

WANT TO BECOME AN MNR APPROVED OILFIELD SERVICES VENDOR?



MINISTRY OF NATURAL RESOURCES | KURDISTAN REGIONAL GOVERNMENT
حكومه‌تی هه‌رێمی كوردستان | وه‌زاره‌تی سامانه‌ سروشتیه‌كان

The Kurdistan Regional Government’s Ministry of Natural Resources (“MNR”) is pleased to announce that the new online Oilfield Services Company (“OSC”) registration and AVL listing system, hosted by the MNR Portal, is now open for applications. Having successfully completed an 8-week pilot, the MNR invites OSCs wishing to provide services to Operators in the Kurdistan Region to register with the MNR, and subscribe onto Approved Vendor Lists (“AVLs”).

The Kurdistan Region is an exciting place to work with over 25 oil companies operating almost 50 blocks. With production expected to increase to over a million barrels per day in 2017, drilling and other oilfield service requirements are set to grow significantly following an industry slow down in 2015 and 2016.

The new system will allow OSCs to:

- Apply for registration and listing remotely from anywhere in the world
- Choose to list their services from a comprehensive catalogue of AVLs
- Receive invitations to tender directly from the online AVL system
- Ensure participation in all tenders related to their registered services
- Manage their registration profile in an easy to use and secure system



OSCs can choose from a comprehensive list of over 200 AVLs that has been jointly defined by the MNR and oil companies operating in the Kurdistan Region. As part of the registration process, OSCs are required to submit corporate, financial, quality management, HSE management and workforce development information, as well as technical information related to the AVLs they are applying to subscribe onto. OSC registration applications are evaluated and scored, the results of which, and all submitted documentation, will be available to the oil companies to review.

Benefits to the industry include:

- Only capable companies will be approved as vendors
- Performance standards, workforce development and local content will be monitored and reinforced
- Local company development and involvement in the industry will be supported
- More transparency and fairness in the registration and bidding process
- OSCs will be charged an annual registration fee, determined by their OSC category, and AVL listing fees, which will be used to fund the system and support the development of local companies

The MNR encourages OSCs that were listed on the old system, to begin their applications as soon as possible, as in early 2017 the old AVLs will expire, and only OSCs listed on the new AVLs will be eligible to receive invitations to bid on work from Operators, which they will send via the MNR Portal.

Register your company before the 31st December 2016 and get an extra 3-months registration free of charge.

An improved AVL system will lead to an improved industry!



THINGS YOU SHOULD KNOW ABOUT THE AVL SYSTEM

The table below summarises key information related to each OSC category and subcategory:

| Category | Subcategory | Type | Registered Entity * | Area of Operations | Available AVLS | Qualification Requirements* |
|------------------|---------------------------|----------------|---------------------------------|--|------------------------------|--|
| 3C | 3C | Service/Supply | MNR & MOTI: 3C Entity | Limited to oil & gas operations worksites within 20km of the 3C OSC HQ | 3C AVLS Only | 100% locally owned**, with the official HQ address of the 3C OSC at a location within 20 km of the Operations worksite |
| Local | Local | Service/Supply | MNR & MOTI: Local Entity | All blocks | All AVLS | At least 90% locally owned** |
| Local | Local JE (Joint Entity) | Service/Supply | MNR & MOTI: Joint Entity | All blocks | All AVLS | More than 50% but less than 90% locally owned** |
| Foreign | Foreign JE (Joint Entity) | Service/Supply | MNR & MOTI: Joint Entity | All blocks | All AVLS except 3C AVLS | More than 10% but no more than 50% locally owned** |
| Foreign | Foreign | Service/Supply | MNR & MOTI: Foreign Entity | All blocks | All AVLS except LCR AVLS**** | At least 90% foreign*** owned (disclosure of ownership structure not required) |
| Foreign Supplier | Foreign Supplier | Supply Only | MNR: Foreign Entity, MOTI: None | All blocks | Premium Supply AVLS Only | No requirements (disclosure of ownership structure not required) |

* Verified using KRG MOTI corporate registration documents and Iraqi citizenship.

