UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:	)
	)
Weatherford International Ltd. 515 Post Oak Boulevard # 200 Houston, TX 77027-9408	)
	)
Weatherford Oil Tool Middle East Ltd. P.O. Box 4627, 4th Interchange Sheikh Zayed Road Plot #373-440 Al Barsha, Dubai, UAE	)
	)
Weatherford Production Optimisation (UK) Ltd., f/k/a eProduction Solutions U.K., Ltd. Viking Road Gapton Hall Industrial Estate Great Yarmouth Norfolk, United Kingdom NR31 0DR	)
	)
Precision Energy Services ULC f/k/a Precision Energy Services Ltd. 150-6th Ave. SW, Ste. 4200 Calgary, Alberta T2P 3Y7 Canada	)
	)
Precision Energy Services Colombia Ltd. P.O. Box 49051 at Postal Station 9647 – 41 Avenue Edmonton, Alberta T6E 5Y0 Canada	)
	)
Respondents	)

AMENDED ORDER RELATING TO WEATHERFORD INTERNATIONAL LTD., WEATHERFORD OIL TOOL MIDDLE EAST LTD., WEATHERFORD PRODUCTION OPTIMISATION (UK) LTD., PRECISION ENERGY SERVICES ULC, AND PRECISION ENERGY SERVICES COLOMBIA LTD.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has notified Weatherford International Ltd. ("Weatherford"), Weatherford Oil Tool Middle

East Ltd. ("WOTME"), Weatherford Production Optimisation (UK) Ltd., formerly known as eProduction Solutions U.K., Ltd. ("Weatherford eProd UK"), Precision Energy Services ULC, formerly known as Precision Energy Services Ltd. ("PESL"), and Precision Energy Services Colombia Ltd. ("PESC") (collectively the "Weatherford Respondents") of its intention to initiate an administrative proceeding pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2013)) ("EAR" or "Regulations"),[1] and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420) (the "EAA"),[2] through the issuance of a Proposed Charging Letter to each of the Weatherford Respondents. The Proposed Charging Letters allege a total, in the aggregate, of 174 violations of the EAR by the Weatherford Respondents. Specifically, BIS alleges:

As to Respondent Weatherford:

Charges 1-38: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

On 38 occasions between on or about September 15, 2005, and on or about April 24, 2007, Weatherford sold, transferred, and/or forwarded various types of oil and gas equipment, items subject to the Regulations, that were exported or to be exported from the United States to Cuba via Canada, or were exported or to be exported from the United States to Canada for reexport to Cuba, with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. The items included, inter alia, essential oil and gas equipment such as mud motors, measuring-while-drilling orientation modules, and drill collars and stabilizers, all of which were subject to the Regulations,[3] and which were valued in total at as much as $20 million. Pursuant to Section 746.2 of

[1] The violations alleged by BIS occurred between 2002 and 2008. The governing provisions of the EAR are found in the 2002-2008 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2008)). The 2013 version of the EAR establishes the procedures that apply to the BIS administrative proceeding.

[2] Since August 21, 2001, the EAA has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 8, 2013 (78 Fed. Reg. 49,107 (Aug. 12, 2013)), has continued the EAR in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) ("IEEPA").

[3] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2005-2007).

the Regulations, the export or reexport of these items to Cuba required a Department of Commerce license. Weatherford's actions included, among other things, selling, transferring and/or forwarding the items to Precision Energy Services ULC, formerly known as Precision Energy Services Ltd. ("PESL") and/or Precision Energy Services Colombia ("PESC"), both Canadian affiliates of Weatherford, with knowledge that the items were for use in projects in Cuba and that the required export or reexport licenses had not been or would not be obtained. In addition, Weatherford executives, managers and employees in Houston were involved with or supported Cuba operations by, among other things, sending "backfill" orders to Canada to replace shipments to Cuba; authorizing expenditures over $250,000 for "directional drilling" equipment; and offering to Cuba operations tools no longer needed in the United States. The functional location "Barcelona, Venezuela" also was added to Weatherford's computer database in Houston so that employees could input Cuba equipment in the database, including equipment destined for Cuba, without expressly labeling it for Cuba operations.

Weatherford had knowledge of the comprehensive U.S. embargo against Cuba, and of the need to obtain U.S. Government authorization to export or reexport the items to Cuba, because, *inter alia*, before acquiring PESL in or about August 2005, and again before restructuring its Cuba-related operations to include the transfer of those operations to PESC in or about December 2005, Weatherford consulted with export compliance counsel regarding existing Cuba operations. In addition, certain Weatherford executives and employees who had involvement with Cuba operations specifically knew of the prohibitions on exports to, and business relationships with, Cuba by persons subject to U.S. jurisdiction, including prohibitions on the export and re-export of U.S.-origin goods and technology, or of services, to Cuba.

Notwithstanding Weatherford's knowledge of the need for a license in connection with these transactions, no U.S. Government authorization was obtained for any of these 38 transactions. In so doing, Weatherford committed 38 violations of Section 764.2(e) of the Regulations.

Charges 39 - 74: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

On 36 occasions between on or about October 29, 2004, and on or about April 29, 2007, Weatherford sold, transferred, and/or forwarded oil and gas equipment involved in underbalanced drilling operations, items subject to the Regulations,[4] and valued in total at as much as $12 million, for export from the United States to Iran, via Weatherford's Dubai, UAE-based subsidiary, Weatherford Oil Tool Middle East Ltd. ("WOTME"), with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR,[5] and has

[4] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2007).

[5] 31 C.F.R. Part 560 (2004-2007). Administered by the Treasury Department's Office of Foreign Assets Control ("OFAC"), the ITR were renamed the Iranian Transactions and Sanctions Regulations ("ITSR")

not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

Weatherford sold, transferred, and/or forwarded the items that were exported or to be exported from the United States knowing that the items were intended to be, and in fact were being, used by WOTME to service a contract with the National Iranian Drilling Company ("NIDC"), an Iranian Government organization ("the UBD contract"). Weatherford knew about the prohibitions on business activities with Iran, including, but not limited to, the restrictions on exporting U.S.-origin items to Iran without U.S. Government authorization, because, for example, Weatherford maintained stated sanctioned countries policies, including, but not limited to, restrictions on exporting U.S.-origin items to Iran. In addition, Weatherford managers and employees played instrumental roles in executing the Iran UBD contract and ensuring completion of the UBD project in Iran, organizing Weatherford resources to fulfill the contract and at times directing the activities of employees who were not U.S. persons, including with regard to the unlicensed exports described herein.

