

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

GENERAL INSTRUCTION MANUAL

GI NUMBER **Approved**
20.720

ISSUING ORG. FINANCIAL ANALYSIS & PERFORMANCE ADVISORY DEPARTMENT

ISSUE DATE 07/18/2009 REPLACES 04/15/2007

SUBJECT MAINTAIN POTENTIAL MASTER APPROPRIATIONS

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CONTENT:

This instruction defines the scope of Maintain Potential Master Appropriation capital Expenditure Requests and describes the procedures for releasing funds, and controlling and reporting expenditures. The text includes the following.

1. Definitions
2. Scope
3. Releases
4. Internal Controls
5. Expenditure Estimates
6. Reporting of Plant and Equipment
7. Related Instructions

1.0 DEFINITIONS:

1.1 Maintain Potential Master Appropriations are Master Appropriations which through approved releases authorize incremental well-defined scopes of work which are routine and repetitive in nature. The purpose of Maintain Potential Master Appropriations is to fund and install onshore and offshore maintain potential facilities to sustain or increase crude oil and gas production from onshore and offshore fields. Maintain Potential Master Appropriations authorize the purchase of equipment and work to be performed where the full scope cannot be defined at the time that the Expenditure Request (ER) is approved. The approved ER provides authorization to incur expenditures and make commitments for projects within the scope described in the ER. As a practical matter, the scope of the Master Appropriation should be sufficiently defined to allow preparation of lists of intended equipment purchases and general specifications, i.e., types and locations, of work to be accomplished. The guidelines for preparation, submission and approval of Maintain Potential ERs are detailed in GI 20.500, Expenditure Requests, and the Facilities Planning Department (FPD) Guidelines for Expenditure Request Preparation. Maintain Potential Master Appropriations fall into two categories.

1.1.1 Onshore Maintain Potential Master Appropriations provide onshore facilities required to sustain or increase oil and gas production from onshore fields.

1.1.2 Offshore Maintain Potential Master Appropriations provide offshore facilities required to sustain or increase oil and gas production from offshore fields.

1.2 Appropriation Period is the authorized period in which equipment can be purchased or work performed against the appropriation. The appropriation period is defined in the ER brief and is based on the scope to be executed. The actual life of the Master Appropriation may extend beyond the typical appropriation period until all expenditures against authorized releases are complete. Appropriation period extensions require prior approval and are contingent on satisfying release and internal control guidelines.

1.3 Expenditure Request Release henceforth referred to as a release, is the official mechanism that authorizes and funds well-defined incremental work and expenditures of Maintain Potential Master Appropriations against the approved ER. The proponent has the responsibility for initiating and processing an ER release defining the equipment to be purchased or the work to be performed utilizing Expenditure Request Form 56 in accordance with GI 20.500, Expenditure Requests.

1.4 Release Period is the period in which funds are authorized for release to purchase equipment or perform work as defined in the Master Appropriation ER. The release period for all Maintain Potential Master Appropriations is defined in the approved ER. Releases must be processed prior to the expiration of the release period specified in the ER. A release period extension for an open master is allowed only through an ER Redefinition and must be processed and approved prior to the release period expiration date.

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1.5 **Minimum Capital Value** is \$20,000 for individual items or pieces of equipment as per Accounting Manual guidelines governing capital vs. expense. Delivery, installation and commissioning costs directly attributable to an individual item or piece of equipment are also capitalized as part and parcel of the \$20,000 minimum capital cost. Exceptions and additional clarifications of capital vs. expense guidelines are covered under general provisions in the Capital Assets, Sections 300 – 310, of the Accounting Manual.

1.6 **Scope and Scope Revisions:** Scope includes the purpose, schedule, design, defined work, materials and equipment, location, commitments or expenditures associated with an engineered project. Scope revisions represent changes to any portion of a project scope.

