CONTENT: This general instruction (GI) describes procedures for domestic sales of refined products and crude oil at various distribution locations as well as procedures for domestic sales of gas products. The text of this instruction includes:

1. Glossary
2. Definitions
3. Background
4. Domestic Sales of Refined Products and Crude Oil
5. Domestic Sales at Bulk Plants
6. Domestic Sales at Air Fueling Operations
7. Other Refined Products and Crude Oil Distribution Facilities
8. Domestic Sales of Gas Products
9. Company's Own Use Transactions

The following attachment is an integral part of this instruction:

Attachment I: Responsibilities

1. GLOSSARY

1.1 ABBREVIATIONS & ACCRONYMS

AFO - Air Fueling Operation
ALE - Application Link Enabling
APSCO - Arabian Petroleum Supply Co.
ATM - Automated Teller Machine
BAKRI - Bakri International Energy Co. Ltd
CCD - Credit & Collections Division/TSD/Treasury
CMID - Cash Management & Investment Division/Treasury
DARRU - Domestic Accounts Receivable & Reconciliation Unit/DSAD
DID - Driver Information Data System
DBSP - Design Basis Scoping Paper
DJVABSU - Domestic Joint Venture Accounting & Bunker Subsidy Unit/DSAD
DSAD - Domestic Sales Accounting Division/OAD
DSBU - Domestic Sales Billing Unit/DSAD
DSD - Domestic Sales Division/DSLD
DSLD - Domestic Sales & Logistics Department
E-Sales - Electronic Sales
E&C - Engineering & Construction Support
ESSAD - Export Sales & Shipping Accounting Division/OAD
EWPD - East/West Pipelines Department
FAMM - Fuel & Marine Marketing
GEP - Government Established Prices
GI - General Instruction
GNPDMD - Gas/NGL Planning & Domestic Marketing Department/NAGO
GOSP - Gas Oil Separation Plant
GSPR - Gas Supplies and Pricing Regulations
KAIA - King Abdulaziz International Airport
KFIA - King Fahad International Airport

KFUPM	-	King Fahad University for Petroleum & Minerals
LPG	-	Liquefied Petroleum Gas
LUBEREF	-	Saudi Aramco Lubricating Oil Refining Company
MGS	-	Master Gas System
MINPET	-	Ministry of Petroleum and Mineral Resources
NAPD	-	Northern Area Pipelines Department
NAGO	-	Northern Area Gas Operations
NG	-	Natural Gasoline (C5+)
NGL	-	Natural Gas Liquids
OAD	-	Operations Accounting Department
O&M	-	Operations & Maintenance
OSPAS	-	Oil Supply Planning and Scheduling
PARU	-	Petroleum Accounting & Reporting Unit/ESSAD
PASS	-	Payment Authorization Sub-System
PRC	-	SAP Finance & Logistics Module
PRO	-	SAP Hydrocarbon Management Module
PSMD	-	Product Sales & Marketing Department
SABIC	-	Saudi Basic Industries Corporation
SABS	-	Saudi Arabian Bunkering Services
SAMREF	-	Saudi Aramco Mobil Refinery Company Limited
SAR	-	Saudi Riyals
SASREF	-	Saudi Aramco Shell Refinery Company
SEC	-	Saudi Electricity Company
SU	-	Shipping Unit/ESSAD
SWCC	-	Saline Water Conversion Corporation
TMS	-	Terminal Management System
TSD	-	Treasury Services Department/Treasury
USD	-	U.S. Dollars
Vela	-	Vela International Marine Limited

1.2 RELATED ACCOUNTING INSTRUCTIONS

AI 120	-	Accounting Procedures for SASREF LPG and Sulfur Handling Fees
AI 135	-	Accounting Procedures for Local NGL Sales
AI 139	-	Accounting Procedures for Facilities Operation & Maintenance Agreements
AI 153	-	Accounting Procedures for Design Basis Scoping Paper (DBSP) and Engineering & Construction Support Agreements (E&C)
AI 501	-	Accounting and Reporting Procedures for International Sales of Petroleum Products"
AI 502	-	Accounting and Reporting Procedures for Domestic Sales of Petroleum Products
AI 530	-	Bunker Consideration Procedures
AI 754	-	Outstanding/Unclaimed Cash and Cash-in-Advance Customer Accounts – Domestic Sales

1.3 ACCOUNTING INSTRUCTIONS SUPPLEMENT

AI SUPPLEMENT 502-1 - Summary of Agreed Prices between Saudi Aramco and the Export Refineries – SAMREF and SASREF

1.4 RELATED FORMS

SA 2457 - Petroleum Product Requisition Form

1.5 RELATED MANUALS

Section 4.0 - Domestic Sales Manual/Distribution Operations

2. DEFINITIONS

Natural Gas - Natural gas is the gas produced naturally from gas wells known as non-associated gas and it is also the gas that is produced with crude oil wells known as associated gas

Dry Gas (Sales Gas) - is generally made up of methane, the lightest component of natural gas, and may contain some ethane and small quantities of the heavier components of natural gas. It is sold in the Kingdom as fuel gas and is distributed via the sales gas grid to Saudi Aramco plants for their own use or to customers

Ethane - is the second component of natural gas. It is mainly used as feedstock or as component of dry gas

Propane - is the third component of natural gas. It can be liquefied by compression and refrigerated for export

Butane - is the fourth component of natural gas. It can be liquefied by compression and refrigerated for export

NG - is the fifth component of natural gas. It exists as a liquid. It is generally used as a gasoline blendstock or as a petrochemical feedstock

LPG - is a mixture of propane and butane.

NGL - is dry gas that has been liquefied by compression and chilling at the fractionation gas plants. Fractionation is the process of separating the other gases from dry gas to produce ethane, propane, butane and heavier gasses. NGL includes: ethane, propane, butane and heavier gases

3. BACKGROUND

Domestic sales refers to all refined products, crude oil, and gas products sold to customers within the Kingdom of Saudi Arabia. The types of products sold domestically include:

- Refined products such as motor gasoline, diesel, bunker diesel oil, bunker fuel oil, fuel oil, jet A-1, naphtha, asphalt, kerosene, JP-8

- Crude Oil

- Dry gas (A120), ethane (A130), NGL condensate (A180), propane (A140/A147), butane (A160/A162/A167), NG (A182), LPG (A150) and sulfur (A101/A103)

SAP transaction code MM03 can be executed in PRO to obtain an updated product code list, or by expanding the drop down list from any PRO screen that contains a “Material” field.

