

STAVANGER DISTRICT COURT

makes known:

In the year 2003, on 30 July, a Court meeting was held at the leased premises of Stavanger District Court in Dusavik, Stavanger, Norway.

Presiding: District Court Judge Astrid Lærdal Frøseth

Deputy Judge: District Court Judge Arne Landmark

Expert Lay Assessors: Bjørn Johansen
Ole Børre Lilleengen

Deputy Expert Lay Assessor: Olav. K. Christiansen

Clerk of the Court: Else Lange Rønneberg

Case No.: 98-00401 A

**Plaintiffs in the main action and
Defendant in the cross-action:** Smedvig Production Contracting KS
Finnestadveien 28, N-4084 Stavanger (Norway)
P.O. Box 110, N-4001 Stavanger

Smedvig asa
Finnestadveien 28, N-4084 Stavanger
P.O. Box 110, N-4001 Stavanger

Plaintiff in the main action: Smedvig Offshore AS
Finnestadveien 28, N-4084 Stavanger (Norway)
P.O. Box 110, N-4001 Stavanger

Counsel: The law firm Thommesen Krefting Greve Lund AS
Represented by the Attorneys Jørgen Lund, Stephen
Knutzson, Pål W. Lorentzen and Eirik Vikanes
P.O. Box 1484 Vika, N-0116 Oslo (Norway)

**Defendant in the main action
and Plaintiff in the cross-action:** Esso Exploration and Production Norway AS
Grenseveien 6, N-4313 Sandnes (Norway)
P.O. Box 60, N-4064 Stavanger

Counsel: The law firm Schjødt AS
Represented by Attorneys A.C. Høeg Rasmussen,
Thorbjørn Gjerde, Vidar Strømme and Tarjei
Thorkildsen
P.O. Box 2444 Solli, N-0201 Oslo

In the matter of: Contractual dispute

Present: The members of the Court only

Following consultation and voting in camera, the following unanimous

judgment

was pronounced in public:

EXECUTIVE SUMMARY OF JUDGMENT

The case concerns a dispute concerning settlement following termination of a purchase agreement and operations agreement. On 15 November 1995, Smedvig asa and Smedvig Production Contracting KS (Smedvig) concluded an Agreement for Sale and Production of Production Vessel SPU 380 (SPA) and an Integrated Operations Organization Agreement (the IOO Agreement) with Esso Exploration and Production Norway AS (Esso) concerning SPU 380, a floating oil production facility subsequently named Balder FPU. Balder FPU was built in Singapore by the shipyard Far East Levingston Shipbuilding Limited, later changed to Keppel FELS Ltd. (KFELS) pursuant to the building contract between Smedvig and KFELS. Esso took delivery of Balder FPU on 8 March 1997, while Balder FPU was berthed at the shipyard Offshore & Marine AS (O&M) in Sandnes, Norway, where the largest part of the processing equipment was installed. Following this, Balder FPU was berthed at the shipyard UiE Scotland Limited (UiE) in Glasgow for the execution of modification work for the account of Esso and carryover and guarantee work for the account of Smedvig. Esso terminated the purchase agreement and the operations agreement on 17 October 1997, but retained Balder FPU. Since September 1999 Balder FPU has been in operation on the Balder Field on the Norwegian Continental Shelf.

Smedvig has brought legal action against Esso. Esso has filed a cross-action. In the main action, Smedvig has claimed payment of an outstanding purchase amount in an amount not exceeding USD 46,500,000 with interest, payment for supplementary work in an amount not exceeding NOK 79,857,090 with interest, NOK 55,000,000 for loss of income under the terms of the IOO Agreement and compensation and remedy for non-economic loss due to unjustified termination and Esso's incorrect and defamatory criticism of Smedvig in the media in amounts not exceeding NOK 2,000,000,000 and NOK 5,000,000 respectively. In addition, Smedvig claim legal costs in both actions. Esso claims that judgment be passed in their favour in the main action.

