** 60 days from the day on which the tax document has been served.
* **Variant 2:** no later than in 90 days from the receipt of the tax document (invoice) by the Client, but not earlier than 15 days from the date of the receipt of the tax document (invoice) by the Client, while the Contractor hereby undertakes to accede to the Supply Chain Financing Programme (see Annex no. 11 of this Contract). If, in this context, the Contractor assigns his claim to the payment of the price for the Contract or its part to Citibank Europe plc, a company established and existing under the Irish law, registeredseatat Dublin, North Wall Quay 1, Ireland, registered in theRegisterofCompanies in the Republic ofIreland, underthenumber 132781, conductingits business in the Czech Republic throughCitibankEuropeplc, organizační složka, registeredseatat Prague 5, Stodůlky, Bucharova 2641/14, PostalCode 158 02, Reg. No. 28198131, registered in theCommercialRegisterwiththeMunicipalCourt in Prague, Section A, Insert 59288 (the “Bank”), within the Supply Chain Financing Programme, the Parties undertake to consider as the notice of the assignment of the claim any notice of the assignment of the claim that the Client receives from the bank in any form.

The price for the Work is deemed paid as of the day on which the respective amount has been charged to the Client's bank account for the benefit of the Contractor's bank account, unless otherwise stated above.

* 1. As per the Parties' agreement, the Contractor shall issue the tax document to the following address:

RWE Gas Storage, s.r.o.

Prosecká 855/68

190 00 Prague 9

* 1. If the tax document does not conform to the formal requirements set out above, or if it does not contain correct data, then the Client may return it without payment during the term of payment to the Contractor, with a specification of the missing elements or incorrect data. In such an event, the term of payment is halted as of the day on which the tax document was returned, and a new term of payment begins as of the day on which the Client is served the rectified or supplemented tax document.
  2. If the Client accepts the Work with such minor defects and unfinished work as does not prevent from the safe operation of the Work, it may retain an amount of 10% from the price for Work (the "Retainer"). The Client will pay the retainer to the Contractor upon the removal of defects and unfinished work, within 21 calendar days from the day on which the Contractor removed the defects and unfinished work (as mutually confirmed between the Parties by way of signing a protocol on the removal of ascertained defects and unfinished work).
  3. Tax documents will be sent by the Contractor exclusively via electronic mail to the address: el.faktury@rwe.cz.
  4. The Parties may change the agreed price only during a change in the agreed scope of the subject of Work, and exclusively by means of a written amendment to this Contract. This provision does not concern potential penalties, discounts or compensation measured out under this Contract. The potential amendment to the Contract may be concluded only before handover of the Work to the Client. Potential works related to amending the subject of the Work, stipulated by this Contract, shall be commenced by the Contractor only upon prior mutual agreement of both Parties. The financial volume of these works shall be agreed in advance. For appraisal of these works or replaced materials in the potential amendment to this Contract, the itemised prices stated in price bids (see Annex no. 4) that the Contractor has added to the bid. If the Parties do not agree on the consequences of the change of the Work on the prices, it is understood that they will not be projected into the total price for the Work. All changes to the Contract will be made according to Act No. 137/2006 Sb., Public Procurement Act, as amended.
  5. Should the taxable supply is subject to a reverse charge under the provisions of Section 92e of Act no. 235/2004 Coll., the value added act, as amended (the “VAT Act” only hereinafter), the Contractor is obliged to proceed in compliance with the respective provisions of the VAT Act. The Contractor is obliged to issue a tax document excluding a tax and to indicate the following text on the tax document: Tax to be paid by the Client.