2.0 SCOPE:

The authorized scope of work involves routine and repetitive work to tie-in, hook-up, transport, measure, control and monitor reservoir fluids, i.e., crude oil and gas between the well heads, remote headers, manifolds and platforms, and processing facilities. All scope items should be inclusive of associated engineering, materials procurement and construction, and are subject to accounting provisions governing capital versus expense. While it is understood that the scope of the Master Appropriation ER may not be completely defined at the time of ER approval, the scope of individual releases against the approved master should be firmly defined upon release approval.

As with other Master Appropriation ERs, Maintain Potential Master Appropriation funds cannot be re-directed to perform scope of other ERs. The scope of Maintain Potential Master Appropriations follows the drilling program and within the guidelines of this general instruction may deviate accordingly. Changing technologies, geographical uncertainties, market influences and changes in operating requirements may necessitate exceptions for special circumstances and require revisions to Maintain Potential Master Appropriations scope. However, scope additions (new work) to releases for closed Master Appropriations are not permitted. Exceptions and revisions to Maintain Potential Master Appropriations scope and General Instruction guidelines are subject to the prior review and approval of the Capital Programs, Forecast & Analysis Division (CPF&AD); Financial Analysis & Performance Advisory Department.

Schedules “A” and “B” of this instruction provide guidelines for activities that are generally approved for inclusion; as well as, items to be generally excluded from the scope of Maintain Potential Master Appropriations. The guidelines highlight current major items and are not intended to be all inclusive. Questions pertaining to specific rulings of referenced items, as well as the inclusion of items not referenced within this General Instruction, should be directed to CPF&AD.

3.0 RELEASES:

The proponent is responsible for initiating a release to authorize expenditures and commence work once the Master Appropriation ER has been approved and the individual release scope has been adequately defined and accompanied by an ER-quality $\pm 10\%$ cost estimate broken down by major scope elements, including engineering, materials and construction. Releases should represent a total project package supported by a well-defined, cohesive scope of work and contain all the elements necessary to complete the intended project. Where practical, the requirement for a well-defined scope of work can be accomplished through the use of pre-established standard detailed design information. As a practical matter, exceptional circumstances to support urgent operational requirements which cannot be met through the normal ER approval process may dictate that certain activities commence prior to receipt of final ER approval. In justified instances where the required work scope can be adequately identified and estimated, and with the advance written approval of the President & Chief Executive Officer, commitments may be made and expenditures incurred prior to ER approval. In such instances, the authorized advanced release will count as the first release for the ER, will be limited to advance engineering, contracting and long-lead procurement activities, and is subject to established expenditure approval authority limits. Changes in production requirements, drilling schedules and well locations directly impact maintain potential releases. As a result, proper definition and timing of releases is essential to ensure funds are available in time to initiate and complete adequately defined work while avoiding unnecessary on-stream date extensions, subsequent actions and write-offs. Releases involving the advancement, relocation and/or substitution of

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funded wells within the same field are allowed within the guidelines of this General Instruction and subject to CPF&AD concurrence. Maintain Potential facilities advancements, relocations and substitutions between different fields are generally not allowed. In addition, cost and scope changes which exceed 10% of the original release amount or \$20 million, whichever is less, are considered significant and are subject to internal control guidelines outlined in Section 4 of this General Instruction.

Maintain Potential releases should adhere to the following guidelines.

- All releases are subject to the review and endorsement of CPF&AD for completeness of information, adherence to intended scope, availability of funds, approval authority limits as defined in the Management Guide, Section 4, and proper accounting treatment of capital versus expense. In addition, CPF&AD may request FPD's independent review of and advice regarding any release.
- A release should not be processed which would result in an overrun to approved ER funding.
- Releases must take place within the stated ER release period stated in the ER brief. No release can be authorized prior to the effective date or after the release expiration date as stated in the Master Appropriation ER brief.
- Initial releases are to be used to fund engineering design, survey, and procurement activities, with the first release designated for preliminary and/or initial engineering design.
- Releases should fall within the scope of the approved ER, or include a statement, justification and estimated cost for all requested out of scope work. Out-of-scope items are subject to the review and endorsement of CPF&AD and if significant, may require an ER Redefinition.
- Releases for well sites should be supported by defined well locations. Nearby wells and their associated facilities within the same field and/or producing area may be grouped in one release where economic and operationally advantageous, so long as internal controls and accountability of the approved work scope are maintained and subject to CPF&AD approval.
- Releases of funds for a specific project scope of work within the Master Appropriation ER may not be split in order to keep releases within the approval authority delegated to a certain position.
- All releases valued at \$500,000 or more are to be reviewed and endorsed by FPD and supported by an ER-quality $\pm 10\%$ cost estimate endorsed by Project Support & Controls Department (PS&CD), as required per Section 4 of the Management Guide. Details of both capital and expense requirements, if applicable, are required.