4. DOMESTIC SALES OF REFINED PRODUCTS AND CRUDE OIL

4.1 DISTRIBUTION FACILITIES

Saudi Aramco is the only wholesale supplier of refined products and crude oil in the Kingdom of Saudi Arabia. These products are distributed domestically through the following facilities:

4.1.1 Bulk Plants

Saudi Aramco has widely distributed Bulk Plants within the Kingdom which sell petroleum products to domestic customers. Bulk Plants are supplied as follows:

- Refined products are supplied from one of Saudi Aramco’s five refineries located in Riyadh, Yanbu, Rabigh, Jeddah and Ras Tanura as well the SAMREF and SASREF refineries.

- Crude oil is supplied from the plants

4.1.2 Air Fueling Operations (AFO)

Saudi Aramco also has AFOs which provide fuel at airports for commercial, private, and military aircrafts. They are supplied from one of Saudi Aramco’s refineries either directly or through a Bulk Plant.

4.1.3 Other distribution facilities

Other domestic distribution facilities of refined products and crude oil outside the above two main distribution channels include:

- Marine terminals
- Refineries
- Abqaiq plant

SAP transaction code OX10 may be executed in PRO to obtain a complete list of distribution locations or by expanding the drop down list from any PRO screen that contains a “Sales Location” field.

4.2 GOVERNMENT PRICE AND FEES

The Government through the Ministry of Petroleum and Mineral Resources (MINPET) sets the price for refined products and crude oil sold within the Kingdom of Saudi Arabia to domestic customers. This price is known as the Government Established Price (GEP). Included in this price is a fee to be paid to the Ministry of Finance. This fee differs by product type and is collected by Saudi Aramco on behalf of the Ministry of Finance and is remitted to the Ministry when collected from the customer.

Exceptions:

- Saudia Airlines is not charged the government fee for its purchases of Jet fuel at AFOs

- Aviation fuel sold to international airlines and private aviation companies as well as Kerosene are sold at international sales prices

- Bunker fuel sales to Bunkering Agents are sold at international sales prices and bunker for sales to Vela are at cost.

Customer price groups can be obtained by drilling down on the “Price Group” field in PRO. The price groups include:

- International Price (no tax)
- International Price (tax)
- Electric Companies
- Saudia Airlines
- Government
- Bunker Customer
- Bunker Agent
- Gas/NGL Pricing

4.3 SAP - HYDROCARBON MANAGEMENT MODULE (PRO)

For domestic sales, all customer information and detailed sales activity are maintained in PRO. General ledger accounts in PRC are configured to accept automated entries only from the daily ALE from PRO. Refer to AI 502 “Accounting and Reporting Procedures for Domestic Sales of Petroleum Products” for more details.

4.4 ESTABLISHING CUSTOMERS IN SAP/PRO

DSD/DSLD is responsible to review and establish all sales agreements with domestic customers of refined products, crude oil and sulfur and to establish and update customer information in PRO. DARRU is responsible to update the customer billing and credit information including bank guarantee information in PRO using transaction XD02. All customers must be established in PRO prior to lifting.

Refer to the Domestic Sales Manual of Distribution Operations section 4.0 for further details on sales agreement approvals and establishing and updating customer information in PRO.

4.5 SALES CATEGORIES

4.5.1 Cash and Cash-in-Advance Customers

Cash customers are customers that make payments at the time of lifting and cash-in-advance customers make advance payments to Saudi Aramco prior to purchasing products. These customers can make a direct deposit at one of Saudi Aramco's approved banks, via an ATM, the internet or by telephone. These deposits are sent to a holding account at the bank which interfaces with PRO via PASS and updates the customer payment information automatically. AFO's also have ad hoc cash customers known as "One-Time Cash Customers". These customers can make cash payments in either SAR or USD. One-Time Cash Customers are not established as customers in PRO.

Refer to AI 754, "Outstanding/Unclaimed Cash and Cash-in-Advance Customer Accounts – Domestic Sales" for instructions outlining procedures to be followed for administering unclaimed domestic sales cash and cash-in-advance customer accounts that remain unclaimed for more than one year.

4.5.2 Limited Credit Customers

Limited credit customers are customers that have extended credit with Saudi Aramco for product purchases. Limited credit customers must obtain a credit instrument. The credit instrument can be in the form of a bank guarantee, letter of credit or line of credit. The credit instrument should:

- Cover a minimum period of one year

- Amount should cover at least 45 days of estimated sales if the customer is on a 10-day billing cycle and pays invoice within 15 days or cover at least 55 days if the customer pays invoice within 30 days. Amount should cover 75 days if the customer is on a 30-day billing cycle and pays invoice within 30 days

- Be approved by CCD/Treasury

- Be drawn on a bank acceptable to Saudi Aramco within the Kingdom of Saudi Arabia

- The credit instrument can cover more than one location or region

AFO customers can make a payment using a sponsored Carnet card. Carnet cards are credit cards issued to an airline client by an international oil company and honored by a sponsor or agent. Sponsors are companies that pay invoices on behalf of customers and agents are companies established as customers who perform into-plane fueling of aircraft.

4.5.3 Unlimited Credit Customers

Unlimited credit customers are government or semi-government agencies, who have no minimum monthly purchase requirements or credit limits, and are not required to provide bank guarantees. Semi-government agencies include customers who are partially owned by the government such as SEC and SABIC, customers who are owned by the government but have independent identity such as Saudi Airlines, and customers who are part of government activity or function such as Aviation Club.