**Art. V**

**Method of Handing Over and Accepting the Work (Part of the Work)**

* 1. At the Contractor’s request, the Client shall accept the duly completed Work. The Contractor’s obligation to duly execute and hand over the Work and the Client’s obligation to accept the Work (part of the Work) shall be deemed satisfied on the date that the protocols concerning the handover and acceptance of the Work (part of the Work) are drawn up and confirmed in the construction diary, which both Parties undertake to draw up for this purpose and which the authorised representatives of the Parties are authorised to sign. If the Client refuses to take over the Work (part of the Work), it shall specify the reasons for refusing to accept the Work (part of the Work) in the protocol.
  2. In relation to the Client, the Work shall be deemed completed duly and on time if all of its parts are implemented, if it possesses the criteria agreed in the Contract and if it was implemented by the deadline stipulated in the Contract. The Contractor, however, shall not be liable for delays caused by the Client in implementing and completing the construction work.
  3. The subject matter of the Work shall be deemed handed over upon a record being made in the construction diary as per Article 5.1 by the Contractor’s and Client’s contact persons specified in Article XIV. At such moment, the risk of damage to the subject of the Work shall pass on to the Client.
  4. The Contractor shall contact the Client’s representative (TDO), whose name the Client will stipulate at the HSE meeting or before work on a part of the Work commences, to accept the part of the Work, i.e., after each completion of the Work on the well in question, by telephone to accept the Work without delay after the required work is executed.
  5. After measurements to test the quality of the gravel pack sand behind the screens column (to be arranged by the Client) are conducted and the results thereof approved by the Client’s representative, the Client and the Contractor shall make a record in the construction diary; this will thus allow work to continue on the Workover of the well.
  6. The Client shall be entitled to refuse to accept the Work if defects or backlogs preventing proper use of the Work are apparent at the time of handover of the Work. In case of doubt, a defect or backlog shall be deemed to be one that prevents use of the Work. The Client shall be entitled, but not obliged, to accept the Work with minor defects or backlogs. In such case, the Client shall be entitled to withhold the amount stipulated in Article IV paragraph 4.10 of the Contract from the price of the Work. At the same time, the Client shall specify these defects or backlogs and stipulate a reasonable deadline for the Contractor to remedy them.
  7. The Contractor shall fulfil his obligation to implement the Work by duly completing the Work and handing the Work over to the Client at the place agreed for the handover to take place.
  8. The Contractor shall be liable for the Work being implemented in compliance with the assignment, with this Contract and with the respective generally binding legal regulations and technical standards set out in the Tender Documentation (Annex no. 1) and the Technical Specifications (Annex no. 2) and other relevant annexes of this Contract or/and Tender Documentation.
  9. Furthermore, the Contractor shall observe the Technical Terms and Conditions for Performance of Work in Structure, Dangerous Premises and Zones and in the Vicinity of Network and Wires Administered by RWE Gas Storage, s.r.o. (Annex no. 8).The Contractor shall confirm this in writing.

**Art. VI**

**Contractual Penalties and Interest on Late Payment**

* 1. For the event of a default with the payment of the duly invoiced price for the Work, the Contractor may charge contractual default interest from the Client, in the amount of 0.02% of the outstanding amount per each day of default. Such default interest as the Client is provably obliged to pay falls due within 15 days from being charged in writing by the Contractor, and is deemed paid as of the day on which the respective amount has been charged to the Client's bank account for the benefit of the Contractor's bank account.
  2. The Contractor must pay the Client a contractual penalty:

a) for default with the agreed starting date at the workplace when performing Parts of Work, in an amount of 0.3% of the price for the Part of Work per each (if only commenced) hour of default,

1. for default with the handover of duly completed Parts of Work, in an amount of 5% of the price for the Part of Work per each (if only commenced) day of default,

c) for default with the removal of ascertained defects and unfinished work, in the amount of CZK 40.000 per each (if only commenced) day of default,

d) for breach of the confidentiality obligation in the terms of Article VII hereof, in the amount of CZK 110.000 per each individual instance of such breach.

1. for delay in the submission of the technological procedure pursuant to Art. II, para. (2.3.) of the Contract, in the amount of CZK 3.000per ach day of delay inclusive.
2. for non-compliance with occupational health and safety and fire prevention regulations, in the amount of CZK50.000 per such case identified;
3. for failure to comply with the Technical Conditions for Work and Activities in Structures, Dangerous Premises, and Zones, and in the Vicinity of Networks and Lines Managed by RWE Gas Storage, s.r.o., in the amount of CZK 50.000 per such case;
4. for violating the provisions of this Contract:
5. for unmarked employees of the Contractor or its subcontractors, in the amount of CZK15.000per such case;
6. for work performed on the Work using unapproved subcontractors in the amount of CZK 55.000 per such case;
7. for not adhering to the approved technological procedure, in the amount of CZK 55.000 per such case;
8. for failure to comply with the Client's request for information as per Article VIII, paragraph 8.20 of this Contract, in the amount of CZK 15.000per such case,
9. for failure to use material, fluids, gravel pack sand, etc. in required quality according Annex no. 2, Annex no. 7 and Annex no. 9, in the amount of CZK300.000 per such case,
10. for using machinery that is harmful to the environment, in the amount of CZK 55.000 per such case;
11. if Contractor refuses to submit required documentation according point 13.20 of the Annex no. 1, in the amount of CZK 30.000 per such case,

The Contractor must pay the contractual penalties set out in paragraph 6.2. of this Article within 30 days from the day on which it is called upon in writing by the Client to make payment.