All releases should also include the following information. Also, refer to GI 20.500, Expenditure Requests.

- The expenditure request and release number, project title and date.
- Project brief describing the scope and funding requirement of the proposed release.
- Budget year, ER title, ERC date and job number(s).
- Financial status information including ER amount, previous releases amount, pending releases amount, current release amount and balance available.
- Capital amounts and an expense account number for any expense portion of a release, if applicable.

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3.1 **Timing of Releases:** Where practical, releases should not take place prior to commencement of drilling wells to avoid the impact of drilling schedule changes and potential write-off of investment. Care in the early release of funds for wells, and especially for gas wells is required due to the uncertainty of well yield and significantly higher well tie-in costs. Where justified, such as a specific need to accelerate the tie-in process to support higher than planned production requirements, increment advancements and increases in MSC, CPF&AD will support advanced release of Maintain Potential funds within the following guidelines:

- Releases may be brought forward prior to the drilling of wells and the well forecast on-stream date provided the coordinates of the well(s) are specified and provided to Project Management in accordance with the drilling schedule and the tie-in schedule produced by Production & Facilities Development Department (P&FDD).
- An execution schedule has been prepared.
- A site survey has been conducted to determine the approximate length of the required flowlines and/or trunklines.
- The scope includes all elements of work or is based on a design package including model or standard drawings.
- A land use permit has been obtained, if required.
- The release package should include documentation attesting that all requirements for early release have been satisfied.

4.0 INTERNAL CONTROLS:

Effective internal controls are essential to ensure capital projects are executed in the most economic and effective manner. They provide proper governance and ensure Saudi Aramco realizes the full benefit of its capital investment program. The purpose of Master Appropriation internal controls are to monitor and report scope and cost changes against approved Master Appropriation ERs. They also ensure that release approval authorities are aware of proposed scope and cost changes and that significant changes receive appropriate Management Committee review and Board or EXCOM approval, as required.

4.1 **On-Stream Date Revisions** to releases which can be accommodated within the approved ERC date of the Master Appropriation ER require no action. An extension to the on-stream date of the Master Appropriation ER requires prior approval as documented through a Project Change Request. Construction work started, but not completed before the expiration of the Master Appropriation ER period, should be completed through schedule extension via a Project Change Request (PCR), or cancelled subject to CPF&AD approval. Project Change Requests cannot be used to revise the scope of Master Appropriations or extend the ER authorized release period. Project Change Requests, their purpose and use are explained in detail in GI 20.520. Releases for work not started prior to expiration of the Master Appropriation ER should be cancelled and the work released and performed under an existing open master with an unexpired release period, or subsequent year's Master Appropriation. The receiving Master Appropriation may require a Redefinition or Redefinition and Supplement due to the revised scope. Subsequent year's Master Appropriations are not intended to serve as a means to shift work scope and/or fund overruns from one ER to another. Standard processing steps are detailed in Supplement 20.500-1. A sample Saudi Aramco Cost Estimate Form 56D is presented in Supplement 20.500-2.

4.2 **Cost Revisions:** Cost revisions to individual releases or the Master Appropriation ER which are significant require additional disclosure and approvals. Amended authorizations through supplements, redefinitions and cancellations may be required for individual releases, or the Master Appropriation ER, if the magnitude of the cost change exceeds expenditure thresholds. Refer to GI 20.500, Expenditure Requests, and Section 4 of the

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Management Guide for specific information regarding Expenditure Request cost and scope revision thresholds and specific approval authority requirements.

