



"These clauses are purely illustrative. Different policy conditions may be agreed. The specimen clauses are available to any interested person upon request. In particular:  
 (a) in relation to any clause which excludes losses from the cover, insurers may agree a separate insurance policy covering such losses or may extend the clause to cover such events;  
 (b) in relation to clauses making cover of certain risks subject to specific conditions each insurer may alter the said conditions".

09/05/05

## LOSS OF PRODUCTION INCOME

### Production Loss Sustained

#### 1. INSURING CLAUSES:

##### A. COVERAGE

Subject to the EXCLUSIONS, CONDITIONS AND DEFINITIONS of the Policy, and also to the following ADDITIONAL EXCLUSIONS CONDITIONS AND DEFINITIONS, this Section shall, following necessary interruption of the business, indemnify the Insured for:

- (i) Loss of Production during the Recovery Period at the Insured's Premises as defined hereunder;
- (ii) Increased Cost of Working as defined hereunder;

directly caused by either:

- (a) accidental physical loss of or physical damage to real or personal property; or
- (b) Well Out of Control as defined hereunder

occurring while this Section is in force.

##### B. RECOVERY PERIOD

The period in respect of which Underwriters shall indemnify the Insured for Loss of Production and/or Increased Cost of Working shall, in respect of each Occurrence, not commence until the Insured has suffered Loss of Production, consequent upon such Occurrence, for the number of days stated in the Schedule as the Waiting Period (for the purpose of ascertaining the Waiting Period days of lost production shall be aggregated and will not be required to be consecutive); the Recovery Period shall then continue for as long as such Loss of Production persists but not exceeding

- (i) such time as, with the exercise of due diligence and dispatch, Normal Operations could be restored and prioritising, when appropriate in the interest of Underwriters and the Insured in reducing loss hereunder, the repair, reinstatement or replacement necessitated by the Occurrence, nor
- (ii) the unbroken length of time stated in the Schedule as the Maximum Recovery Period. The Recovery Period hereunder shall not be limited by the expiry date of this Section.

##### C. LIMIT OF LIABILITY

Underwriters hereon shall in no circumstance be liable for more than the amount stated in the Schedule as the Occurrence Limit in respect of Loss of Production at all Insured's Premises combined in respect of any one Occurrence. Any payment within the Occurrence Limit shall itself be subject to the following Sublimits of Liability:

- (i) The amount calculated in accordance with the Measure of Recovery Clause hereunder for each Insured's Premises separately as stated in the Schedule; and
- (ii) \$250,000 in respect of Loss of Production at Insured's Premises directly caused by physical loss of or physical damage to Dependency Premises unless the Insured has made a specific declaration of such Dependency Premises as stated in the Schedule.

The Limit of Liability hereunder shall not be limited by the expiry date of this Section.

##### D. MEASURE OF RECOVERY

Subject to the Limit of Liability hereunder, the Measure of Recovery hereunder shall be calculated as the Loss of Production multiplied by the applicable Unit Price.

#### 2. DEFINITIONS

A. Actual Production shall in respect of each Insured's Premises be defined as the Volume actually produced during the Recovery Period.

B. Adjusted Production shall in respect of each Insured's Premises be defined as Standard Production adjusted as may be necessary to provide for variations in Volume or other special circumstances including but not limited to planned or unplanned shutdown or a change in the Insured's financial and/or working and/or ownership interest which affects Volume either before, during or after the loss and which would have affected Volume had no loss occurred, so that the Adjusted Production shall represent as nearly as may be reasonably practicable the Volume which, but for the loss, would have been obtained during the Recovery Period.

C. Completed Well shall be defined as an Insured Well where any of the following activities have first occurred after the last string of casing has been set and cemented:

- (i) the running and setting of subsurface completion assemblies, production tubing, downhole packers, subsurface safety valves, or tiebacks; or
- (ii) the perforation and/or stimulation of the Well; or
- (iii) the act of setting a christmas tree; or
- (iv) the installing of pumping equipment on the well head for the purpose of intentionally extracting formation fluids.

D. Dependency Premises shall be defined as real or personal property upon which the Insured's production at the Insured's Premises is dependent, other than the scheduled Insured's Premises themselves, but including

- (i) real or personal property situated at Insured's Premises in which the Insured has no interest as owner, operator or co-venturer
- (ii) real or personal property situated elsewhere, whether or not the Insured has an interest as owner, operator or co-venturer.