Notwithstanding Weatherford's knowledge of the need for licenses in connection with these transactions, no U.S. Government authorization was obtained for any of these 36 transactions. In so doing, Weatherford committed 36 violations of 764.2(e) of the Regulations.

Charges 75-85: **15 C.F.R. §764.2(a) – Unlicensed Exports of Pulse Neutron Decay Tools Controlled for Nuclear Non-Proliferation Reasons to Venezuela and Mexico.**

On 11 occasions between on or about March 14, 2002, and on or about February 27, 2007, Weatherford engaged in conduct prohibited by the Regulations by exporting pulse neutron decay tools, items subject to the Regulations, classified under Export Control Classification Number 3A231, and controlled for reasons of nuclear non-proliferation, from the United States to Venezuela and Mexico without the Department of Commerce licenses required by Section 742.3 of the Regulations. In so doing, Weatherford committed 11 violations of Section 764.2(a) of the Regulations.

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and reissued in their entirety by OFAC on October 22, 2012. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). Section 560.204 remains unchanged in pertinent part. *See* 31 C.F.R. § 560.204 (2004-2007 and 2013).

As to Respondent WOTME:

Charges 1-36: 15 C.F.R. §764.2(h) – Evasion.

On at least 36 occasions between on or about October 29, 2004, and on or about April 29, 2007, WOTME took actions with the intent to evade the Regulations in connection with the export of oil and gas equipment used in underbalanced drilling operations, items subject to the Regulations[6] and the Iranian Transactions Regulations ("ITR"),[7] and valued in total at as much as $12 million, from the United States to Iran via the United Arab Emirates ("UAE"). Working with its parent company, Weatherford International, Ltd. ("Weatherford"), WOTME took deliberate steps to conceal that Iran was the ultimate destination of the items in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

These items were ordered by WOTME and exported to Iran pursuant to a contract between WOTME and the National Iranian Drilling Company ("NIDC"), an Iranian governmental organization, to provide NIDC with equipment and related services for underbalanced drilling operations ("UBD") in Iran. WOTME knew about the prohibitions on business activities with Iran at all times pertinent hereto, including, but not limited to, the restrictions on exporting U.S.-origin items to Iran, because, for example WOTME received Weatherford's stated sanctioned country policies. Nevertheless, on numerous occasions, WOTME worked with Weatherford employees to ensure that items exported from the United States for the UBD Iran project did not indicate or show a U.S.-origin. WOTME also took other steps to conceal that the transactions involved items destined for Iran. For example, WOTME's product line manager and other WOTME employees created a document binder labeled "Texas," in which were placed copies of project schedules, cost estimates, important emails, and communications with senior Weatherford management related to the UBD project in Iran. In addition, Iran was referenced in emails and other correspondence using code words such as: "Off-shore Dubai," "OME" [other Middle East], "OTHER MENA [Middle East North Africa] COUNTRY," "Dubai across the waters," and/or "delivery country."

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[6] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2007).

[7] 31 C.F.R. Part 560 (2004-2007). See also note 5, *supra*.

WOTME knew that U.S. Government authorization was needed, but with intent to evade the Regulations took actions to conceal Iran as the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed 36 violations of 764.2(h) of the Regulations.

Charge 37: 15 C.F.R. §764.2(h) – Evasion.

On multiple occasions from January 2002 through December 2008, WOTME took actions with the intent to evade the Regulations in connection with the export of liner hanger equipment used in oil well construction, items subject to the Regulations[8] and the ITR[9] and valued at approximately $16,676,266, from the United States to Iran via the UAE. From January 2002 until mid-2004, WOTME ordered liner hanger equipment intended for Iran from the United States under a general inventory number for the Middle East. When these items arrived in the UAE, they were transshipped to Iran. WOTME took deliberate steps to conceal Iran as the ultimate destination of U.S.-origin liner hanger equipment in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

To further conceal Iran as the ultimate destination, beginning in mid-2004, WOTME also removed U.S.-origin labels on the items and misrepresented the country of origin on invoices and shipping documents, and designed and implemented a coded numbering system for processing liner hanger orders for the Middle East, including Iran. The system created a prefix, "LMESJA" (standing for "Liner Hanger, Middle East, Stock, Jebel Ali"), that was used to order items from the United States and a series of codes to denote specific countries of destination in the Middle East, including the code "LIRN" for exports destined for Iran. This special prefix methodology was only used by WOTME when it was ordering U.S.-origin items for sanctioned countries, including Iran. To ensure that these items were utilized for their intended purpose upon their arrival in Iran, WOTME employees created linked files for each order on their local network drive. The linked files tied the orders back to the correct destination code.

WOTME knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Iran was the ultimate

[8] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2002-2008).

[9] 31 C.F.R. Part 560 (2002-2008). See also note 5, *supra.*

destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed one violation of 764.2(h).

Charge 38: 15 C.F.R. §764.2(h) – Evasion.

On multiple occasions from January 2004 through December 2006, WOTME took actions with the intent to evade the Regulations in connection with the export of liner hanger equipment, items subject to the Regulations[10] and valued at approximately $689,989, from the United States to Syria via the UAE. WOTME took deliberate steps to conceal Syria as the ultimate destination of U.S.-origin liner hanger parts in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to General Order No. 2, Supplement No. 1 to Part 736 of the Regulations, exports of these items to Syria required U.S. Government authorization.

From January 2004 until mid-2004, WOTME ordered liner hanger equipment intended for Syria from the United States under a general inventory number for the Middle East. When these items arrived in the UAE, they were transshipped to Syria. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

To further conceal Syria as the ultimate destination, beginning in mid-2004, WOTME also removed U.S. labels on the items and misrepresented the country of origin on invoices and shipping documents, and designed and implemented a coded numbering system, for processing liner hanger orders for the Middle East, including Syria. The system created a prefix, "LMESJA" (standing for "Liner Hanger, Middle East, Stock, Jebel Ali"), that was used to order items from the United States, and a series of codes to denote specific countries of destination in the Middle East, including the code "LSYR" for exports destined for Syria. This special prefix methodology was only used by WOTME when it was ordering U.S.-origin items for sanctioned countries, including Syria. In addition, to ensure that these items were utilized for their intended purpose upon their arrival in Syria, WOTME employees created linked files for each order on their local network drive. The linked files tied the orders back to the correct destination code.