4.6 CUSTOMER CLASSIFICATION

Customers are further broken down into various classifications in PRO to distinguish them for pricing purposes. A listing of customer classifications can be obtained by drilling down on a "customer group sales order" field in PRO. Examples of customer classifications include: electric companies, railroad, agent/sponsor, SWCC, agriculture, etc.

4.7 TERMS

Except for ad hoc cash sales at AFOs, all AFO and Bulk Plant customers must provide proof of the legitimacy of their business before undertaking lifting. This proof is usually in the form of a signed agreement between the customer and Saudi Aramco.

4.8 METHODS OF PAYMENT

The methods of payment for products lifted by a customer are to be in accordance with the agreement signed between the customer and Saudi Aramco. The method of payment is used to categorize the customer in PRO (see section 4.5 above).

4.8.1 Cash and Cash-in-Advance Customers

Cash and Cash-in-advance customers that use e-sales to place an order at Bulk Plants, e-sales provides these customers with the amount of payment to be made prior to lifting. These customers would not be allowed to place an order unless the order was fully paid for by the customer.

At an AFO, staff members maintain and update sponsor credit balances and verify these balances prior to printing delivery tickets. For Ad hoc cash customers, normal AFO procedures cannot be followed. Ad hoc Cash customers generally arrive unannounced; therefore, manual delivery tickets are issued to these customers and cash is received on sight at the time of aircraft fueling/defueling.

4.8.2 Limited and Unlimited Credit Customers

Limited credit customers using e-sales would not be able to place an order if they have already reached their credit limit.

For unlimited credit customers, Bulk Plant and AFO staff verify that the customer is an approved government or semi-government agency by reviewing the customer data in PRO.

5. <u>DOMESTIC SALES AT BULK PLANTS</u>

Sales at Saudi Aramco's Bulk Plants are for tanker truck cargos or pipeline deliveries of refined products, crude oil. The minimum purchase requirements are 300,000 liters. The minimum single lifting quantity is 30,000 liters except for liftings by government or semi-government entities, Saudi Aramco's own use and kerosene customers.

5.1 <u>TANKER TRUCK CARGO SALES AT BULK PLANTS</u>

Bulk Plant truck cargo sales customers can execute purchase orders on-line by using e-sales capabilities available through Saudi Aramco or by contacting the Bulk plant sales office directly. E-sales interfaces with PRO to create a sales order, or Bulk Plant staff input the customer purchase order in PRO to create the sales order. This sales order is called "Petroleum Product Delivery Order". A hard copy of the order is given to the truck driver who delivers the product to the customer. Bulk Plants use a local operational system called TMS. PRO interfaces with TMS to create "Truck loading open order" which is a listing of all the sales orders for the day that have been processed in PRO. The driver of the vehicle, using the DID system at the bulk plant office, inputs his driver number, vehicle number, and delivery order number in TMS. The TMS system automatically verifies product quantity and gives the release for loading. After the truck has been loaded, a delivery ticket is produced and printed by TMS. TMS again interfaces with PRO to upload each delivery and complete any order that is filled.

Transporters lifting for the government must show a written purchase requisition from the government prior to taking a lifting. This government purchase requisition bears the customer's name, number, and the requested product quantity and code. It is forwarded to the DSBU along with the original delivery ticket. Government customers using e-sales for their lifting are not required a written purchase requisition.

5.2 <u>PIPELINE SALES AT BULK PLANTS</u>

Nominations for pipeline sales of crude oil and refined products at Bulk Plants are input into PRO by DSD. A nomination is a request by a customer for delivery of product in accordance with an existing and valid contract. Pipeline meter readings or tank gauging tickets are input into PRO by Bulk Plant staff for quantities delivered to the customer. The main customers for crude oil and diesel from pipelines are SEC and SWCC.

5.3 <u>PIPELINE AND HANDLING FEE – CRUDE OIL SALES</u>

All commercial customers of crude oil at Bulk Plants are charged an East/West pipeline fee of SAR 9.05 per 10,000 Liters for deliveries from Riyadh and SAR 0.59 per 100 liters for deliveries from the Western Province. In addition, a handling fee of SAR 2.50 per 100 liters is charged for all crude oil deliveries out of the eastern province. Government customers are not charged an East/West pipeline fee; however, they are charged the handling fee of SAR 2.50 per 100 liters of crude deliveries.

6. DOMESTIC SALES AT AIR FUELING OPERATIONS

6.1 DESCRIPTION

Saudi Aramco owns and operates several AFOs throughout the Kingdom which provide fuel for commercial, private and military aircrafts. AFOs do not operate with purchase orders from customers. Rather, AFOs schedule fueling of aircrafts based on weekly scheduled airline flights. The weekly flight schedule is input into PRO by AFO staff and revised, when necessary, for any daily added, cancelled or rescheduled flights. AFO staff members input and revise, when necessary, flight numbers, customers, usual product and quantity, flight arrival and departure times and usual aircraft parking location.

At the beginning of each day, AFO staff contacts the customers' representatives to reconfirm flight schedules and other fueling details. Two hours prior to the beginning of each shift an "AFO Refueling Schedule Report" is printed (SAP transaction ZV0005). AFOs staff verify the report for accuracy and completeness, then pre-print the next shift delivery tickets from PRO. The delivery ticket, called the "AFO Refueling/Defueling Ticket", is given to the refueler who records the actual quantity loaded on the aircraft based on meter readings on aircraft fueling equipment, signs the delivery ticket and obtains the customer's signature. If a plane needs to be defueled (fuel removed from aircraft) prior to refueling, the amount defueled is credited against the amount of fuel loaded. The customer is charged a defueling fee of SAR 0.10 per liter plus a defueling fee of SAR 300 per hour. After delivery is complete, a copy of the delivery ticket from the fueling operator is given to the AFO staff members who input the delivery information in PRO using transaction ZV0006. Original fueling/defueling delivery tickets are forwarded to DSBU for attachment with invoice.