* 1. The Client may deduct 2x the Personnel Rate from the applicable lump sum as specified in this Annex no. 4 for any time that a designated position is not filled by a fully trained, certified, experienced crew member qualified and competent to perform the required duties of that position.
  2. The payment of contractual penalties does neither affect the Client's right to claim full compensation for damages, nor the Contractor's obligation to meet its obligations under this Contract.
  3. If the Contractor fails to pay the Client the contractual penalty by the deadline stipulated in Section 6.2 of this Article, the Client is authorised unilaterally to offset the contractual penalty as its receivable against the Contractor’s receivable, i.e. to deduct the contractual penalty or default interest from the payment it is obliged to make to the Contractor.
  4. The Contractor is obliged to pay the contractual penalty to the Client's account stated in Article I of this Contract within 30 days from the day on which it receives the invitation to pay the contractual penalty. If the Contractor fails to fulfil such duty by the date stated, it shall pay the Client, alongside the contractual penalty, an interest on the unpaid contractual penalty amounting to 16% annually based on the agreement of the Contracting Parties.

**Art. VII**

**Confidentiality**

* 1. The Parties undertake to maintain confidentiality with respect to the subject matter of the Contract and to the negotiations that led to its execution. They also undertake to maintain confidentiality with respect to information, documents, and materials (hereinafter "confidential information") which were provided or accepted in any form, or supplied and made available by either Party under this Contract. For the purposes of this Contract, "confidential information" shall be understood to comprise, inter alia: (a) information of a commercial, technical, or financial nature which concerns the customers of the Parties, and (b) information on the operation and expansion of the Client's storage system and on access to the same.
  2. The Parties undertake not to disclose (or otherwise make available) the confidential information of which they learn to third parties, nor to use such information for their own gain in conflict with its purpose.
  3. The above provisions and the obligations to which they give rise do not apply to confidential information:

a) the disclosure of which was previously approved in writing by the respective other Party,

b) which was explicitly labelled as public by either Party,

c) which entered the public domain for reasons other than a breach of obligations under this Contract (or in the spirit of this Contract) by the Party that was obliged to secrecy,

d) which must be communicated by the respective Party under the law or pursuant to a court decision or the decision of an administrative or similar body.

* 1. The obligation to observe the confidentiality obligation with respect to confidential information lasts both throughout the existence of the contractual relationship and thereafter, until such time at which the confidential information enters the public domain for reasons other than a breach of obligations under this Contract by either Party, subject to a different agreement in writing in the individual case.
  2. Claims for compensation of damage incurred in consequence of a breach of obligations under this Article are governed by the relevant provisions of the Civil Code.
  3. This Article is without prejudice to the provisions of Section 504 et seq. (Business Secret) of the Civil Code.

## **Art. VIII**

**Manner of Work Execution**

* 1. The Contractor is obliged to perform the work according to the Client’s instructions, expertly and with due diligence, thoroughness, and professional care, in accordance with its obligations under the Contract and under the generally binding provisions of statutory law and relevant technical standards. The Contractor undertakes to proceed, in implementing the Work, based on the approved technological procedure, on the principles of work safety.
  2. The Contractor is obliged to make a record into the construction diary before commencing and after completing the works. All facts decisive for the fulfilment of this Contract are entered into the construction diary. The Client is obliged to review the content of the construction diary and attach its comments to the records therein. The construction diary is kept in a ledger with a carbon copy.
  3. The records in the construction diary are signed by the Contractor’s representative or their deputy, strictly on the day on which the respective work was executed or when the facts that are the subject of the record occurred. Only in exceptional cases may the record be made or signed on the following day.
  4. Apart from the Contractor’s representative, respectively their deputy, the entry may be made by the Client’s technical supervisor, company bodies, state controlling authorities or other state authorities and persons empowered by the Client and Contractor.
  5. Through the technical supervisor, the Client monitors in particular whether the Contractor’s work is carried out according to this Contract, the tender documentation, the approved technological procedure, generally binding provisions of statutory law and technical standards. Shortcomings found in the course of executing the Work must be reported by the technical supervisor immediately by a record made into the construction diary.
  6. Should the Contractor fail to fulfil the said obligation, it is obliged to allow the Client to conduct additional inspections and bear the related costs.
  7. If the Client does not attend an inspection or does not express its agreement or disagreement in the construction diary, or via e-mail to from addresses indicated in Article XIV para. (14.1.) hereof on the day of completion of the required work, the Contractor may not consider the Work completed. If the Client could not attend the inspection due to obstacles that it could not avert, it may request an additional inspection without undue delay, but it is obliged to compensate the Contractor for the costs incurred by such delayed inspection.