WOTME knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Syria was the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed one violation of 764.2(h).

[10] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2006).

As to Respondent Weatherford eProd UK:

Charges 1-13: 15 C.F.R. §764.2(h) – Evasion.

On 13 occasions between on or about February 21, 2003, and on or about January 9, 2006, Weatherford eProd U.K., a subsidiary of Houston, Texas-based Weatherford International, Ltd., took actions with the intent to evade the Regulations in connection with the export of items for oil well production optimization, items subject to the Regulations[11] and the Iranian Transaction Regulations ("ITR"),[12] and valued at approximately $770,000, from the United States to Iran via the United Kingdom. Weatherford eProd U.K. took deliberate steps to conceal that Iran was the ultimate destination of the items in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement.

The items were ordered from the United States and exported to Iran in connection with a contract between Weatherford eProd U.K. and the National Iranian Oil Company ("NIOC"), an Iranian governmental organization under the direction of the Ministry of Petroleum of Iran. The end-user was listed in Weatherford eProd U.K.'s records as "Kala Naft Co." or "Kala Ltd.," which is the Iranian procurement agent for NIOC. In conjunction with its sales of equipment and services to NIOC, Weatherford eProd U.K. ordered the items from a Weatherford subsidiary located in the United States, specifically for use in Iran. When ordering and sourcing U.S.-origin products and services for Iran, Weatherford eProd U.K., with knowledge of the sanctions and prohibitions on exports to Iran, intentionally provided false information concerning the ultimate destination of the items and removed references to the U.S.-origin of products before exporting them to Iran.

Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

Weatherford eProd U.K. knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Iran was the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, Weatherford eProd U.K. committed 13 violations of 764.2(h) of the Regulations.

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[11] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2003-2006).

[12] 31 C.F.R. Part 560 (2003-2006). See also note 5, *supra*.

As to Respondent PESL:

Charges 1-17: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

As set forth in greater detail in the Schedule of Violations attached hereto and incorporated herein, on 17 occasions between on or about September 15, 2005, and on or about February 6, 2006, PESL ordered, sold, transferred, and/or forwarded various items subject to the Regulations that were exported or to be exported from the United States to Cuba, via Canada, or were reexported from Canada to Cuba, with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. The items included, but were not limited to, essential oil and gas equipment such as mud motors, measuring-while-drilling orientation modules, drill collars and stabilizers.[13] Pursuant to Section 746.2 of the Regulations, exports and reexports of these items to Cuba required U.S. Government authorization.

PESL had knowledge that the items were for use in projects in Cuba and that the required U.S. Government authorization had not been or would not be obtained. PESL knew about the prohibitions on exporting and reexporting U.S.-origin items to Cuba without U.S. Government authorization at all pertinent times hereto, because, inter alia, after its acquisition by Canadian-based Weatherford PES/PDG Ltd. ("WPES"), an affiliate of Houston, Texas-based Weatherford International Ltd. ("Weatherford"), PESL received Weatherford's stated sanctioned country policies. At the time of the acquisition by Weatherford, PESL had significant Cuba-related business operations. Additionally, PESL employees referenced Cuba in emails and other correspondence by the code name "Caribbean" to divert attention or hide the fact that the items were destined to Cuba.

Notwithstanding PESL's knowledge of the need for a license in connection with these transactions, no U.S. Government authorization was obtained for any of these 17 transactions. In so doing, PESL committed 17 violations of Section 764.2(e) of the Regulations.

As to Respondent PESC:

Charges 1-21: 15 C.F.R. §764.2(h) – Evasion.

On 21 occasions between on or about June 15, 2006, and on or about April 24, 2007, PESC took actions with the intent to evade the Regulations in connection with the export and reexport of various items subject to the Regulations, including essential oil and gas equipment, to Cuba. PESC took deliberate steps to conceal Cuba as the country of ultimate destination and avoid the requirement to obtain U.S. Government authorization to export and reexport the items to Cuba, which included, but were not limited to, mud

[13] The items were designated EAR99 under the Regulations, which is a designation for items that are subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2005-2006).

motors, measuring-while-drilling orientation modules, drill collars and stabilizers.[14] Pursuant to Section 746.2 of the Regulations, the export and reexport of these items to Cuba required U.S. Government authorization.

In August 2005, Canadian-based Weatherford PES/PDG Ltd. ("WPES"), an affiliate of Houston, Texas-based Weatherford International Ltd. ("Weatherford"), acquired PESC's then-parent company, which had significant Cuba-related business operations. Weatherford directed the transfer of the Cuba operations to PESC in or about December 2005.

PESC knew about the prohibitions on exporting and reexporting U.S.-origin items to Cuba without U.S. Government authorization at all pertinent times hereto, including following its acquisition by Weatherford and at the time of the transfer of the Cuba operations, because, *inter alia*, PESC received Weatherford's stated sanctioned country policies. In order to evade the requirement to obtain U.S. Government authorization for the export and reexport transactions alleged herein and to avoid detection by law enforcement, PESC worked with a Weatherford subsidiary, Weatherford Canada Partnership, starting in or about May 2006, regarding a document and shipping procedure that used "Barcelona, Venezuela" to mean "Cuba." A functional location for "Barcelona, Venezuela" also was added to Weatherford's computer system in Houston, which reflected that items were located in Venezuela when in fact the items were actually located in Cuba. Weatherford documents, such as purchase request forms and invoices, falsely reflected an ultimate destination in "Barcelona, Venezuela," instead of the actual ultimate destination of Cuba. Falsely listing "Barcelona, Venezuela" for Cuba on shipping documents within Weatherford's asset tracking system allowed Weatherford to differentiate Cuba transactions from actual Venezuela-related transactions.

In addition, rather than orders being routed directly from Cuba, items destined for Cuba were ordered via another Weatherford affiliate in Venezuela. The Venezuelan affiliate would then forward to PESC in Canada the order falsely listing "Barcelona, Venezuela" as the ultimate destination. PESC employees knew that orders stating that they were destined for "Barcelona, Venezuela" were in fact destined for Cuba.