6.2 AGENT SALES AT KAIA

At KAIA in Jeddah, Saudi Aramco uses agents rather than Saudi Aramco staff for fueling/defueling operations. Each agent has two customer accounts; one for fuel sold at international prices and one for fuel sold at GEP. APSCO has a third Account for Saudia Airlines fuel sales. Agent sales to international airlines, private airlines, Saudia Airlines and military aircraft from agent stock are supported by agent delivery tickets that include customer number, material number and meter readings. The agent provides Saudi Aramco personnel who are located at the airport with daily agent delivery tickets for input into PRO to generate sales orders.

Agents either use Saudi Aramco tanks to supply fuel to customers via dispensers or Saudi Aramco sells the product directly to the agent and the agent subsequently sells the product to the customers. If the agent uses Saudi Aramco tanks for fueling, then the price charged to the agent is the dependent on the classification of the end customer. The selling price for product sold directly to the agent is the current international rate including tax. The agent's account is adjusted in PRO for the following:

- If the agent sells product to a third party at international rates excluding tax, the agent provides Saudi Aramco with the delivery ticket evidencing the non-taxable transaction. Saudi Aramco credits the agent for the amount of the tax originally charged. The customer master data file in PRO indicates whether the end user is taxable or not.
- If the agent sells to Saudia Airlines or another government customer, the agent provides the delivery ticket to Saudi Aramco to evidence the sale and obtains a full credit. Saudi Aramco then invoices the agent's GEP account either the Saudia Airlines price or the GEP. A certificate is received from Saudia Airlines and other government customers confirming the quantity lifted.

6.3 AGENT SALES AT REMOTE DOMESTIC AIRPORTS

Saudi Aramco sells fuel from the North Jeddah Bulk Plant and the Yanbu Bulk Plant to two agents who operate local airports in remote areas. These agents have three customer accounts:

1. Unlimited credit - Saudia Airlines price
2. Limited credit - GEP
3. Limited credit – international price plus tax

The agents' main customer is Saudia Airlines; however, they will occasionally incur sales to military and other government aircrafts and international airlines. Since their main customer is Saudia Airlines, these agents are unlimited credit customers and are charged automatically the Saudia Airlines price for fuel and are not required to submit a bank guarantee.

DSBU prepares a monthly reconciliation of quantities sold by agents to customers other than Saudia Airlines based on a sales and delivery statement provided by the agents to DSBU within five (5) working days of delivery month end. The statement reflects the quantity of fuel sold by the agents to Saudia Airlines, military and other government air crafts, and international airliners. The statement also reflects purchased quantity and opening and closing inventory. The agents also submit certified certificates from Saudia Airlines and other government customers confirming quantities received by them.

DSBU prepares the reconciliation off-line on an excel spreadsheet to calculate the agents' closing inventory and quantities sold to non-Saudia Airlines customers and creates four adjustment sales orders in SAP as follows:

- A debit order to charge the agents' limited credit – GEP account for quantity sold to government customers.

- A debit order to charge the agents' limited credit – international price plus tax account for quantity sold to taxable international airlines.

- A debit order to charge the agents' limited credit – international price plus tax account for quantity sold to non-taxable international airlines.

- A credit order to credit the agents' unlimited credit – Saudia Airlines account for quantity sold to non-Saudia Airlines customers; which is equal to the total of the above debit orders. This credit memo is processed after approval by the work director or supervisor of DSBU.

6.4 AVIATION FUEL TAX/DISCOUNTS/HANDLING FEES

Aviation fuel tax applies on sales to international airline companies and private aviation companies. All international sales will be taxed unless Saudi Aramco is notified by the Ministry of Defense and Civil Aviation that a tax treaty exists. Aviation fuel sold at GEP is not subject to the aviation fuel tax. Aviation fuel tax is currently set at SAR 1.06 per 100 liters.

International airlines get a discount on purchase of 100,000 liters or more of fuel oil at KFIA. This discount is set by DSD.

Saudi Aramco charges a handling fee to all its AFO customers except the Royal Saudi Air force. Handling fees vary per AFO location from SAR 10.50 per 100 liters to SAR 41.20 per 100 liters. Air fueling agents lifting jet fuel from the Bulk Plants are not charged a handling fee.

7. OTHER REFINED PRODUCTS AND CRUDE OIL DISTRIBUTION FACILITIES

Saudi Aramco's domestic sales to the public other than through Bulk Plants and AFOs consist of the following:

Product		**Location**
Crude Oil	-	Abqaiq Plant, Ras Tanura and Yanbu Marine Terminals
Asphalt	-	Ras Tanura Local Sales Unit (Part of Ras Tanura Terminal)
Bunker Fuel and Diesel	-	Marine Terminals
Feedstock (Reduced crude oil to LUBEREF I)	-	Jeddah Refinery
Fuel Oil A960 or A954 (Feedstock to LUBEREF I&II)	-	Jeddah and Yanbu Refineries

7.1 TERMINAL SALES

7.1.1 Crude Oil Sales

Domestic sales from terminals include sales of crude oil to SEC at Yanbu, Jeddah, Ras Tanura and Rabigh terminals. Nominations for sales at the terminal are entered in PRO by DSD. The terminal checks the daily schedule based upon the nominations. The terminal fulfills the sales nomination and records the sales transaction in PRO. The Rabigh and Jeddah terminals use the local bulk plant to process the sales transactions.

7.1.2 Bunker Fuel Sales to Bunkering Agents

7.1.2 (a) Bunker Fee

Saudi Aramco uses agents for the sale of bunker fuel oil and diesel to bunkers. Bunker fuel oil and diesel sales are set at the weekly posted international price based on delivery location. Bunker fuel oil and diesel are sold through all Saudi Aramco terminals. The DJVABSU prepares the invoices to the agents based on gauging tickets entered into PRO by the SU at the various locations. Agents get a 10% discount on the agreed selling per metric ton for both diesel and bunker fuel. This discount, called the bunker fee, is deducted immediately from the agent's sales invoice. The discount cannot exceed USD 10.00 per metric ton and is a minimum of USD 7.00 per metric ton.