* 1. The Contractor is obliged to submit to the Client all documentation that affects the quality and method of executed work, processed or procured by it, in particular the technological procedures, inspection and testing plans, technical delivery conditions for materials procured by the Contractor, etc. (see Annex no.1, point 13.20).
  2. In executing the Work, the Contractor is obliged to only employ persons who hold the respective authorisation, respectively certification. This provision also applies to the subcontractors.
  3. In execution the Gravel packing job, the Contractor is obliged to only employ persons stated in Annex No. 10 – Organization structure. If necessary to change the persons, such change must be accepted by the Contractor in the form of a written record made by both parties through the persons authorised to act in technical matters as stated in article 14.1 of this Contract.
  4. In executing the Work, the Contractor must not use machinery/equipment, the use of which is prohibited due to environmental protection, or because such machinery harms the environment through leakage of media, excessive noise or exhausts. If the Client finds that the Contractor has violated this obligation, the Contractor is obliged to remove such machinery from the site immediately upon request from the Client. In such case, the Contractor is also liable to the Client for damages incurred by the latter as a result. Also, the Contractor is obliged to pay the contractual penalty according to Article VI hereof.
  5. In executing the Work, the Contractor undertakes to observe the emergency plans of the individual UGS, and to acquaint itself with these plans prior to commencing execution of the Work at the individual UGS, and to observe the generally binding provisions of statutory law, fire-prevention regulations, regulations for the protection of the environment, and such other rules and regulations as apply at the individual UGS. The Contractor undertakes to evidence vis-à-vis the Client in writing that it acquainted itself with the Client's internal policies regarding UGS and regarding the execution of the Work; the Client has provided the Contractor with these policies in accordance with this Article.
  6. The Contractor must see to it that the Work and the place of performance be at all times clean and free from excess material. The Contractor must remove promptly at its own costs any waste or impurities as arise in connection with the execution of the Work, refrain from polluting public space and, if such pollution nonetheless occurs, promptly provide remedies. The Contractor undertakes to restore, as at the date of handover of the Work, the original condition of all surfaces, structures, technical and other operational facilities that have been affected by the Contractor's activities in connection with the execution of the Work, and to do so at its own costs.
  7. The Contractor is obliged, throughout the period of execution of the Work:
  8. to have the necessary manpower in terms of qualified personnel, in the scope set

out in the attestation which the Contractor produced in its bid for execution of the Work,

* 1. to be equipped of such equipment as required by the Client.
  2. The Client must promptly notify the Contractor at any time during work on the well ofany change of the formation pressure, technical and technological parameters and circumstances which may have impact on the to-be-performed work.
  3. The Client is not liable for any loss, theft, or damage of machinery, work equipment, or material of the Contractor caused by third parties.
  4. The Client may, through its staff, perform on-going inspections of the manner in which the Contractor has been executing the Work. To this end, the Client's representatives are at any time authorized to access and enter the place of performance. Upon finding defects in the execution of the Work, the Client's representative may demand that the Contractor remove the defects and execute the Work in proper fashion. The Contractor is then obliged to procure the removal of such defects at its own costs and within an appropriate time period as determined by the Client's representative. The list of those staff members who are authorized to inspect the manner in which the Work is executed is part of paragraph 14.1 of the Contract.
  5. The Client shall grant the Contractor's staff the requisite access and entry to all work places affected by the execution of the Work, give the requisite expert instructions, and provide technical information on the well in question. Further, the Client must hand over to the Contractor the internal policies, safety rules, and plans concerning the execution of the Work, on the HSE meeting which will be organized before the start of the Work.
  6. Upon the Contractor's specific request, the Client shall hand over (or provide access to) such documents and information as are indispensable for performing the subject matter of the Contract.
  7. Should a situation deviating from the approved technological procedurefor gravel pack job occur, the contractor undertakes to inform the customer’s authorised person about suchdeviation/situation within no later than 1 hour of its occurrence.
  8. For the purpose of proper consummation of this Contract, the Contractor has a duty of disclosure vis-à-vis the Client. The Client may at any time enquire with the Contractor about the status of the execution of the Work, and the Contractor must promptly disclose the pertinent information to the Client.
  9. The Parties, in accordance with Section 101(3) of Act no. 262/2006Sb., the Czech Labour Code, as amended, agree that the Client shall coordinate measures to protect the health and safety of employees and procedures for the safeguarding thereof. The two Parties shall mutually inform each other in writing of risks and the measures taken to ensure the occupational health and safety of employees, and shall provide each other with mutually efficient cooperation in the implementation of such measures.
  10. The Contractor shall facilitate the performance of third-party safety audits and if necessary provide the required cooperation. The audit results shall be binding upon the Contractor.