With the above-described system and scheme in place, upon its receipt of a "Barcelona, Venezuela" order in connection with the exports and reexport transactions alleged herein, PESC either reexported the items from Canada to Cuba, or it ordered the items from Weatherford facilities in the United States and arranged for the items to be immediately transshipped to Cuba upon their arrival in Canada. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

In so doing, PESC committed 21 violations of Section 764.2(h) of the Regulations.

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[14] These items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2006-2007).

WHEREAS, BIS and each of the Weatherford Respondents have entered into an Amended Settlement Agreement pursuant to Section 766.18 of the EAR, whereby each of the Weatherford Respondents agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, I have taken into consideration the deferred prosecution agreement that Weatherford has entered into with the U.S. Attorney's Office for the Southern District of Texas ("USAO"), and the plea agreement that Weatherford eProd UK has entered into with the USAO and the civil settlement that the Weatherford Respondents have entered into with OFAC;

WHEREAS, I have approved of the terms of the Amended Settlement Agreement; and

WHEREAS, this Amended Order amends and supersedes the order relating to this matter that was issued on November 26, 2013.

IT IS THEREFORE ORDERED:

FIRST, the Weatherford Respondents shall be assessed a civil penalty of $50,000,000, the payment of which shall be made to the U.S. Department of Commerce on or before February 14, 2014. The Weatherford Respondents are jointly and severally liable for the payment in full of this civil penalty. All payments must be made either by an electronic funds transfer or by a cashiers or certified check or money order payable in accordance with the attached payment instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Amended Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due dates specified herein, the Weatherford Respondents will be assessed, in addition to

the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, the Weatherford Respondents shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws and regulations to conduct external audits of the Weatherford Respondents' compliance with U.S. export control laws and regulations (including recordkeeping requirements) with respect to all exports or re-exports to Cuba, Iran, North Korea, Sudan and Syria that are subject to the EAR, which audits shall be in substantial compliance with the requirements set out in the Export Management and Compliance Program audit module, which is available from the BIS website at http://www.bis.doc.gov/complianceandenforcement/emcp_audit.pdf, that are pertinent to such audits. The first external audit shall cover the time period of January 1, 2012, through December 31, 2012. Annual calendar year audits shall also be conducted for 2013 and 2014. Where said audits identify actual or potential violations of U.S. export control laws and regulations, the Weatherford Respondents must promptly provide copies of the pertinent air waybills and other supporting documentation to BIS as described below. The auditor will not serve or function as legal counsel to any or all of the Weatherford Respondents and no attorney-client relationship shall be formed between the Weatherford Respondents and the auditor in connection with the audits or audit reports or otherwise in connection with the Amended Settlement Agreement or this Amended Order. The Weatherford Respondents will submit the 2012 and 2013 completed audit reports, and accompanying air waybills and documentation, to BIS by July 31, 2014. The Weatherford Respondents will submit the 2014 completed audit report, and accompany air waybills and documentation, to BIS by July 31, 2015. All reports and documents shall be sent to BIS at: U.S. Department of Commerce, Office of Export Enforcement, 15109 Heathrow Forest Parkway, Suite 170, Houston, TX 77032.

FOURTH, the full and timely payment of the civil penalty set forth above, the timely completion and submission of the results of the audits set forth above, compliance with the deferred prosecution agreement that Weatherford has entered with the USAO, and compliance with the plea agreement that Weatherford eProd UK has entered with the USAO and with any sentence imposed upon or following the plea and conviction are hereby made conditions to the granting, restoration, or continuing validity of any export license, authorization, permission, or privilege granted, or to be granted, to each of the Weatherford Respondents. Failure to make full or timely payment of the civil penalty or to complete and submit the results of an audit within the deadlines established in that paragraph, may result in the denial of all of the export privileges of each of the Weatherford Respondents for a period of one year from the date on which the payment is due or the date on which the results of the completed audit are to be submitted. Additionally, failure by Weatherford to comply in full with the deferred prosecution agreement or failure by Weatherford eProd UK to comply with the plea agreement and sentence may result in the denial of the export privileges of each of the Weatherford Respondents for a period of one year from the date upon which the terms of the deferred prosecution agreement or plea agreement and sentence are violated.

FIFTH, each of the Weatherford Respondents agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegations in the Proposed Charging Letters, the Amended Settlement Agreement, or this Amended Order. Nothing in this paragraph affects any of the Weatherford Respondents' testimonial obligations, or right to take legal or factual positions in litigation or other legal proceedings in which the U.S. Department of Commerce is not a party.

SIXTH, that the Proposed Charging Letters, the Amended Settlement Agreement, and this Amended Order shall be made available to the public.

This Amended Order, which constitutes the final agency action in this matter, is effective immediately.[15] If the deferred prosecution agreement entered into by Weatherford and the plea agreement entered into by Weatherford eProd UK referenced above are not approved by the United States District Court for the Southern District of Texas on or before February 6, 2014, this Amended Order shall be revoked.

Richard R. Majauskas
Deputy Assistant Secretary of Commerce
for Export Enforcement

Issued this 23rd day of December, 2013.

[15] Review and consideration of this matter have been delegated to the Deputy Assistant Secretary of Commerce for Export Enforcement.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

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Weatherford Oil Tool Middle East Ltd. P.O. Box 4627, 4th Interchange Sheikh Zayed Road Plot #373-440 Al Barsha, Dubai, UAE	)
	)
Weatherford Production Optimisation (UK) Ltd. f/k/a eProduction Solutions U.K., Ltd. Viking Road Gapton Hall Industrial Estate Great Yarmouth Norfolk, United Kingdom NR31 0DR	)
	)
Precision Energy Services ULC f/k/a Precision Energy Services Ltd. 150-6th Ave. SW, Ste. 4200 Calgary, Alberta T2P 3Y7 Canada	)
	)
Precision Energy Services Colombia Ltd. P.O. Box 49051 at Postal Station 9647 – 41 Avenue Edmonton, Alberta T6E 5Y0 Canada	)
	)
Respondents	)

AMENDED SETTLEMENT AGREEMENT

This amended settlement agreement ("Amended Agreement") is made by and among the Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), and Weatherford International Ltd. ("Weatherford"), and its subsidiaries and affiliates Weatherford Oil Tool Middle East Ltd. ("WOTME"), Weatherford Production Optimisation (UK) Ltd., formerly known as eProduction Solutions U.K., Ltd. ("Weatherford eProd UK"), Precision Energy Services ULC, formerly known as Precision Energy Services Ltd. ("PESL"), and Precision Energy Services Colombia Ltd. ("PESC"). BIS, Weatherford, WOTME, Weatherford eProd UK, PESL, and PESC are

hereinafter collectively referred to as the "Parties." Weatherford, WOTME, Weatherford eProd UK, PESL, and PESC are hereinafter collectively referred to as the "Weatherford Respondents."