** Local ownership means ownership by citizens of Iraq whose citizenship has been issued in the Kurdistan region or the province of Kirkuk

*** Foreign ownership means ownership by a person or persons who do not have Iraqi citizenship issued in the Kurdistan Region or the province of Kirkuk

**** LCR means Local Content Requirement – services and supply under such AVLS are reserved for companies with more than 10% local ownership.

OSC CATEGORY DEFINITIONS

3C - These are OSCs from communities local to International Oil Company (“IOC”) operations sites. 3C OSCs can only apply for listing on AVLs for IOCs less than 20KM away from their legal headquarters. 3C OSCs must be 100% locally owned and the shareholders should be persons from the local area. 3C OSCs can only apply for listing on a limited number of AVLs. These AVLs relate to types of work that the Ministry has decided can be safely and successfully performed by OSCs of limited expertise and capability.

Local - Local OSCs are those companies that are majority locally owned (more than 50%). Two OSC subcategories exist for the Local OSC category: (1) Local Subcategory for Local OSCs who are at least 90% locally owned, and (2) Local Joint Entity (Local JE) Subcategory for Local OSCs who are less than 90%, but more than 50% locally owned. Local OSCs can apply for listing on AVLs used by all IOCs and can choose from the complete list of AVLs. However, in order to successfully register and list on such AVLs, Local OSCs are expected to have requisite management systems and safety procedures in place. The registration requirements for Local OSCs are more extensive and stringent than 3C OSCs and are similar to those required by Foreign OSCs.

Foreign - Foreign OSCs are those that are at least 50% foreign owned (a 50/50 local-foreign partnership is considered a Foreign OSC). Two OSC subcategories exist for the Foreign OSC category: (1) Foreign Subcategory for Foreign OSCs who are at least 90% foreign owned, and (2) Foreign Joint Entity (Foreign JE) Subcategory for Foreign OSCs who are less than 90%, but 50% or more foreign owned. Foreign OSCs can apply for listing on AVLs used by all IOCs and can choose from the complete list of AVLs, except for 3C AVLs. However, in order to be able to apply for Local Content Requirement (LCR) AVLs that are not designated as 3C, the Foreign OSC must be of subcategory Foreign JE.

Foreign Supplier - A Foreign Supplier OSC is a company that does not have a KRG corporate registration certificate, and is only interested in supplying certain technical oil and gas specific products to IOCs, marked on the AVL list as “Premium Supply”. Foreign Supplier OSCs are expected to supply such products from abroad and should either be manufacturers or sole licensed traders for the Kurdistan Region or wider area. Companies in this category cannot provide any services on the ground in the

Kurdistan Region. If in future a Foreign Supplier OSC wishes to have a presence in the Kurdistan Region, they should acquire a KRG corporate registration certificate and reapply as a Foreign OSC. Foreign Supplier OSCs do not need to disclose their ownership structure and the Ministry shall assume that they are 100% foreign owned. Foreign Supplier OSCs can only list on Premium Supply AVLs. The registration requirements for Foreign Supplier OSCs are the same as for Foreign OSCs.

APPROVED VENDOR LISTS

Under the new AVL system, OSCs apply for registration with the MNR and then for AVL listing, which they choose from the AVLs defined by the MNR. There are some limited restrictions depending on the nature of the particular OSC and AVL.

There are over 200 defined AVLs. The AVLs are sorted into 28 categories such as Drilling Equipment & Services. Each category is further broken down into sub-categories. In the case of Drilling Equipment and Services there are 17 such sub-categories, for example Directional Drilling. Within each sub-category there are one or more AVLs.



The below table summarises AVL groups available to each OSC category:

| OSC Category | AVL GROUP | | | |
|------------------|----------------|--------------------|---------|----------------|
| | 3C/LCR Level 1 | Non-3C/LCR Level 1 | Non-LCR | Premium Supply |
| 3C | YES | NO | NO | NO |
| Local | YES | YES | YES | YES |
| Local JE | YES | YES | YES | YES |
| Foreign JE | NO | YES | YES | YES |
| Foreign | NO | NO | YES | YES |
| Foreign Supplier | NO | NO | NO | YES |

Each AVL has a number of attributes that are explained below.

AVL Ratings

AVL Ratings are given to each AVL to represent primarily the typical contract value, and to a lesser extent, the frequency of contracts on offer to OSCs listed on those AVLs.