**Art. IX**

**Liability for Defects of the Work and Quality Warranty**

* 1. The Contractor is liable for the Work, at the time of handover to Client and thereafter for the stipulated time period, being of the quality agreed herein or, if the corresponding arrangements are not contained in the Contract, of the customary quality.
  2. The Contractor provides the Client with a 24-month warranty on the quality of the Work, i.e., specifically, on the work performed by the Contractor and on material supplied and installed by the Contractor. The warranty period commences as at the day of acceptance of the Work by the Client based on the handover/acceptance protocol.
  3. The Client shall file complaints about defects of the Work which occur during the warranty period with the Contractor, and shall do so promptly upon ascertaining them and in the form of written notice delivered to the Contractor. In the notice, the Client shall give a description of the defects, of the way in which they manifest themselves, and in what scope. "Promptly" shall be understood to mean a period of 14 days, whereas the moment in which the notice was dispatched is authoritative.
  4. The Contractor undertakes to remove defects occurring during the warranty period free of charge. The Contractor must submit remedial procedure plan of such defects to Client promptly upon receiving the complaint (within 14 days) and complete such work in a time limit set by agreement of the Parties. In the absence of such agreement, a reasonable time limit shall be set by the Client.
  5. In the event that the Contractor is in default with the removal of defects covered by warranty, or if the Contractor refuses to remove the defects, the Client may, upon prior written warning in which it grants the Contractor appropriate respite for providing remedies, remove the defects itself and at its own expense, whereupon the Contractor is obliged to compensate the Client for the expenses incurred in connection with the removal of the defects within 21 calendar days from being called upon to do so in writing by the Client.
  6. The Contractor is not liable for defects of the Work which were caused by defects in the underlying documentation for executing the Work that was made available to the Contractor by the Client, or by the usage of supplies delivered to the Contractor for usage by the Client, if the Client insisted on their usage or consideration even after the Contractor instructed the Client in writing of their deficient character and the ensuing consequences. Also, the Contractor is not liable for defects of the Work which were caused by defects in the underlying documentation or in supplies delivered, if the Contractor was unable to ascertain their unsuitability even upon exerting professional care, or if the Contractor notified the Client of the unsuitability in writing, but the Client nonetheless insisted on their usage.
  7. Further, the Contractor is not liable for a deterioration of the Work's qualities or for damage to the Work, caused after the consummation of the Contract by the Client or by a third party, or brought about by inescapable events (of force majeure). The Contractor's warranty does not extend to work, supplies, or material procured by the Client, or to defects caused by the Client and/or a third party as a consequence of improper handling, of wrong, inappropriate or neglected maintenance, or of unprofessional servicing. The warranty also does not extend to defects caused by negligence or deliberate acts on the part of the Client and/or third parties.
  8. In view of the risks attaching to the execution of the Work (gravel packing job) and the economic profitability of the work done by the Client relative to the risks posed, the Parties, in accordance with established industry practice, agree to limit the Contractor’s liability for damage caused in connection with the execution of the Work and agree that that the Contractor’s liability for damage incurred by the Client in connection with the execution of the Work which is the subject-matter hereof shall be limited to a maximum amount of EUR 1,110,100.00. This limitation does not apply to damage caused deliberately or by gross negligence of the Contractor.

**Art. X**

**Subcontracts**

* 1. The Contractor may make use of subcontractors as indicated in the Contractor’s bid within the framework of the participation thereof in tendering procedure. Any change of subcontractor or use of an additional subcontractor shall be subject to the Client’s prior written approval by way of a record in the construction diary.
  2. The Parties state that the following entities are considered subcontractors:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | |  |  |
| **No.** | **Subcontractor's name** | **Subcontractor'sregistered office** | **ID no.** | **Scope and description of the subcontractor's works, alternatively subdeliveries of material** |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |
| 6 |  |  |  |  |

* 1. To the extent that the Contractor makes use of subcontractors to execute the Work or parts thereof, it is liable for proper performance in the same manner as if it had rendered the respective performance itself.

**Art. XI**

**Special Provisions**

* 1. The Parties have agreed that the Business Terms and Conditions for Guaranteeing Occupational Health and Safety (OHS), Environmental Protection (EP) and Fire Safety (FS) (the “GBTC”) of 1 January 2015, published on <http://www.rwe.cz/o-rwe/kodex-chovani/>, shall form an integral part hereof. The provisions of the GBTC shall apply commensurately to the activities carried out as this is set out in the GBTC. The Contractor designates Mr./Mrs.:

Name:…………………………E-mail:……………………….……Phone:……………..

as the contact person for the above GBTC. The Contractor declares that he has reviewed the GBTC before signing this Contract.