WHEREAS, BIS, pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420) ("EAA"),[1] administers the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2013)) ("EAR" or the "Regulations");[2]

WHEREAS, BIS has notified the Weatherford Respondents of its intention to initiate administrative proceedings against the Weatherford Respondents, pursuant to the EAA and the EAR, and has issued a Proposed Charging Letter to each of the Weatherford Respondents. The Proposed Charging Letters allege a total, in the aggregate, of 174 violations of the EAR by the Weatherford Respondents. Specifically, BIS alleges:

As to Respondent Weatherford:

Charges 1-38: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

On 38 occasions between on or about September 15, 2005, and on or about April 24, 2007, Weatherford sold, transferred, and/or forwarded various types of oil and gas equipment, items subject to the Regulations, that were exported or to be exported from the United States to Cuba via Canada, or were exported or to be exported from the United States to Canada for reexport to Cuba, with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. The items included, inter alia, essential oil and gas equipment such as mud motors, measuring-while-drilling orientation modules, and drill collars and stabilizers, all of which were subject to the Regulations,[3] and which were valued in total at as much as $20 million. Pursuant to Section 746.2 of the Regulations, the export or reexport of these items to Cuba required a Department of Commerce license. Weatherford's actions included, among other things, selling, transferring and/or forwarding the items to Precision Energy Services ULC, formerly known as Precision Energy Services Ltd. ("PESL") and/or Precision Energy Services Colombia ("PESC"), both Canadian affiliates of Weatherford, with knowledge that the items were for use in projects in Cuba and that the required export or reexport licenses had not been or would not be obtained. In addition, Weatherford executives, managers and employees in Houston were involved with or supported Cuba operations by, among other things, sending "backfill" orders to Canada to replace shipments to Cuba; authorizing expenditures over $250,000 for "directional drilling" equipment; and offering to Cuba operations tools no longer

[1] Since August 21, 2001, the EAA has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 8, 2013 (78 Fed. Reg. 49,107 (Aug. 12, 2013)), has continued the EAR in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.)* ("IEEPA").

[2] The violations alleged in BIS's proposed charging letters occurred between 2002 and 2008. The governing provisions of the EAR are found in the 2002-2008 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2008)). The 2013 version of the EAR establishes the procedures that apply to the BIS administrative proceeding.

[3] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2005-2007).

needed in the United States. The functional location "Barcelona, Venezuela" also was added to Weatherford's computer database in Houston so that employees could input Cuba equipment in the database, including equipment destined for Cuba, without expressly labeling it for Cuba operations.

Weatherford had knowledge of the comprehensive U.S. embargo against Cuba, and of the need to obtain U.S. Government authorization to export or reexport the items to Cuba, because, *inter alia*, before acquiring PESL in or about August 2005, and again before restructuring its Cuba-related operations to include the transfer of those operations to PESC in or about December 2005, Weatherford consulted with export compliance counsel regarding existing Cuba operations. In addition, certain Weatherford executives and employees who had involvement with Cuba operations specifically knew of the prohibitions on exports to, and business relationships with, Cuba by persons subject to U.S. jurisdiction, including prohibitions on the export and re-export of U.S.-origin goods and technology, or of services, to Cuba.

Notwithstanding Weatherford's knowledge of the need for a license in connection with these transactions, no U.S. Government authorization was obtained for any of these 38 transactions. In so doing, Weatherford committed 38 violations of Section 764.2(e) of the Regulations.

Charges 39 - 74: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

On 36 occasions between on or about October 29, 2004, and on or about April 29, 2007, Weatherford sold, transferred, and/or forwarded oil and gas equipment involved in underbalanced drilling operations, items subject to the Regulations,[4] and valued in total at as much as $12 million, for export from the United States to Iran, via Weatherford's Dubai, UAE-based subsidiary, Weatherford Oil Tool Middle East Ltd. ("WOTME"), with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR,[5] and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

Weatherford sold, transferred, and/or forwarded the items that were exported or to be exported from the United States knowing that the items were intended to be, and in fact were being, used by WOTME to service a contract with the National Iranian Drilling Company ("NIDC"), an

[4] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2007).

[5] 31 C.F.R. Part 560 (2004-2007). Administered by the Treasury Department's Office of Foreign Assets Control ("OFAC"), the ITR were renamed the Iranian Transactions and Sanctions Regulations ("ITSR") and reissued in their entirety by OFAC on October 22, 2012. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). Section 560.204 remains unchanged in pertinent part. *See* 31 C.F.R. § 560.204 (2004-2007 and 2013).

Iranian Government organization ("the UBD contract"). Weatherford knew about the prohibitions on business activities with Iran, including, but not limited to, the restrictions on exporting U.S.-origin items to Iran without U.S. Government authorization, because, for example, Weatherford maintained stated sanctioned countries policies, including, but not limited to, restrictions on exporting U.S.-origin items to Iran. In addition, Weatherford managers and employees played instrumental roles in executing the Iran UBD contract and ensuring completion of the UBD project in Iran, organizing Weatherford resources to fulfill the contract and at times directing the activities of employees who were not U.S. persons, including with regard to the unlicensed exports described herein.

Notwithstanding Weatherford's knowledge of the need for licenses in connection with these transactions, no U.S. Government authorization was obtained for any of these 36 transactions. In so doing, Weatherford committed 36 violations of 764.2(e) of the Regulations.