4.2.1 Overruns and Supplements: Supplements to authorized funding due to cost overruns may be required for individual releases or the Master Appropriation ER. A forecast cost overrun within the scope of an approved individual release by more than 10% or \$20 million, whichever is less, requires a release termed a Supplemental Release ER and should be submitted as soon as an overrun in excess of these limits is forecasted. For an open and sufficiently funded Master Appropriation with an unexpired release period, the approval of the appropriate authority level at the new total estimated cost as a result of the supplement release is required. Release cost overruns of less than the 10% or \$20 million threshold require no further approval action. If an open Master Appropriation release period has expired or is fully released, supplemental releases can only be charged to the following.

- A current open Master Appropriation ER with an unexpired release period covering similar project scope,
- BI-19 funds if within BI-19 funding limit, and no current open master with an unexpired release period covering a similar project type is available, or
- Through a supplement ER action.

4.2.2 Underruns and Cancellations: Partial or complete cancellations to authorized funding due to cost underruns may be required for individual releases or the Master Appropriation ER. Underruns and scope deletions for individual releases against an open master of more than 10% or \$20 million, whichever is less, requires partial or complete cancellation and/or redefinition release ER action. Partial or complete cancellations of individual releases should be processed where appropriate to ensure project scope and costs are properly reflected, and in the case of open masters with an unexpired release period, so that unused funds are made available to perform required in-scope work. When the total cost underrun as a result of an individual release or cumulative series of releases is forecast to result in a cost underrun to the approved funding of the Master Appropriation ER by more than 10% and \$10 million, a partial or complete cancellation of the Master Appropriation ER is required. This may involve a partial cancellation or redefinition and partial cancellation to the ER depending on scope changes associated with the reduction in ER cost. In addition, once the release period has expired and the unreleased balance of the master exceeds 10% and \$10 million of approved ER funding, a Partial Cancellation ER should also be processed.

Expenditures incurred but rendered worthless due to the cancellation are shown in the revised estimate as project cost to be charged to expense. The cancellation of a release for a closed Master Appropriation ER does not reopen the closed master. However, a cancellation of an approved release against an open master does restore the cancelled funds for other in-scope releases, provided the release period has not expired. The approval of the appropriate authority level at the new total estimated cost is required. In the case of individual release underruns against open masters with unexpired release periods, it is in the proponent's best interest to cancel significant excess funds from the releases so that the cancelled amounts are restored to the master for other releases. Any additional releases must be in accordance with the intended scope and meet all essential requirements of the master.

4.3 Scope Revisions: Amended authorizations through redefinitions, redefinitions and partial cancellations or redefinitions and supplements may be required for individual releases or the Master Appropriation ER as a result of significant scope changes. Refer to GI 20.500, Expenditure Request, and Section 4 of the Management Guide for specific information regarding Expenditure Request cost and scope revision limits and specific approval authority requirements.

4.3.1 Redefinitions: A Redefinition Release is required for scope changes, either out-of-scope additions or in-scope deletions considered separately, to a release that exceeds 10% or \$20 million, whichever is

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less, of the original Master Appropriation release. Offsetting or netting scope additions and deletions is not allowed. Once scope additions and deletions considered separately exceed release funding by more than 10% or \$20 million, whichever is less, an ER termed a Redefinition and Supplement Release is required. If the redefinition results in an underrun of the originally approved release funding by more than 10% or \$20 million, whichever is less, an ER termed a Redefinition and Partial Cancellation Release is required. As with supplements, the approval of the appropriate authority level at the new total estimated cost is required.