* 1. The Contractor shall observe all rules and principles set out in the Code of Conduct of RWE, as amended, which is available at: [www.rwe.cz/cs/4415-3831/](http://www.rwe.cz/cs/4415-3831/) ([www.rwe.com/lieferanten](http://www.rwe.com/lieferanten)); at the same time, the Contractor shall observe the rules set out in the United Nations Global Compact project, which is available at: [www.unglobalcompact.org](http://www.unglobalcompact.org). In particular, the Contractor shall comply with rules concerning the protection of human rights, labour relations, environmental protection and anti-corruption rules.
  2. The Contractor shall be liable for any damage caused by its operations for the duration of execution of the Work.
  3. When executing the Work, the Contractor shall observe the Client’s instructions and the agreements of the authorised staff of the Parties.
  4. The Contractor’s staff shall be acquainted with the respective part of the UGS emergency plan and with the HSE plan. A record shall be made that the staff have reviewed these plans and the staff shall confirm this with their signatures.
  5. If the Contractor discovers when executing the Work concealed obstacles and these obstacles make it impossible to execute the Work in the agreed way, the Contractor shall notify the Client of this fact without undue delay and propose a change to the Work. Until an agreement has been reached on a change to the Work, the Contractor shall be entitled to suspend execution of the Work.
  6. The Contractor shall inform the Client without delay about all facts that could have a negative impact on the quality of the executedWork.
  7. While the Work is being carried out, the Contractor shall fill in the (daily) report on executed work on an ongoing basis.
  8. A condition for handing over and accepting the Work (parts of the Work) shall be the successful execution of all required work and signing of the protocol on executed work by the Contractor and the Client.
  9. The Contractor hereby gives to the Client or the Client’s authorised representatives its express consent to take photographs during the execution of the Work in which the Contractor’s employees and subcontractors may be depicted and to use the photographs for the below-specified purposes. Photographs shall only be taken for the purposes of ensuring proper execution hereof and they shall only be used in communications between the Parties or before a body resolving a dispute between the Parties, within the scope strictly necessary for achieving the above-specified purpose. When taking the photographs, the Client shall be obliged to respect the personal rights of the persons depicted, which means that the photographs shall be subsequently modified by covering the faces of the depicted persons in order to prevent their identification. The Contractor further agrees to obtain the consents of his employees and subcontractors engaged in performance of the subject matter hereof with the above-mentioned photographic documentation or, in case of refusal of the consent, to at least notify the employees and subcontractors accordingly. If the Contractor fails to fulfill this contractual obligation, the Contractor shall be liable to the Client for any and all damage and other costs incurred by the Client as a consequence of the Contractor’s failure to comply with this contractual obligation. The Client agrees to destroy all photographs taken under this provision immediately after completion of the subject matter of this Contract and settlement of the Parties’ mutual obligations.

**Art. XII**

**Termination and Withdrawal from the Contract**

* 1. The Client has a right to withdraw from the Contract (either wholly or in part), if:
  2. the Contractor's execution of the Work is in material breach of this Contract, in spite of a written reminder by the Client,
  3. the Contractor is delayed with start of the Work more than 24 hrs after written announcement for start of the Work (send to Contractor by Client by email),
  4. the Contractor fails to successfully complete 3 gravel packing jobs (part of the Work);
  5. the Contractor has been in default with handover of the part of the Work for more than 5days, and such default is attributable to the Contractor,
  6. insolvency or other similar proceedings have been initiated over the Contractor's assets, or the Contractor enters into liquidation with no legal successor,
  7. the Contractor has provably been in repeated breach of the obligation to secrecy under this Contract.
  8. The Contractor has a right to withdraw from the Contract (either wholly or in part), if:

1. The Client has been in repeated breach in default with payment of the sums owed to the Contractor for more than 30 days, in spite of a written reminder, including an additional reasonable time limit for remediation, from the Contractor,
2. insolvencyor other similar proceedings have been initiated over the Client's assets, or the Client has entered into liquidation without a legal successor.
   1. The provisions of para. 12.1. and 12.2.of this Article are without prejudice to the right of Contractor and Client to withdraw from the Contract for statutory reasons.
   2. Withdrawal from the Contract must be effected in writing and must be served on the other Party, whereas the withdrawal takes effect as of the day on which the notice of withdrawal is delivered to the respective other Party. For the event of withdrawal by either Party, the Parties have agreed that duly paid performances shall be rendered up until the moment in which the withdrawal takes effect. The Contractor agrees to complete work tasks even after the withdrawal has taken effect, to the extent that they are necessary from the point of view of work safety and of a safe handover of the Work to the Client, and the Client undertakes to duly pay for such performances according to the prices set out in the present Contract. The Client shall subsequently be entitled to accept the Work and complete the Work itself or via third parties as the Client deems fit.
   3. The consequences of withdrawal, to the extent that they are not addressed by this Contract, are governed by the relevant provisions of the Civil Code of Czech Republic.