Charges 75-85: **15 C.F.R. §764.2(a) – Unlicensed Exports of Pulse Neutron Decay Tools Controlled for Nuclear Non-Proliferation Reasons to Venezuela and Mexico.**

On 11 occasions between on or about March 14, 2002, and on or about February 27, 2007, Weatherford engaged in conduct prohibited by the Regulations by exporting pulse neutron decay tools, items subject to the Regulations, classified under Export Control Classification Number 3A231, and controlled for reasons of nuclear non-proliferation, from the United States to Venezuela and Mexico without the Department of Commerce licenses required by Section 742.3 of the Regulations. In so doing, Weatherford committed 11 violations of Section 764.2(a) of the Regulations.

As to Respondent WOTME:

Charges 1-36: **15 C.F.R. §764.2(h) – Evasion.**

On at least 36 occasions between on or about October 29, 2004, and on or about April 29, 2007, WOTME took actions with the intent to evade the Regulations in connection with the export of oil and gas equipment used in underbalanced drilling operations, items subject to the Regulations[6] and the Iranian Transactions Regulations ("ITR"),[7] and valued in total at as much as $12 million, from the United States to Iran via the United Arab Emirates ("UAE"). Working with its parent company, Weatherford International Ltd. ("Weatherford"), WOTME took deliberate steps to conceal that Iran was the ultimate destination of the items in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section 560.204 of the ITR, the exportation, reexportation, sale or supply,

[6] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2007).

[7] 31 C.F.R. Part 560 (2004-2007). See also note 5, *supra.*

directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

These items were ordered by WOTME and exported to Iran pursuant to a contract between WOTME and the National Iranian Drilling Company ("NIDC"), an Iranian governmental organization, to provide NIDC with equipment and related services for underbalanced drilling operations ("UBD") in Iran. WOTME knew about the prohibitions on business activities with Iran at all times pertinent hereto, including, but not limited to, the restrictions on exporting U.S.-origin items to Iran, because, for example WOTME received Weatherford's stated sanctioned country policies. Nevertheless, on numerous occasions, WOTME worked with Weatherford employees to ensure that items exported from the United States for the UBD Iran project did not indicate or show a U.S.-origin. WOTME also took other steps to conceal that the transactions involved items destined for Iran. For example, WOTME's product line manager and other WOTME employees created a document binder labeled "Texas," in which were placed copies of project schedules, cost estimates, important emails, and communications with senior Weatherford management related to the UBD project in Iran. In addition, Iran was referenced in emails and other correspondence using code words such as: "Off-shore Dubai," "OME" [other Middle East], "OTHER MENA [Middle East North Africa] COUNTRY," "Dubai across the waters," and/or "delivery country."

WOTME knew that U.S. Government authorization was needed, but with intent to evade the Regulations took actions to conceal Iran as the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed 36 violations of 764.2(h) of the Regulations.

Charge 37: 15 C.F.R. §764.2(h) – Evasion.

On multiple occasions from January 2002 through December 2008, WOTME took actions with the intent to evade the Regulations in connection with the export of liner hanger equipment used in oil well construction, items subject to the Regulations[8] and the ITR[9] and valued at approximately $16,676,266, from the United States to Iran via the UAE. From January 2002 until mid-2004, WOTME ordered liner hanger equipment intended for Iran from the United States under a general inventory number for the Middle East. When these items arrived in the UAE, they were transshipped to Iran. WOTME took deliberate steps to conceal Iran as the ultimate destination of U.S.-origin liner hanger equipment in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under

[8] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2002-2008).

[9] 31 C.F.R. Part 560 (2002-2008). See also note 5, *supra*.

Section 560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as the UAE, undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

To further conceal Iran as the ultimate destination, beginning in mid-2004, WOTME also removed U.S.-origin labels on the items and misrepresented the country of origin on invoices and shipping documents, and designed and implemented a coded numbering system for processing liner hanger orders for the Middle East, including Iran. The system created a prefix, "LMESJA" (standing for "Liner Hanger, Middle East, Stock, Jebel Ali"), that was used to order items from the United States and a series of codes to denote specific countries of destination in the Middle East, including the code "LIRN" for exports destined for Iran. This special prefix methodology was only used by WOTME when it was ordering U.S.-origin items for sanctioned countries, including Iran. To ensure that these items were utilized for their intended purpose upon their arrival in Iran, WOTME employees created linked files for each order on their local network drive. The linked files tied the orders back to the correct destination code.

WOTME knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Iran was the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed one violation of 764.2(h).

Charge 38: 15 C.F.R. §764.2(h) – Evasion.

On multiple occasions from January 2004 through December 2006, WOTME took actions with the intent to evade the Regulations in connection with the export of liner hanger equipment, items subject to the Regulations[10] and valued at approximately $689,989, from the United States to Syria via the UAE. WOTME took deliberate steps to conceal Syria as the ultimate destination of U.S.-origin liner hanger parts in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement. Pursuant to General Order No. 2, Supplement No. 1 to Part 736 of the Regulations, exports of these items to Syria required U.S. Government authorization.

From January 2004 until mid-2004, WOTME ordered liner hanger equipment intended for Syria from the United States under a general inventory number for the Middle East. When these items arrived in the UAE, they were transshipped to Syria. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

To further conceal Syria as the ultimate destination, beginning in mid-2004, WOTME also removed U.S. labels on the items and misrepresented the country of origin on invoices and

[10] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2004-2006).

shipping documents, and designed and implemented a coded numbering system, for processing liner hanger orders for the Middle East, including Syria. The system created a prefix, "LMESJA" (standing for "Liner Hanger, Middle East, Stock, Jebel Ali"), that was used to order items from the United States, and a series of codes to denote specific countries of destination in the Middle East, including the code "LSYR" for exports destined for Syria. This special prefix methodology was only used by WOTME when it was ordering U.S.-origin items for sanctioned countries, including Syria. In addition, to ensure that these items were utilized for their intended purpose upon their arrival in Syria, WOTME employees created linked files for each order on their local network drive. The linked files tied the orders back to the correct destination code.

WOTME knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Syria was the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, WOTME committed one violation of 764.2(h).

As to Respondent Weatherford eProd UK:

Charges 1-13: 15 C.F.R. §764.2(h) – Evasion.