AVL Ratings range from “0” to “4”, with “0” rated AVLs considered as Premium AVLs. An AVL’s listing fee is related to its rating (see “Registration & AVL Listing Fees”).

AVL ratings are defined as follows:

| AVL Rating | Definition |
|-------------|---|
| 0 (Premium) | Extremely high contract value and not frequent thro’ high contract value and frequent |
| 1 | High contract value and not frequent thro’ medium-high contract value and frequent |
| 2 | Medium-high contract value and not frequent thro’ medium contract value and frequent |
| 3 | Medium contract value and not frequent thro’ medium-low contract value and frequent |
| 4 | Medium-low contract value and not frequent thro’ low contract value and frequent |

Premium Supply AVLs

Premium supply is a status given to AVLs that meet the following criteria:

- Supply of a product or material that has no service component
- The product or material is oilfield specific
- The manufacturer is known to sell the product directly to IOCs

Such Premium Supply AVLs have been introduced in order to encourage manufacturers of oilfield specific products and materials (or their sole licensed representatives) to register directly with the Ministry, and prevent individuals or irrelevant (local or foreign) companies from claiming to represent such foreign suppliers.

This is achieved by:

- Only allowing the manufacturer (or their sole licensed representative for the Kurdistan Region or area that encompasses the Kurdistan Region) to be listed onto a Premium Supply AVL (whether Local or Foreign)

3C AVLs

A 3C AVL is an AVL that a 3C OSC can be listed on. 3C OSCs are 100% locally owned companies whose head office is within 20km of an Operators' operations site) (see 'OSC Category Definitions').

These are generally non-technical field and life support services that do not require a high level of experience or expertise. This includes, but is not limited to, life support services, camp maintenance, fuel and water supply and general procurement.

3C OSCs can ONLY list on these designated AVLs. 3C OSCs cannot be listed on AVLs that are not designated as a 3C AVL (see "Approved Vendor Lists"). Local OSCs can also apply for listing onto 3C OSCs.

AVL Type

An AVL Type is a designation given to an AVL according to the type of work involved and the potential operational risk.

There exist three AVL types:

| AVL Type | Description |
|----------|--|
| T1 | Off-site service |
| T2 | Product or material supply only - no service component |
| T3 | On-site supply and/or service |

There is a different AVL application form associated with each AVL type, which must be completed upon AVL application.

Local Content Requirement

Local Content Requirement (LCR) is a status given to certain AVLs that are reserved for OSCs meeting a threshold of local ownership.

AVLs designated as LCR Level 1 require over 10% local ownership. Foreign OSCs with over 90% foreign ownership cannot list onto LCR AVLs. Only 3C, Local, Local JE or Foreign JE subcategory OSCs can list onto LCR AVLs.

As local industry capability develops in Kurdistan, further local content requirements (levels) will be introduced.



OSCs are now subject to pay annual MNR registration and AVL listing fees before they are approved as a vendor and issued an MNR license.

Registration Fees

Where an OSC has applied for at least one T3 or Premium T2 AVL service, they are required to pay a registration fee as follows:

| OSC Category | Registration Fee (\$) |
|------------------|-----------------------|
| 3C | 500 |
| Local | 2000 |
| Foreign | 3000 |
| Foreign Supplier | 3000 |

Where an OSC has not applied for any T3 or Premium T2 AVL service, they are required to pay a registration fee as follows:

| OSC Category | Registration Fee (\$) |
|------------------|-----------------------|
| 3C | 250 |
| Local | 1000 |
| Foreign | 1500 |
| Foreign Supplier | NA |



AVL Listing Fees

For each AVL that an OSC requests to be listed on, the following fees are payable. These fees will be used to create a Local Enterprise Development fund, which will in turn be used to provide small and medium local enterprises with training and other capacity development support.

| AVL Rating | AVL Listing Fee (\$/year) |
|------------|---------------------------|
| 0 | 1000 |
| 1 | 500 |
| 2 | 250 |
| 3 | 100 |
| 4 | 50 |

Note that 3C OSCs do not pay the AVL Listing Fees.





Register online:

www.mnrnline.com/registration/

Contact:

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