When the total value of scope additions or deletions considered separately, excluding allowed like-kind substitutions, exceeds the lesser of 10% or \$20 million of the current ER or Redefinition ER funds, a Redefinition ER or successive Redefinition ER is required. In those cases where a proposed Redefinition is forecast to exceed approved Master Appropriation ER funding, an ER termed a Redefinition and Supplement ER is required. In those cases where a proposed Redefinition is forecast to causes a reduction in approved ER funds, then an ER termed a Redefinition and Partial Cancellation ER is required.

In addition, when the total proposed scope changes, out-of-scope additions and in-scope deletions considered separately, excluding allowed like-kind substitutions, for an individual release or cumulative series of releases exceed 25% within the approved Master Appropriation ER funding, an ER Redefinition action is required.

Like-kind in-scope well(s) substitutions within the same field are allowed as long as the well(s) substitution is properly documented through a Redefinition Release indicating the substituted well(s) and any cost differences; and so long as the change in cost is less than \$20 million of the original release amount. Once the cost change is \$20 million or greater, a redefinition and supplement release or redefinition and partial cancellation release will be required. The like-kind in-scope well(s) substitutions will not be counted toward the 25% out-of-scope additions and in-scope deletions.

Scope additions (new work) to releases for closed Master Appropriations are not permitted. As in the case of overruns and supplements, if an open Master Appropriation release period has expired or is fully released, additional funding for a release to authorize scope additions (new work) can only be obtained from one of the following.

- A current open Master Appropriation ER with an unexpired release period covering similar project scope,
- BI-19 funds if within BI-19 funding limit, and no current open master with an unexpired release period covering a similar project type is available, or
- Through a supplement ER action.

A scope deletion from an approved release against a closed Master Appropriation ER does not reopen the closed master. However, a scope deletion from an approved release against an open master with an unexpired release period does restore any deleted funds for other in-scope releases.

4.3.2 **ER Captions:** ER's subsequent to the initial ER approval should be identified by one of the following captions as appropriate to the case. Complete the caption by showing the ER number of the previous authorization followed by the project title.

- a) Release ER-xxxxx:
- b) Supplemental Release ER-xxxxx:
- c) Cancellation Release ER-xxxxx:
- d) Partial Cancellation Release ER-xxxxx:
- e) Redefinition Release ER-xxxxx:
- f) Redefinition and Supplement Release ER-xxxxx:

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- g) Redefinition and Partial Cancellation Release ER-xxxxx:
- h) Supplement ER-xxxxx:
- i) Cancellation ER-xxxxx:
- j) Partial Cancellation ER-xxxxx:
- k) Redefinition ER-xxxxx:
- l) Redefinition and Supplement ER-xxxxx:
- m) Redefinition and Partial Cancellation ER-xxxxx:

5.0 EXPENDITURE ESTIMATES:

- 5.1** The ER-quality $\pm 10\%$ cost estimate should include all expenditures associated with the scope of work proposed in the ER. A sample Saudi Aramco Cost Estimate Form 56D is presented in Supplement 20.500-2. The Project Support & Controls Department should be consulted for guidelines concerning preparation and review of ER-quality $\pm 10\%$ cost estimates.

6.0 REPORTING OF PLANT AND EQUIPMENT:

An ER will include information pertaining to existing plant and/or equipment items to be used or retired to complete a proposed project.

- 6.1** Such items, termed Plant Transfers, may either be moved to another location or so used in the proposed work that they will not be available for their original service. The movement of previously capitalized assets to other locations will be recorded by preparing form A-630. Section 307 of the Accounting Manual and GI 207.050 describes rules to be followed in recording transfers of plant and equipment. Specific rulings on capital vs. expense should be obtained from CPF&AD, if required.

7.0 RELATED INSTRUCTIONS:

General Instructions and other procedures providing additional information relevant to this G. I. are listed below for convenient reference.