On 13 occasions between on or about February 21, 2003, and on or about January 9, 2006, Weatherford eProd U.K., a subsidiary of Houston, Texas-based Weatherford International, Ltd., took actions with the intent to evade the Regulations in connection with the export of items for oil well production optimization, items subject to the Regulations[11] and the Iranian Transaction Regulations ("ITR"),[12] and valued at approximately $770,000, from the United States to Iran via the United Kingdom. Weatherford eProd U.K. took deliberate steps to conceal that Iran was the ultimate destination of the items in order to avoid the requirement to obtain U.S. Government authorization for these exports and to avoid detection by law enforcement.

The items were ordered from the United States and exported to Iran in connection with a contract between Weatherford eProd U.K. and the National Iranian Oil Company ("NIOC"), an Iranian governmental organization under the direction of the Ministry of Petroleum of Iran. The end-user was listed in Weatherford eProd U.K.'s records as "Kala Naft Co." or "Kala Ltd.," which is the Iranian procurement agent for NIOC. In conjunction with its sales of equipment and services to NIOC, Weatherford eProd U.K. ordered the items from a Weatherford subsidiary located in the United States, specifically for use in Iran. When ordering and sourcing U.S.-origin products and services for Iran, Weatherford eProd U.K., with knowledge of the sanctions and prohibitions on exports to Iran, intentionally provided false information concerning the ultimate destination of the items and removed references to the U.S.-origin of products before exporting them to Iran.

Pursuant to Section 746.7 of the Regulations, no person may export or reexport an item subject to the EAR if such transaction is prohibited by the ITR, and has not been authorized by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). Under Section

[11] The items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2003-2006).

[12] 31 C.F.R. Part 560 (2003-2006). See also note 5, *supra*.

560.204 of the ITR, the exportation, reexportation, sale or supply, directly or indirectly, from the United States of any goods to Iran was prohibited by the ITR at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country undertaken with knowledge or reason to know that the items are intended for supply, transshipment, or reexportation, directly or indirectly, to Iran.

Weatherford eProd U.K. knew that U.S. Government authorization was needed for these exports, but with intent to evade the Regulations took actions to conceal that Iran was the ultimate destination in order to avoid this license requirement and detection by law enforcement. In so doing, Weatherford eProd U.K. committed 13 violations of 764.2(h) of the Regulations.

As to Respondent PESL:

Charges 1-17: 15 C.F.R. §764.2(e) – Acting with Knowledge of a Violation.

As set forth in greater detail in the Schedule of Violations attached hereto and incorporated herein, on 17 occasions between on or about September 15, 2005, and on or about February 6, 2006, PESL ordered, sold, transferred, and/or forwarded various items subject to the Regulations that were exported or to be exported from the United States to Cuba, via Canada, or were reexported from Canada to Cuba, with knowledge that a violation of the Regulations had occurred, was occurring, or was about to occur. The items included, but were not limited to, essential oil and gas equipment such as mud motors, measuring-while-drilling orientation modules, drill collars and stabilizers.[13] Pursuant to Section 746.2 of the Regulations, exports and reexports of these items to Cuba required U.S. Government authorization.

PESL had knowledge that the items were for use in projects in Cuba and that the required U.S. Government authorization had not been or would not be obtained. PESL knew about the prohibitions on exporting and reexporting U.S.-origin items to Cuba without U.S. Government authorization at all pertinent times hereto, because, inter alia, after its acquisition by Canadian-based Weatherford PES/PDG Ltd. ("WPES"), an affiliate of Houston, Texas-based Weatherford International Ltd. ("Weatherford"), PESL received Weatherford's stated sanctioned country policies. At the time of the acquisition by Weatherford, PESL had significant Cuba-related business operations. Additionally, PESL employees referenced Cuba in emails and other correspondence by the code name "Caribbean" to divert attention or hide the fact that the items were destined to Cuba.

Notwithstanding PESL's knowledge of the need for a license in connection with these transactions, no U.S. Government authorization was obtained for any of these 17 transactions. In so doing, PESL committed 17 violations of Section 764.2(e) of the Regulations.

[13] The items were designated EAR99 under the Regulations, which is a designation for items that are subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2005-2006).

As to Respondent PESC:

Charges 1-21: 15 C.F.R. §764.2(h) – Evasion.

On 21 occasions between on or about June 15, 2006, and on or about April 24, 2007, PESC took actions with the intent to evade the Regulations in connection with the export and reexport of various items subject to the Regulations, including essential oil and gas equipment, to Cuba. PESC took deliberate steps to conceal Cuba as the country of ultimate destination and avoid the requirement to obtain U.S. Government authorization to export and reexport the items to Cuba, which included, but were not limited to, mud motors, measuring-while-drilling orientation modules, drill collars and stabilizers.[14] Pursuant to Section 746.2 of the Regulations, the export and reexport of these items to Cuba required U.S. Government authorization.

In August 2005, Canadian-based Weatherford PES/PDG Ltd. ("WPES"), an affiliate of Houston, Texas-based Weatherford International Ltd. ("Weatherford"), acquired PESC's then-parent company, which had significant Cuba-related business operations. Weatherford directed the transfer of the Cuba operations to PESC in or about December 2005.

PESC knew about the prohibitions on exporting and reexporting U.S.-origin items to Cuba without U.S. Government authorization at all pertinent times hereto, including following its acquisition by Weatherford and at the time of the transfer of the Cuba operations, because, *inter alia*, PESC received Weatherford's stated sanctioned country policies. In order to evade the requirement to obtain U.S. Government authorization for the export and reexport transactions alleged herein and to avoid detection by law enforcement, PESC worked with a Weatherford subsidiary, Weatherford Canada Partnership, starting in or about May 2006, regarding a document and shipping procedure that used "Barcelona, Venezuela" to mean "Cuba." A functional location for "Barcelona, Venezuela" also was added to Weatherford's computer system in Houston, which reflected that items were located in Venezuela when in fact the items were actually located in Cuba. Weatherford documents, such as purchase request forms and invoices, falsely reflected an ultimate destination in "Barcelona, Venezuela," instead of the actual ultimate destination of Cuba. Falsely listing "Barcelona, Venezuela" for Cuba on shipping documents within Weatherford's asset tracking system allowed Weatherford to differentiate Cuba transactions from actual Venezuela-related transactions.