7.1.2 (b) Bunker Subsidy

An additional subsidy of 30% of the gross selling price at Ras Tanura is granted for fuel and diesel consumed by vessels owned by Saudi citizens carrying the Saudi flag. The vessel must be used for commercial purposes. The subsidy request must be made within 92 days of voyage end. At the end of each month the agent sends DJVABSU a report containing the quantity of bunker fuel and diesel oil received from Saudi Aramco and sold to Saudi flag and non-Saudi flag vessels. This report must be supported by a copy of bunker receipts. The agent's Saudi customers also send their Engine Log Book to Saudi Aramco which indicates the ship's consumption of fuel oil and diesel oil during a trip, port clearance and manifest and turnout report as well as bunker receipts showing the original quantity of fuel oil and diesel received from Saudi Aramco and, if any, quantity received from foreign ports. The information received from the agent and customers are used by DJVABSU for the preparation of the credit note to be issued to the customer and credited on the agent's next invoice on behalf of the customer. An authorization letter must be received by Saudi Aramco from the owner of the Saudi vessel authorizing Saudi Aramco to credit the agent with the bunker subsidy.

7.1.2 (c) Bunker Considerations

Bunker considerations are discounts provided to agents for bunker fuel oil. Saudi Aramco has entered into agreements with two local agents for bunker considerations. These agents are BAKRI and SABS. These considerations are credited monthly on the invoice issued to these agents. Refer to AI 530, "Bunker Consideration Procedures".

7.1.3 Bunker Fuel Oil Sales to Vela

The DJVABSU prepares a monthly provisional sales invoice to Vela based on gauging tickets entered into PRO by the SU at the various locations.

7.2 PLANT SALES

Nominations for crude oil sales from the Abqaiq plant are input in PRO by DSD. Tank gauging tickets are input into PRO by the Abqaiq plant. Sales from the Abqaiq are mainly to the Saudi Railroad and SWCC; however, there are some minor sales to other cash-in-advance customers.

7.3 REFINERY SALES

Saudi Aramco sells refined petroleum products to LUBEREF from the Jeddah and Yanbu refineries. Saudi Aramco has a 70% interest in LUBEREF. LUBEREF owns two lubricating oil refineries at Jeddah and Yanbu, called LUBEREF-I and LUBEREF-II respectively. They both manufacture lubricating base oil stocks. Saudi Aramco delivers reduced crude oil (known as feedstock) and fuel oil (A960) to LUBEREF-I and receives a return stream of VGO, waxes , vacuum residue, PD tar and lube extracts. Similarly, Saudi Aramco delivers fuel oil (A960 or A954) as feedstock to LUBEREF-II. In return Saudi Aramco receives a return stream of naphtha and other by products. Saudi Aramco also delivers ethane and batches of propane to LUBEREF II. Procedures for the sale of propane and ethane will be discussed in section 8 below.

Pricing of products delivered to LUBEREF is as follows:

Product	**Price per supply agreements**
LUBEREF-I	
Reduced crude (feedstock)	Lower of either the Jeddah posted price or the Ras Tanura actual sales price
Fuel Oil (A960)	**
LUBEREF-II	
Fuel Oil (A960/A954)	International price (if used as primary fuel price is at GEP)

Note: Saudi Aramco is working with Exxon/Mobil and LUBEREF on finalizing a new Feedstock Supply Agreement. The current sales prices for reduced crude (feedstock) to LUBEREF-I (the lower of either the Jeddah Posted price or the Ras Tanura actual sales price) will be used through June 30, 2009, or until a new Feedstock Supply Agreement is signed, whichever is earlier.

**Historically, Fuel oil (A960) has been sold at SAR 32.80 to LUBEREF I.

7.4 PIPELINE AND HANDLING FEES FOR SALES FROM THE RAS TANURA/JUYAMAH AND YANBU MARINE TERMINALS AND ABQAIQ PLANT

Deliveries of crude oil from the Abqaiq plant or the Ras Tanura/Juaymah marine terminals are not subject to either a pipeline fee or a handling fee. Deliveries from the Yanbu terminal are subject to a handling fee of SAR 2.5 per 100 liters of crude deliveries.

Note: Deliveries of crude oil from other terminals which are processed by the local Bulk Plants (section 7.1.1) are subject to both pipeline and handling fees as discussed in section 5.3.

8. DOMESTIC SALES OF GAS PRODUCTS

8.1 MASTER GAS SYSTEM (MGS)

Saudi Aramco currently has five upstream gas plants that receive non-associated natural gas from gas wells and associated natural gas from crude oil wells. These gas plants include: Shedgum Gas Plant, Uthmaniyah Gas Plant, Berri Gas Plant, Hawiyah Gas Plant and Haradh Gas Plant. A sixth upstream gas plant is scheduled to start operations in 2008 called the Khursaniyah Gas Plant. The upstream gas plants are part of Saudi Aramco's "Master Gas System". The MGS also includes three downstream gas plants and a complex underground sales gas distribution grid which supplies fuel gas to the Saudi Aramco plants and to its customers. The upstream gas plants sweeten the natural gas by removing the acid gas. After the gas has been sweetened, it is compressed and admitted to the Chilldown Units to recover NGL. The recovered NGL is sent to the downstream gas plants for further processing. The light gases that do not condense are injected into the sales gas grid. The downstream gas plants or NGL fractionation plants include: Juaymah Fractionation Plant, Yanbu Fractionation Plant and Ras Tanura (NGL) Plant. These downstream plants produce ethane, propane, butane, NG and other heavier liquid gases. The gas products produced by Saudi Aramco are used either as a source of fuel or as feedstock for the petrochemical industry and by Saudi Aramco plants. Propane, butane and natural gasoline in excess of local demand are exported. These export sales will not be discussed in this GI.

8.2 DRY GAS, ETHANE AND NGL AGREEMENTS

When a domestic customer, through the MINPET, approaches Saudi Aramco with a project, GNPDMD/NAGO evaluates the project then develops and executes contracts for the sale of dry gas, ethane or NGL to this customer. The contracts include a DBSP agreement, an E&C support agreement, an O&M agreement, a Land Lease agreement and a supply agreement. GNPDMD/NAGO also requests that a customer submit a bank guarantee to ensure that the customer complies with the projects milestones.