GI 20.031	Capital Budget & Program
GI 20.500	Expenditure Requests
GI 20.520	Project Change Requests
GI 20.620	Miscellaneous Projects and Purchases (BI-19)
GI 21.201	Approval Authority
Other:	Management Guide, Section 4 – Approval Authority
	Facilities Planning Department Guidelines for Expenditure Request Preparation
	Accounting Manual, Capital Assets, Sections 300 – 310

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SCHEDULE A – ITEMS FOR INCLUSION

Included Scope Items:

The listing of generally included scope items provided by this instruction is not intended to be all inclusive. As a result of evolving technologies and changing industry standards, this will be periodically reviewed and revised as required. Requests to include items not specifically identified in this instruction, or items identified after ER approval require the prior review and approval of FPD and CPF&AD. Generally, items that are not identified and sufficiently justified prior to ER package development will be excluded. All scope items should be inclusive of associated engineering, materials procurement and construction and subject to accounting provisions governing capital versus expense.

- 1.0 Well site preparation, fencing and equipment required to secure and tie-in new wells, excluding major civil, excavation, and landfill work for the development of large increment areas and drill sites, and which is not directly attributable to the routine tie-in of wells. Fencing generally pertains to remote wells and drilling islands and excludes SSD type-1 security fencing. Well site equipment generally pertains to equipment located within the well site fencing with the exception of flare pits.
- 2.0 Installation or modification of piping, pipeline sleeving and coating, flowlines, trunklines, jump-overs, chokes, valves, remote headers and manifolds to tie-in new wells to processing facilities. Specialized, non-routine and non-repetitive work for facilities and large capacity dedicated trunklines spanning significant distances, and/or associated with the development of new fields or increments, should generally be funded by a stand alone or the associated field development budget item(s).
- 3.0 Replacement of chokes, valves, headers and manifolds previously ruled to be capital and which have essentially reached the end of their useful asset life and are retired.
- 4.0 New piping, facilities and equipment in the field for water injection and upgrades or expansions to support new wells and/or increased production. The implementation of new major injection systems requires the involvement of FPD for potential impact to systems and facilities, and to determine if funding under Maintain Potential is the most appropriate funding mechanism. In addition, releases involving major upgrades of piping or pipelines, headers and manifolds may also require the review of FPD for potential impact to systems and facilities.
- 5.0 Installation of new platforms, production deck modules and drilling support structures.
- 6.0 Platform and deck modifications to accommodate additional wells and facilities.
- 7.0 New piping and jump-over piping to tie-in or accommodate new wells.
- 8.0 New gas injection pipelines and laterals to transport gas from the remote header, manifold, gas plant or injection compression facility to the gas well site.
- 9.0 New chemical injection equipment at locations outside of processing facilities.
- 10.0 Expansion and addition of production, injection and disposal manifolds to accommodate new wells and associated increased capacity requirements.
- 11.0 Safety and security equipment and systems required for new facilities that are not added or stand-alone items.
- 12.0 Initial procurement and installation of Cathodic Protection and associated routine power supply or upgrades (not major electrical power systems upgrades) required to tie-in new wells, platforms, flowlines, pipelines, injection lines and remote headers.

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- 13.0 Initial procurement and installation or upgrades of Communication and Supervisory Control & Data Acquisition (SCADA), Remote Terminal Unit (RTU) and Emergency Well Shutdown (ESD) systems for, or as a result of, new wells or increments where justified to improve well monitoring and control. Release scope for communication and control systems and equipment should be limited to the communication and control of wells and should not include work for DCS or other in-plant control systems.
- 14.0 The purchase and installation of artificial lift such as Electric Submersible Pumps (ESP's) and gas lift systems, along with associated piping, Variable Speed Drives (VSD's) and associated routine power supply or electrical (not major electrical power systems upgrades) to initiate production in new wells and/or existing wells where justified as the most economical or effective means of artificial lift to restore or improve the productive capacity of the well(s). The implementation of new artificial lift systems for new fields, or field wide replacements of existing fields, may require the additional review of Facilities Planning Department, and may require funding and implementation as a stand-alone fixed-scope budget item. Generally, the purchase of ESP's should be funded under Maintain Potential with down-hole installation work to be performed under BI 60, and the top-side connection to well monitoring systems to be performed under Maintain Potential.