E. Increased Cost of Working shall be defined as additional cash expenditure necessarily and reasonably incurred for the sole purpose of reducing a claim amount otherwise payable hereunder.

F. Insured's Premises shall be defined as facilities and/or platforms and/or pipelines as stated in the Schedule which are owned by or in the care, custody or control of the Insured and/or in which the Insured has an interest as co-venturer.

- G. Insured Well shall be defined as an oil and/or gas and/or sulphur and/or thermal energy Well in which the Insured has a financial and/or working and/or ownership interest and in respect of which such Insured Well is covered under Section Y of this Policy.
- H. Loss of Production shall be defined as the shortfall if any for each Insured's Premises of the Insured's proportionate share of Actual Production below Adjusted Production but not exceeding the Daily Value or Unit Volume stated in the Schedule for the Recovery Period.
- I. Maximum Recovery Period shall be defined as the period of consecutive days as stated in the Schedule hereunder.
- J. Normal Operations shall be defined as the condition present at such time that production and/or pipeline throughput could, with reasonable dispatch and the exercise of due diligence be restored to the condition that would have existed had no loss occurred.
- K. Occurrence shall be defined as an event which can be isolated in time, in place and in the manner of its happening as being the cause of or, where there is no evident cause, as consisting of an instance or instances of physical loss or physical damage;
- (i) as respects windstorm, all tornadoes, cyclones, hurricanes, similar storms and systems of winds of a violent and destructive nature, arising out of the same atmospheric disturbance within any period of seventy-two consecutive hours commencing during the period of insurance provided by this Section, shall be deemed to be one event;
- (ii) each earthquake shock or volcanic eruption, shall constitute one event hereunder, provided that if more than one earthquake shock or volcanic eruption shall occur within any period of seventy-two consecutive hours commencing during the period of insurance provided by this Section, such earthquake shocks or volcanic eruptions shall be deemed to be one event.
- Clauses (i) and (ii) above shall not operate if such peril(s) is/are excluded under Section X of this Policy.
- L. Standard Period shall be defined as the 180 consecutive day period which immediately precedes the inception date of this Section or such other consecutive day period as may have been specifically agreed by Underwriters and stated in the Schedule.
- M. Standard Production shall in respect of each Insured's Premises be defined as the Volume actually produced during the Standard Period.
- N. Unit Price shall be as stated in the Schedule.
- O. Unit Volume shall be as stated in the Schedule. Where no Unit Volume is stated in the Schedule, Unit Volume shall be calculated as the Daily Value stated in the Schedule divided by the applicable Unit Price.
- P. Volume shall be defined as actual production and/or pipeline throughput and shall be expressed by measure of barrels or millions of cubic feet or such other measure as may have been specifically agreed by Underwriters as Volume Measure as stated in the Schedule.
- Q. Waiting Period shall be defined as the applicable period of days as stated in the Schedule hereunder.
- R. Well shall be defined as a hole bored into the ground with the intention of producing from or exploiting and enhancing the recovery of oil and/or gas and/or sulphur and/or thermal energy resources or deposits, including such conductor, casing, liner and/or tubing as may have been installed therein and such wellhead, christmas tree, blow-out preventer or mechanical pressure control equipment as may have been installed immediately above the bore of a Well.
- S. Well Out of Control shall be defined as an Insured Well from which and only when and only while, there exists an unintended flow of drilling fluid, oil, gas, water or other substance, either from an Insured Well above the surface of the ground or water bottom or from one subsurface depth interval into another subsurface depth interval via the bore of an Insured Well, and which flow has not been or cannot be stopped or diverted into production.
- Nevertheless, a Well shall not be defined as a Well Out of Control solely because of a flow of oil, gas, water or other substance into the Well bore which can be circulated out or bled off through the surface controls.

### 3. EXCLUSIONS

THIS SECTION DOES NOT INSURE AGAINST:-

- A. Loss of Production resulting from interference by strikes, lockouts, political or labour disturbances, riots or civil commotions, confiscation or expropriation or any delay caused thereby;
- B. Loss of Production following and subsequent to abandonment of Insured's Premises for any reason whatsoever;
- C. Loss of Production caused by the suspension, lapse or cancellation of any lease, licence, contract or order, unless such suspension, lapse or cancellation results directly from an Occurrence in respect of which a claim has been paid or liability admitted under this Section and then Underwriters shall be liable for only such loss as affects the Insured's production income during, and limited to, the Recovery Period covered under this Policy;
- D. Fines, liquidated damages, penalties or damage for breach of contract or for late or non-completion of orders or for penalties of whatever nature;
- E. Infidelity or any dishonesty or fraud on the part of the Insured or any officer or employee of the Insured; F. Loss of market or loss of contract;
- G. Loss of Production in respect of any Well which at the time when the Occurrence giving rise to the Loss of Production commences, is not a Completed Well.