Refer to AI 153 "Accounting Procedures for Design Basis Scoping Paper (DBSP) and Engineering & Construction Support (E&C)" and AI 139 "Accounting Procedures for Facilities Operation & Maintenance Agreements" for more discussion on these two areas.

8.3 TERMS

There must be a signed supply agreement between Saudi Aramco and the customer prior to the customer taking a lifting.

8.4 ESTABLISHING CUSTOMERS IN PRO

GNPDMD is responsible to review and establish all sales agreements with domestic customers of gas products and to establish and update customer information in PRO. DARRU is responsible to update the customer billing information in PRO using transaction XD02.

8.5 NOMINATIONS

OSPAS inputs the customers' monthly nominations in PRO using transaction ZE0051.

8.6 DRY GAS, ETHANE, NATURAL GAS AND NGL SALES

8.6.1 Dry Gas (A120), Ethane (A130) and Natural Gas

Saudi Aramco sells dry gas (sales gas) domestically to third party customers including SEC, SWCC, SABIC and other government agencies as well as to its 50% owned export refineries SAMREF and SASREF to be used as fuel and feedstock. Ethane is also sold to domestic industrial customers and LUBEREF to be used as feedstock.

Major industrial and utility customers receive the dry gas directly from a high pressure transmission pipeline. Other local customers receive dry gas via a network of pipelines, pressure reduction stations and other facilities to their meters. Pipeline meter readings are input into PRO by the NAPD for sales in the Eastern Province, by EWPD for sales in the Central Province and by the SU at Yanbu for sales in the Western Province. DSBU is responsible for invoicing these sales.

KFUPM is Saudi Aramco's only customer of unprocessed Natural Gas directly from a GOSP. Refer to AI 502 "Accounting and Reporting Procedures for Domestic Sales of Petroleum Products" for further discussion.

8.6.2 NGL (A180)

NGL is sold to domestic industrial customers. The main customers of NGL are Arabian Petrochemical Company, Saudi Chevron Phillips Company and Saudi Yanbu Petrochemical Company. The first two customers are supplied from the Juaymah fractionation plant and the third customer is supplied from the Yanbu fractionation Plant.

The Gas Plant & Terminal Department and the Juaymah Gas Plant input deliveries in PRO. DSBU is responsible for invoicing these sales. Refer to AI 135, "Accounting Procedures for Local NGL Sales" for more details.

8.6.3 Non-refrigerated Propane (A147) and Butane (A167)

Non-refrigerated propane (A147) and non-refrigerated butane (A167) are sold domestically to the Kingdom's petrochemical customers and to the company's associates SAMREF and LUBEREF. Sales in the Eastern Province are from the Juaymah Fractionation Plant and sales in the Western Province are from the Yanbu Fractionation Plant. The Yanbu Gas Plant & Terminal Department and the Juaymah Gas Plant input deliveries in PRO. DSBU is responsible to invoice these sales.

8.6.4 Butane/Isobutane Mix to SAMREF

The Saudi Aramco NGL Plant at Yanbu delivers butane/isobutane mix to SAMREF. SAMREF is a refinery at Yanbu that produces petroleum products for export. SAMREF separates the isobutane from the mix and uses it as a high octane blending component in motor gasoline. SAMREF returns the balance of the butane/isobutane mix back to Saudi Aramco after it removes the isobutane it needs. The Yanbu Gas Plant and Terminal Department sends daily and monthly consumption reports to the SU for input in PRO.

SAMREF also produces butane and propane in it own operations. Butane, produced by SAMREF and not used by it (called excess butane), and propane are sent to the Yanbu Gas Fractionation Plant to be processed, stored, and loaded onto ships as LPG for export.

The Sales price per metric ton of the net Isobutane and normal butane sold to SAMREF is according to the monthly average of Japan C&F Naphtha as quoted in Platts and Argus, after considering the product discount factor and freight cost.

8.6.4 (a) LPG Sold on Behalf of SAMREF

SAMREF pays Saudi Aramco a handling fee for receiving, refrigerating, storing, loading on vessels, and other costs associated with propane and excess butane delivered by SAMREF. The handling fee is applied to the gross quantity of propane and excess butane and it is based on Saudi Aramco's costs for handling the products and costs for transferring the butane/isobutane mix between Saudi Aramco and SAMREF. Revenue from the sale of SAMREF propane and excess butane are booked through Saudi Aramco's normal sales accounting process on Saudi Aramco's books. On a monthly basis, DJVABSU calculates the credit due SAMREF for the sales of these products as well as the handling fee. Saudi Aramco nets these amounts against the amount payable to SAMREF for the purchase of refined products from SAMREF.

8.6.4 (b) Sulfur Sold on Behalf of SAMREF

SAMREF pays Saudi Aramco a marketing fee of USD 1.50 per metric ton and a handling fee of USD 5.20 per metric ton for receiving, refrigerating, storing, loading on vessels, and other costs associated with sulfur delivered by SAMREF. The marketing fee is applied to the net quantity of sulfur shipped to end customers. The handling fee is applied to the gross quantity of sulfur loaded on vessels. Revenue from the sale of SAMREF sulfur is booked through Saudi Aramco's normal sales accounting process on Saudi Aramco's books. On a monthly basis DJVABSU calculates the credit due SAMREF for the sales of this product as well as the marketing and handling fees. Saudi Aramco nets these amounts against the amount payable to SAMREF for the purchase of refined products from SAMREF.

Refer to AI Supplement 502-1 for a summary of agreed prices between Saudi Aramco and SAMREF and SASREF, and AI 743 "Accounting for Investment in Saudi Aramco Mobil Refinery Company Limited (SAMREF)" for more discussion.

8.6.5 Refrigerated Propane (A140) and Butane (A160) and LPG (A150)

The domestic sale of refrigerated propane, butane and LPG are under the responsibility of DSLD. LPG (A150) and refrigerated butane (A160) are sold locally to National Gas and Ind. Co., who in turn distributes these products to end customers. Saudi Aramco does not sell gas to small end users. National Gas and Ind. Co. is charged the GSPR price for the gas products and is charged a government fee as well. They are billed in SAR. These products are distributed from Riyadh, Jeddah, Yanbu and Qatif LPG shipping point. Procedures for delivery from these Bulk Plants are the same as delivery of other products.