## **Art. XIII**

**Governing Law and Resolution of Disputes**

* 1. Any disputes shall be resolved pursuant to the Czech law.
  2. This Contract and any and all pertinent legal relations, including the issue of validity or nullity of contractual provisions, are governed by the Czech law, and in particular by the provisions of the Czech Civil Code.
  3. Any disputes arising from this Contract or in connection with it, including the issue of validity or nullity of contract, shall be resolved by agreement between the statutory representatives of both Parties. If no agreement is reached within 60 days of the date on which a demand for action is served on the other Party, either Party shall be entitled to bring the matter before a court with due jurisdiction. The Parties also agree that the court of due jurisdiction shall be the court with subject and territorial jurisdiction with respect to the Client.

**Art. XIV**

**Contact Persons and Service of Correspondence**

* 1. The Client and the Contract have agreed on the following authorised representatives for factual negotiations and resolution of technical matters, handover and takeover of the Works:

For the Client in all matters:

Ing. Peter Židišin, Senior Specialist, Completion Engineering, GSM: +420 737 200 922, email: [peter.zidisin@rwe.cz](mailto:peter.zidisin@rwe.cz)

For the Client at Tvrdonice UGS:

Ing. Jaroslav Bešta, Geologist, GSM: +420 739 536 617, email: [jaroslav.besta@rwe.cz](mailto:jaroslav.besta@rwe.cz)

For the Client at Lobodice UGS:

František Dočkal, Geologist, GSM: +420 [603](javascript:vytocit('736524033','20469')) 151 848, email: [frantisek.dockal@rwe.cz](mailto:josef.zanat@rwe.cz)

For the Client at Štramberk UGS:

Ing. Vítězslav Stejskal, Geologist, GSM: +420 724 169 846, email: [vitezslav.stejskal@rwe.cz](mailto:vitezslav.stejskal@rwe.cz)

For the Client at Třanovice UGS:

Ing. Miroslav Prokop, Geologist, GSM: +420 737 200 770, email:

[miroslav.prokop@rwe.cz](mailto:miroslav.prokop@rwe.cz)

The authorised representative is authorised to delegate its representatives, in writing, on behalf of the Client.

Person responsible to act on behalf of the Client in all contractual matters:

For the Client:

Ing. Tomáš Diósi, Head of Asset Operations, GSM: +420 731 609 687, email: [tomas.diosi@rwe.cz](mailto:tomas.diosi@rwe.cz)

Ing. Patrik Mour, Strategic Purchaser, GSM: +420 737 250 947, email: [patrik.mour@rwe.cz](mailto:patrik.mour@rwe.cz);

For the Contractor: name………………,function……………..,Mobile:…………….., email:……………..

* 1. The relevant addresses for the delivery of any written documents under this Contract are the addresses of the Parties' registered offices set out in the header to this Contract, or such other address as either Party may communicate to the respective other Party in writing.
  2. For the purposes of the present Contract, registered mail sent by one Party and designated for the respective other Party and sent to that other Party's registered office as set out in the header to this Contract (or, in the case of a change of office, to such other address as communicated to the other Party) is deemed delivered on the third day following demonstrable dispatch thereof.

**Art. XV**

**Final Provisions**

* 1. For the event that any of the provisions hereof becomes for whatever reason invalid or ineffective, the Parties declare that the remaining provisions of this Contract shall remain valid and in force, unless this would run counter to the purpose of this Contract or unless the provisions are by their nature non-severable. The Parties undertake to replace such a provision with another, valid and effective provision which in content and spirit best approximates the content and spirit of the original provision.
  2. Additions, modifications, or adjustment to any of the provisions of this Contract always require to take the form of written, consecutively numbered amendments to the Contract, which must be signed by the authorized representatives of both Parties. Other forms of amending this Contract are ineffective.
  3. As per express agreement between the Parties, both of whom are businesses, the provisions of Section 1799 and 1800 of the Civil Code on the ineffectiveness of contractual clauses concluded by adhesive means shall not apply. The contacting Parties declare that in the legal relationship based by this Contract, the commercial customs according to Section 558 (2) of the Czech Civil Code shall not apply. It means, that commercial customs do not take precedence before directory legal provisions.
  4. This Contract has been drawn up in four counterparts, each of which enjoys the authority of the original. The Contractor receives two counterparts and the Client receives two counterparts.
  5. The Contractor further represents that it has taken out third-party liability insurance up to an amount of coverage of at least CZK 30.000.000 (orEUR 1,110,000) and that this insurance coverage will be maintained throughout the period of performance in the terms of the present Contract. False statements trigger liability on the part of the Contractor for the damage thus caused.
  6. The Contractor further represents that he has valid certificate API RP58 for gravel pack sand, which is not older than 3 years.
  7. The contractor in not entitled to assign any rights and obligations under this Contract to any third person, unless explicitly provided for otherwise in section 4.9 of this Contract.