### 4. CONDITIONS

#### A. DIRECT DAMAGE

No claim shall be payable under this Section:

- (i) unless and until a claim has been paid, or liability admitted, in respect of direct physical loss or physical damage to the Insured's Premises under Section X of this Policy or unless or until direct physical loss or physical damage to Dependency Premises occurs which would if said Dependency Premises were scheduled herein as Insured's Premises be indemnifiable by application of the terms, conditions and exclusions applicable to Section X of this Policy; or
- (ii) in respect of Well Out of Control, unless and until a claim has been paid, or liability admitted, under Section Y of this Policy.

This condition shall not apply if the sole reason for no such payment having been made, or liability admitted, is the operation of a deductible.

**B. RESUMPTION OF OPERATIONS**

The Insured shall act at all times with due diligence and dispatch in reducing loss hereunder and prioritising, when appropriate in the interest of Underwriters and the Insured in reducing loss hereunder, the repair reinstatement or replacement necessitated by the Occurrence. If the Insured could reduce Loss of Production:

- (i) by complete or partial resumption of operations at the Insured's Premises or property affected, and/or
- (ii) by enhancement to or of other facilities subsequent to the loss at the Insured's Premises or property affected, then such possible reduction shall be taken into account in arriving at the amount of loss hereunder. The Insured shall make all reasonable efforts to ensure that operators and/or owners of non-owned property act in concert with the interest of Underwriters and the Insured in reducing loss hereunder.

**C. BYLAWS/STATUTORY AUTHORITY**

Coverage hereunder shall not be prejudiced to the extent that repair, rebuilding, reconstruction or replacement of the Insured's Premises or Dependency Premises may be prolonged, suspended or delayed by reason of any State or municipal law or ordinance governing or otherwise affecting their repair, demolition, rebuilding, reconstruction or replacement in force at the time when the Occurrence giving rise to Loss of Production commences.

**D. INSPECTION OF RECORDS**

Underwriters and/or their representatives may examine and audit the Insured's books and records at any time during the period of this insurance and thereafter, as far as they relate to the subject matter of this Section.

**DENIAL OF ACCESS BY ORDER OF CIVIL OR MILITARY AUTHORITY**

Subject to the exclusions conditions and definitions applicable to the Policy and to this Section, the Insured will be indemnified for Loss of Production during the Recovery Period at the Insured's Premises when, directly as a result of accidental physical loss or physical damage to real or personal property within 1,000 meters of the Insured's Premises, access to the Insured's Premises is specifically prohibited by order of civil or military authority.

In any case, coverage hereunder shall be limited to 4 (four) weeks and shall not commence until the Insured has suffered Loss of Production consequent upon such Occurrence for the number of days stated in the Schedule as the Waiting Period.

**ALL OTHER TERMS AND CONDITIONS REMAIN UNALTERED.**

**DRILLING WELLS**

Subject to the exclusions conditions and definitions applicable to the Policy and to this Section and in consideration of the Insured declaring Unit Volume and such declaration being stated below in respect of any Drilling Well which, at the inception of this Section, is projected as commencing or continuing whilst this Section is in force, Exclusion G hereunder shall be deleted.

For the purposes of such declarations a Drilling Well shall be defined as a Well during the course of its being bored into the ground or water bottom.

Declared Drilling Wells: ..... Unit Volume

**ALL OTHER TERMS AND CONDITIONS REMAIN UNALTERED.**

**SCHEDULE**

**Limit of Liability per Insured's Premises:**

Insured's Premises	Unit Volume	Volume Measure	Unit Price	Daily Value	Waiting Period (days)	Maximum Recovery Period (days)
.....	.....	.....	.....	.....	.....	.....

**Occurrence Limit:**

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**Standard Period**

180 days

**Dependency Premises**

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**Sublimit for unscheduled Dependency Premises (if not \$250,000)**

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