In the main action the parties are agreed that Esso shall pay Smedvig NOK 6,349,194 with the addition of interest in respect of the change orders under SPA. Moreover, the parties agree that Esso shall pay Smedvig Offshore AS NOK 13,119,339 with interest, an amount earned under the terms of the IOO Agreement up to time of termination.

In the cross-action, Esso has claimed payment for carryover work, guarantee work and coverage of other expenses in an amount not exceeding NOK 2,717,073,000 with the addition of interest and with the deduction of the agreed items in the main action, and USD 3,500,000 with interest in refund of the excess purchase amount. In addition, Esso claim legal costs in both actions. Smedvig has claimed that judgment be passed in their favour in the cross-action.

The Court finds that Esso's termination of the SPA and the IOO Agreement was justified. In the main action Esso is ordered to pay to Smedvig Production Contracting KS the amount of NOK 4,093,289 as payment for supplementary work and NOK 6,349,194 for uncontested change orders under SPA, in addition to NOK 13,119,339 to Smedvig

Offshore AS as the amount earned under the IOO Agreement, all amounts with the addition of interest. Judgment is in favour of Esso with regard to payment of compensation for loss in connection with the winding up of Smedvig's business area mobile petroleum production etc. and remedy for non-economic loss. In the cross-action Smedvig Production Contracting KS and Smedvig asa are ordered to pay to Esso Exploration and Production Norway AS the amount of NOK509,000,000 in payment for carryover work and guarantee work and USD 3,500,000 in refund of excess purchase amount paid, both amounts with the addition of interest. In both actions the parties shall pay their own legal costs.

Final judgment:

In the main action:

1. Esso Exploration and Production Norway AS is ordered to pay to Smedvig Production Contracting KS the amount of NOK 4,093,289 – fourmillionand-ninetythreethousandtwohundredandeightynine Norwegian kroner – with the addition of 1 – one – month's LIBOR as at 13 July 1997 plus 2 – two – percent annual interest annually from 13 July 1997 until such time as payment is made (payment for supplementary work).
2. Esso Exploration and Production Norway AS is ordered to pay to Smedvig Production Contracting KS the amount of NOK 6,349,194 – sixmillion-threethundredandfortyninethousandonehundredandninetyfour Norwegian kroner – with the addition of 1 – one – month's LIBOR as at 3 May 1998 plus 2 – two – percent annual interest from 3 May 1998 until such time as payment is made (uncontested change orders under SPA).
3. Esso Exploration and Production Norway AS is ordered to pay to Smedvig Offshore AS the amount of NOK 13,119,339 – thirteenmilliononehundred-andnineteenthousandthreehundredandthirtynine Norwegian kroner – with the addition of 12 – twelve – percent annual interest from 17 January 1998 until such time as payment is made (the amount earned under the terms of the IOO Agreement).
4. Judgment is otherwise in favour of Esso Exploration and Production Norway AS.
5. Time limit for performance of items 1, 2 and 3 is 2 – two – weeks from service of judgment.
6. Legal costs are not awarded.

In the cross-action:

1. Smedvig Production Contracting KS and Smedvig asa are ordered in solidum to pay to Esso Exploration and Production Norway AS the amount of NOK 509,000,000 – fivehundredandninemillion Norwegian kroner – with the addition of 1 – one – month's LIBOR as at 22 December 1999 plus 2 – two – percent annual interest from 22 December 1999 until such time as payment is made (payment for carryover work and guarantee work).
2. Smedvig Production Contracting KS and Smedvig asa are ordered in solidum to pay to Esso Exploration and Production Norway AS the amount of USD 3,500,000 – threemillionfivehundredthousand US dollars – with the addition of 1 – one – month's LIBOR as at 17 November 1997 plus 2 – two – percent annual interest from 17 November 1997 until such time as payment is made (refund of excess purchase amount paid).
3. The time limit for performance of items 1 and 2 is 2 – two – weeks from service of judgment.
4. Legal costs are not awarded.

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Judgment to be served upon the parties by their respective counsels.

The time limit for lodging appeals is 1 – one – month from service of judgment.

Court adjourned.

Astrid Lærdal Frøseth
(signed)

Bjørn Johansen
(signed)

Ole Børre Lilleengen
(signed)