Annexes:

Annex no. 1: Tender Documentation to public contract

Annex no. 2: Technical specifications *[Annex No. 1 of Tender Documentation]*

Annex no. 3: Progress report *[Annex No. 10 of Tender Documentation]*

Annex no. 4: Contractor's price offer (detailed price) *[Annexes No. 6.1-6.8 of Tender Documentation]*

Annex no. 5: Copy of insurance from the Contractor

Annex no. 6: Scheme of well completion prepared by the Contractor

Annex no. 7: Required Completion of the Wells *[Annex No. 4 of Tender Documentation]*

Annex no. 8: Technical conditions of work *[Annex No. 7 of Tender Documentation]*

Annex no. 9: Technical data of the wells *[Annex No. 11 of Tender Documentation]*

Annex no. 10: Organization structure of the Contractor

Annex no. 11: Supply chain financing *[attached to this document]*

Made in Prague on (date)………………… Made in Prague on (date)……………………

For and on behalf of the Client: For and on behalf of the Contractor:

…………………………………………… ................................................................

Andreas Frohwein Name

Chairman of Executives Function

……………………………………………

Ing. Lubor Veleba

Executive

**Annex No. 11 of the Contract for Work – Supply chain financing**

**Supply Chain Financing Programme:**

***What is Supply Chain Financing Programme?***

The programme gives the suppliers an opportunity to decide whether they prefer receiving 100% of the invoiced amount on the due date, with the due date being respected, or assigning their claims within the programme to a chosen financial institution in order to obtain discounted funds before the due date of the invoice.

Within the program, suppliers may only assign claims that have been approved by the customer, and the customer agrees by such approval to pay the debt of the supplier. The option of payment before the due date of the invoice takes into account the time value of money, while the discount rate is determined by the financial institution is chosen by the customer based on the credit risk of the customer as a customer.

If a supplier opts for this type of financing, all claims against the customer are expected to be paid in this way, including claims resulting from previously signed contracts.

***What are the benefits of the programme?***

Supplier himself can choose whether he wants to receive the money before the due date (as early as 15 days from the receipt of the supplier´s invoice by the customer). In the case of earlier payment of the invoice, the supplier gets the money sooner, avoiding the necessity to use other sources f financing (such as short-term bank loans etc.).

***In which way does the supply chain financing work?***

The supplier is informed via the electronic portal of the invoice being approved by the customer, and therefore ready to be paid. If the supplier wants the invoice to be paid before its due date, he requests such payment in the electronic portal. In the case to the opposite, the invoice will be paid at its due date.

***What are the costs of the programme for the suppliers?***

The programme is free of charge for the suppliers. In the case of early payment, the costs of discounting correspond with the credit risk of the customer.

***Example:***

The supplier issues a tax document – invoice on 10 June 2014, submitting it to the customer on 12 June 2014. The tax document maturity period is 90 days. The invoice due date is 10 September 2014. The customer approves the invoice in 15 days and informs the supplier of the invoice being approved and ready to be settled. The supplier may opt for the Supply Chain Financing Programme and having the invoice paid to him as early as from 27 June 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Participating in the programme** | | **Without participating in the programme** | |
| Sum | 1 000 000 | CZK | 1 000 000 | CZK |
| Date of tax document issue: | 10.6.2014 |  | 10.6.2014 |  |
| Date of tax document receipt: | 12.6.2014 |  | 12.6.2014 |  |
| Maturity period of tax document: | 90 | days | 60 | days |
| Tax document payable on: | 10.9.2014 |  | 11.8.2014 |  |
| Sum: | 1 000 000 | CZK | 1 000 000 | CZK |
|  |  |  |  |  |
| **Ways to pay the tax document:** |  |  |  |  |
| Date of payment: | **from 27.6.** |  |  |  |
| Sum paid\*: | 995 833 | CZK |  |  |
| Due date: | **10.9.2014** |  | **11.8.2014** |  |
| Sum paid: | 1 000 000 | CZK | 1 000 000 | CZK |
| *Note: \*The sum paid is discounted for the earlier payment, i.e. it takes into account the time value of money in the period from 27 June to 10 September 2014 (the supplier requested the payment on 27 June). The discount rate is determined by the financial institution based on the creditworthiness of the supplier.* | | | | |