LPG (A150) and refrigerated butane (A160) are also sold locally from the Yanbu Bulk Plant and Qatif LPG Bulk Plant as feedstock. The selling price is the international price and sales are grouped with International Refined Products Sales. They are billed in SAR. DSBU is responsible for invoicing these customers.

Refrigerated propane (A140) and refrigerated butane (A160) in excess of the Kingdom's needs are exported. The price of this exported gas is the international market price. These sales are billed by ESSAD. For accounting and reporting procedures, refer to AI 501 "Accounting and Reporting Procedures for International Sales of Petroleum Products".

8.6.6 Liquid Sulfur (A101) Sales

The domestic sales of liquid and flake sulfur are under the responsibility of DSLD. Liquid sulfur is sold to various Saudi Aramco domestic customers from the Shedgum gas plant and the South Riyadh Bulk Plant at international market prices set quarterly by PSMD. Delivery tickets are prepared based on scale readings of filled trucks. Delivery tickets from the Shedgum gas plant are input into PRO by the SU and deliveries from the South Riyadh Bulk Plant are input by Bulk Plant staff. DSAD is responsible for invoicing these sales.

8.6.7 Flake Sulfur (A103) From Bulk Plants

Flake sulfur is sold in the Western Province and the sale is processed through the Rabigh Bulk Plant.

8.7 GAS / NGL PRICING

The sales price of gas products sold within the Kingdom is regulated by GSPR. Gas sales are not subject to a government fee. Customer price group can be obtained by drilling down on the "Price Group" field in PRO.

9. COMPANY'S OWN USE TRANSACTIONS

9.1 WITHDRAWAL OF REFINED PRODUCTS AND CRUDE OIL

Withdrawals of petroleum products from local sales facilities are not considered sales and the end user is charged at cost. For withdrawals from a Bulk Plant, Bulk Plant staff generates an "Own Use Delivery Order" based on Petroleum Product Requisition Form (Form SA 2457) or Saudi Aramco Vehicle Own Use Fuel Consumption Log. "Own Use Delivery Tickets" are then generated by TMS after delivery of product is complete which interfaces with PRO. For withdrawals from AFO's, AFO staff generates "Own Use Delivery Tickets" based on the daily flight schedules. The cost of these products is obtained from PARU and is input by DSBU in PRO using transaction ZV0081. DSBU downloads SAP/PRO report ZV0080 in preparation of the monthly own use journal entry for issues from the Bulk Plants and AFOs.

9.2 BUNKER FUELING FROM TERMINALS FOR OWN USE

Bunker fueling is requested by the Marine Department and supported by Form SA 2457 signed by the receiver. These forms are sent to the SU for input in PRO. The recipient organization is charged at cost.

For the handling of diesel transferred from Ras Tanura Terminal and subsequently delivered to vessels, GOSP's and crude oil platforms for company use, refer to GI 241.018, "Reconciliation of Marine Transfers of Diesel".

9.3 CRUDE OIL FROM THE ABQAIQ PLANT AND PROPANE FROM THE SHEDGUM GAS PLANT

Liftings for company's own use from the Abqaiq Plant for crude oil and the Shedgum Gas Plant for propane must be supported by Form SA 2457 and gauging tickets. Reports on issues from the Abqaiq plant and the Shedgum gas plant are sent to the SU for input into PRO. DSBU is responsible for the preparation of the monthly manual journal entry.

9.4 CONSUMPTION OF GAS OR NGL FEEDSTOCKS

When the continuous manufacturing process consumes some of the same fuel it produces, for example heat for distillation in a refinery or fuel gas used in production of butane or propane, the cost of the fuel consumed is considered part of the product cost. Consequently, no charge is made to the production organization for the cost of the fuel.

Approved: Original Approved MESHAAL F. AL-RUBAYA
MESHAAL F. AL-RUBAYA, Manager (A)
Accounting Policies & Systems Department

WS
WC #T2227

Attachment I

RESPONSIBILITIES

This attachment outlines the responsibilities of the various divisions or departments involved with the domestic sales process:

1. DSD / DSLD RESPONSIBILITIES:

a) The Manager of DSLD receives all written applications from domestic customers wishing to purchase refined products, crude oil and sulfur. The written application must state the buyer’s name and location, the type and quantity of product needed, reason for purchasing the product and whether or not the customer wants to purchase the product on credit, cash or cash-in-advance basis prior to lifting.

b) DSD/DSLD reviews the written request and verifies if the applicant can meet the minimum purchase quantity requirement as well as the ability to provide all the documentation necessary as defined in the Sales Agreement and information sheets. DSD will do a preliminary assessment of eligibility of customer’s wishing to buy on limited credit and inform the customer of their decision immediately. If the customer can meet all of the requirements, a Sales Agreement application and information sheets are provided to the customer.

c) The Domestic Sales Representative/DSD:

- Reviews the customer’s completed sales agreement to ensure that it is complete and includes all the required documentation.

- For crude oil, fuel oil and asphalt customers, the representative verifies if a site visit report is included with the application.

- Verifies the existence of a bank guarantee for credit customers to cover the sales agreement volumes and coordinates the customer credit review with CCD/Treasury. CCD ensures that bank guarantees meet Saudi Aramco criteria. They also confirm receipt and validity of the guarantee to DSD.