The procurement, repair, upgrade or replacement of ESP's is handled according to Company budgeting and accounting policies regarding capital versus expense and as per authorized vendor supply and maintenance agreements. ESP's shall be capitalized and depreciated provided they meet the minimum capitalization threshold of \$20,000 per Accounting Manual, Section 300. For the purpose of fixed asset verification, the proponent is accountable for ESP's and form SA-630 should be used to inform Projects & Fixed Assets Accounting Division of changes in the status and location of capitalized ESP's.
- 15.0 Initial installation of flowline scraper launchers and receivers for new flowlines and piping, and their initial installation for existing flowlines and piping. Costs for the baseline instrument scraping survey, as required by SAES L-410, may be included with the scraping facilities.
- 16.0 Initial flow meters and their installation for new wells.
- 17.0 Sub-sea power cables and electrical requirements to support new wells and new facilities.
- 18.0 Rerouting of well flowlines when required to accommodate new wells and/or production.
- 19.0 Repair and replacement of existing piping and civil work required to accommodate the tie-in of new wells and facilities.
- 20.0 Gas gathering manifold modifications, upgrades or expansions required as a result of new wells and/or increased production capacity.
- 21.0 Additional Maintain Potential in-scope items not part of the original ER or release complement, subject to GI guidelines.
- 22.0 Limited, like-kind substitutions of equipment and other in-scope items subject to CPF&AD review and approval.
- 23.0 Installation of new technology items previously studied or trial tested and proven to be effective.

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SCHEDULE B – ITEMS FOR EXCLUSION

Excluded Scope Items:

The listing of generally excluded scope items provided by this instruction is not intended to be all inclusive. Items not routine and repetitive in nature and not within the general intent and scope of the Maintain Potential Master Appropriation are to be excluded. On an individual exception basis, where sufficiently justified and with the appropriate approval authorities, items highlighted under Schedule B may be included as part of a release scope. Exception items are subject to the prior review, ruling and approval or exclusion by FPD and CPF&AD and do not constitute a change in policy or approved guidelines.

- 1.0 The replacement of expensed items or work to be performed under expense, such as routine repair, refurbishment or maintenance.
- 2.0 Items covered under rehabilitation and replacement Master Appropriations; or by nature of scope, quantity or cost represent a fixed scope Budget Item or program, such as the field-wide implementation of major items.
- 3.0 Relocation, repair, upgrade or expansion of Communication and Control, SCADA, RTU, ESD for existing wells and production.
- 4.0 Repair, replacement, upgrade or expansion of Cathodic Protection for existing wells and production.
- 5.0 New or replacement well heads to be performed under BI 60, Development Drilling.
- 6.0 An integral part of processing or other facilities including instrumentation, DCS and control systems, control rooms, major electrical systems and substations or their upgrade, utility and switching modifications or upgrades for plants and processing facilities not within the intent of Maintain Potential work scope and normally carried out under NDE's, or as part of a separate Budget Item or upgrade program.
- 7.0 Work for in plant piping, GOSP's, or other processing facilities and equipment or their upgrades, and items not directly associated with the tie-in of wells.
- 8.0 Mothballing or De-mothballing costs not directly attributable or necessary to bring the project into operation, and therefore the cost should be charged to NDE. (Reference Accounting Manual, section 1.21 and 1.22)
- 9.0 Building, paving, repair or replacement of roads.
- 10.0 Compressor trains and shipping pumps.
- 11.0 The repair, refurbishment, or replacement of major equipment such as pumps and compressors.
- 12.0 Living or accommodation quarters, maintenance buildings, utility buildings or operating shelters.
- 13.0 Added or stand-alone fencing, safety and security equipment to be funded as expense or a stand-alone Budget Item.
- 14.0 New or unproven technology and study items to be funded under operating Net Direct Expenditures (NDE).

Approved by:

Original signed by:

FUAD A. AL-HAZMI, Manager (A)

Financial Analysis & Performance Advisory Department

* CHANGE

** ADDITION

NEW INSTRUCTION ☐

COMPLETE REVISION ☐