- Gets a confirmation from the customers that all end users of the product are identified on the application form.

d) The Regional Unit Supervisor/DSD approves the application for all customers within his region and the division head of DSMD approves applications of customers purchasing in multiple regions.

e) Manager of DSLD reviews all applications for unlimited credit customers. Endorses the sales agreement and forwards it to the vice-president, Distribution & Terminal Operations for approval.

f) The Domestic Sales Representative/DSD prepares a Customer Data Sheet from the information contained in the sales agreement detailing the type of product, quantity, lifting locations and the duration of the agreement to be input into PRO.

g) The Domestic Sales Representative/DSD issues a customer account number and forwards a copy of the sales agreement and the customer's data sheet to DSAD. DSAD then activates the account number in SAP for billing purposes.

h) The original sales agreement remains at the Domestic Sales Regional office. A copy of the sales agreement is forwarded to the sales representatives at the locations where the customer is going to lift the product or products.

i) Once the customer is established in SAP, DSLD advises the concerned Saudi Aramco domestic distribution facility to supply the product or products to the new customers purchasing on a cash, cash-in-advance or credit basis.

j) The Regional Unit Supervisor of DSD monitors the customers' liftings to ensure that they are in compliance with the sales agreement. If the customer is not in compliance after a six month grace period, then the customer's sales agreement will be amended to reflect actual liftings. Customers not maintaining sufficient sales volumes will be highlighted to the Division Head of DSD for action.

k) The division head of DSD is responsible for establishing product handling fees.

l) Provide and update tax exemption list for AFO, and update customer tax status in PRO.

m) Provides DSAD with any changes to GEP for their input in SAP.

2. GNPDMD RESPONSBILITIES:

a) Responsible for establishing sales agreements with domestic customers of gas products.

b) Validate customer projects.

c) Execute DBSP, E&C and O&M Agreements to ensure that the customer designs and build proper facilities to tie-in to Saudi Aramco's facilities and meet with Saudi Aramco standards.

d) Monitor customers' projects to ensure that they are in accordance with execution plans.

e) Implement GSPR and perform the Master Gas System aggregator role.

f) Obtain the customers' yearly demand forecast, inform customers of monthly feedstock prices and of the annual routine and non-routine O&M fees.

3. PSMD RESPONSIBLITIES:

a) Generates prices on weekly, monthly, and quarterly basis for products not regulated by the government.

4. BULK PLANT RESPONSIBILITIES:

a) Process delivery orders in PRO.

b) Provides DSBU government purchase requisitions and sales delivery tickets.

c) Bulk plant personnel verify sales transactions to ensure that the total number of TMS delivery tickets match with the total number of delivery tickets in PRO by using various SAP transactions. See Manage Locations Sales Manual of Distribution Operations section 6.7.

d) Generate the “Pending Documents Report” PRO transaction ZV0103 at the end of each shift. Review the exceptions and initiate action to complete or delete the pending items as appropriate. The “Pending Documents Report” shows a listing of incomplete sales order documents that may contain errors. The report allows the user to drill down on the document for further investigation. It will allow the user to either delete the document or take the necessary steps to complete it.

5. AFO RESPONSIBILITIES

a) Issues sales orders based on the daily flight schedule.

b) For sponsored customers, verify sponsor’s available credit balance.

c) Verify validity of Carnet Card.

d) Verify agent’s credit balance where necessary.

e) For ad hoc sales to international customers, verify tax exemption list.

f) Process delivery orders in PRO.

g) Provides DSBU Aircraft Refueling/Defueling tickets.

h) AFO personnel verify refueler loading transactions to ensure that information in SAP matches the original documents. Various SAP transactions are used to complete this process. See Manage Locations Sales Manual of Distributions Operations section 6.7.

i) Generate the “Pending Documents Report”, PRO transaction ZV0103, at the end of each shift. Review the exceptions and initiate action to complete or delete the pending items as appropriate. The “Pending Documents Report” shows a listing of incomplete sales order documents that may contain errors. The report allows the user to drill down on the document for further investigation. It will allow the user to either delete the document or take the necessary steps to complete it.

6. DARRU RESPONSIBILITIES:

a) Reconciles all sales and accounts receivable accounts in PRO with the general ledger in PRC.

b) Monitors customers' balances through dunning procedures and aging analysis.

c) Advises DSLD of delinquent customers for further handling (termination, cashing bank guarantees, change of customer status, etc…).

d) Enters collections from credit customers' in SAP.

e) Establishes and updates customers' master data files which include customer credit limits and bank guarantee information.

f) Makes changes to product pricing table in SAP based on prices reported by PSMD on a monthly bases for international sales, weekly for local bunker sales, and quarterly for sulfur sales.

g) Prepares and issues Account Statements to government and semi-government customers on a quarterly basis.

h) Prepares and issues cash-in-advance customer statements.

i) Updates customer master date for discount rate for all international airlines for purchases of Jet A-1 fuel at KFIA.

j) Prepares journal entry for contra accounts of non-paying government and semi-government customers and the settlements with the government.

k) Maintains and follows up on all individual domestic credit customer accounts to ensure that amounts are collected by their due date.

l) Prepares and issues a monthly payment expectation report to Treasury for Gas/NGL Customers.

7. DSBU RESPONSIBILITIES:

a) Issues automated invoices in PRO and sends to customers.

b) Prepares and issues manual invoices for natural gas sales to KFUPM.

c) Prepares and issues manual invoice to LUBEREF.

d) Prepares journal entries for issues of petroleum products for Saudi Aramco's own use.

e) Records any sales adjustments.

f) Prepares reconciliation of quantities sold to air fueling agents at remote locations and prepares the debit and credit adjustments to the agents account as discussed in section 6.3.

8. DJVABSU RESPONSIBILITES:

a) Responsible for billing bunker fuel sales.

b) Calculate the 30% bunker subsidy granted for bunker fuel and diesel oil consumed by vessels owned by Saudi Citizens carrying the Saudi flag.

c) Calculates the credit due SAMREF for the sales of SAMREF'S propane and excess butane less a handling fee.

d) Prepares PRO monthly sales invoice for net quantities of butane/isobutane mix delivered to/from SAMREF.

9. CCD RESPONSIBILITIES:

a) Approves the customer's lines of credit.

b) Confirms receipt and validity of bank guarantees to DSD.

c) Requests bank guarantees renewals when necessary.

d) Maintains custody of original bank guarantees.

e) Releases/Cashes existing bank guarantees based on letters from proponents and OAD approval.

10. CMID RESPONSIBLITIES:

a) Provides DARRU with the necessary information of customer payments appearing on bank statements to help them clear the receivable.

b) Establishes, updates and maintains PASS.