In addition, rather than orders being routed directly from Cuba, items destined for Cuba were ordered via another Weatherford affiliate in Venezuela. The Venezuelan affiliate would then forward to PESC in Canada the order falsely listing "Barcelona, Venezuela" as the ultimate destination. PESC employees knew that orders stating that they were destined for "Barcelona, Venezuela" were in fact destined for Cuba.

With the above-described system and scheme in place, upon its receipt of a "Barcelona, Venezuela" order in connection with the exports and reexport transactions alleged herein, PESC either reexported the items from Canada to Cuba, or it ordered the items from Weatherford facilities in the United States and arranged for the items to be immediately transshipped to Cuba

[14] These items were designated as EAR99 under the Regulations, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 772.1 (2006-2007).

upon their arrival in Canada. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

In so doing, PESC committed 21 violations of Section 764.2(h) of the Regulations.

WHEREAS, the Weatherford Respondents have reviewed the Proposed Charging Letters issued to the Weatherford Respondents (the "Proposed Charging Letters" or "BIS Allegations") and are aware of the civil sanctions that could be imposed against them if such allegations are found to be true, including a monetary civil penalty of up to the greater of $250,000 per violation or twice the value of the transactions that are the basis of the violations, plus a denial of export privileges;[15]

WHEREAS, the Weatherford Respondents fully understand the terms of this Amended Agreement and the proposed Amended Order that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Amended Agreement as the final resolution of this matter ("BIS Amended Order"), and fully understand that this Amended Agreement shall serve as the final resolution of the BIS Allegations;

WHEREAS, the Weatherford Respondents understand that if the BIS Amended Order issues, this Amended Agreement will supersede the settlement agreement executed by the Parties in this matter on November 25, 2013, and that the BIS Amended Order will supersede the Order in this matter dated November 26, 2013 ("the Order");

WHEREAS, after having consulted with counsel, each of the Weatherford Respondents enters into this Amended Agreement voluntarily and with full knowledge of its rights;

WHEREAS, the Parties enter into this Amended Agreement having taken into consideration the deferred prosecution agreement that Weatherford has entered into with the U.S. Attorney's Office for the Southern District of Texas ("USAO"), and the plea agreement that Weatherford eProd UK has entered into with the USAO and the civil settlement that the Weatherford Respondents have entered into with OFAC;

WHEREAS, the Weatherford Respondents state that no promises or representations have been made to any of them other than the agreements and considerations herein expressed;

WHEREAS, the Weatherford Respondents neither admit nor deny the allegations contained in the Proposed Charging Letters; and

WHEREAS, the Weatherford Respondents desire to settle the BIS Allegations and agree to be bound by this Amended Agreement and the BIS Amended Order, as set forth herein;

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[15] See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

NOW THEREFORE, pursuant to the authority under Section 766.18 of the EAR the Parties hereby agree as follows:

1. BIS has jurisdiction, pursuant to the EAR, over the Weatherford Respondents in connection with the matters alleged in the Proposed Charging Letters.

2. The following sanctions shall be imposed against the Weatherford Respondents in complete settlement of the BIS Allegations:

a. The Weatherford Respondents shall be assessed a civil penalty of $50,000,000, the payment of which shall be made to the U.S. Department of Commerce on or before February 14, 2014. The Weatherford Respondents are jointly and severally liable for the payment of the civil penalty. All payments must be made either by an electronic funds transfer or by cashiers or certified check or money order payable in accordance with the attached payment instructions.

b. The Weatherford Respondents shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws and regulations to conduct external audits of the Weatherford Respondents' compliance with U.S. export control laws and regulations (including recordkeeping requirements) with respect to all exports or re-exports to Cuba, Iran, North Korea, Sudan and Syria that are subject to the EAR, which audits shall be in substantial compliance with the requirements set out in the Export Management and Compliance Program audit module, which is available from the BIS website at http://www.bis.doc.gov/complianceandenforcement/emcp_audit.pdf, that are pertinent to such audits. The first external audit shall cover the time period of January 1, 2012, through December 31, 2012. Annual calendar year audits shall also be conducted for 2013 and 2014. Where said audits identify actual or potential violations of U.S. export control laws and regulations, the Weatherford Respondents must promptly provide copies of the pertinent air waybills and other supporting documentation to BIS as described below. The auditor will not serve or function as legal counsel to any or all of the Weatherford Respondents and no attorney-client relationship shall be formed between the Weatherford Respondents and the auditor in connection with the audits or audit reports or otherwise in connection with this Amended Agreement or the Amended Order. The Weatherford Respondents will submit the 2012 and 2013 completed audit reports, and accompanying air waybills and documentation, to BIS by July 31, 2014. The Weatherford Respondents will submit the 2014 completed audit report, and accompany air waybills and documentation, to BIS by July 31, 2015. All reports and documents shall be sent to BIS at the address specified below:

U.S. Department of Commerce
Office of Export Enforcement
15109 Heathrow Forest Parkway
Suite 170
Houston, TX 77032

c. The full and timely payment of the civil penalty agreed to in paragraph 2.a above, the timely completion and submission of the results of the audits agreed to in paragraph 2.b above,

compliance with the deferred prosecution agreement that Weatherford has entered with the USAO, and compliance with the plea agreement that Weatherford eProd UK has entered with the USAO and with any sentence imposed upon or following the plea and conviction are hereby made conditions to the granting, restoration, or continuing validity of any export license, authorization, permission, or privilege granted, or to be granted, to each of the Weatherford Respondents. Failure to make full or timely payment of the civil penalty set forth in paragraph 2.a, or to complete and submit the results of an audit agreed to in paragraph 2.b within the deadline established in that paragraph, may result in the denial of all of the export privileges of each of the Weatherford Respondents for a period of one year from the due date of the payment or the date on which the results of the completed audit are to be submitted. Additionally, failure by Weatherford to comply in full with the deferred prosecution agreement or failure by Weatherford eProd UK to comply with the plea agreement and sentence may result in the denial of the export privileges of each of the Weatherford Respondents for a period of one year from the date upon which the terms of the deferred prosecution agreement or plea agreement and sentence are violated.

3. Each of the Weatherford Respondents hereby waives any claims by or on behalf of the Weatherford Respondents whether asserted or unasserted, against BIS, the U.S. Department of Commerce and/or its officials and employees arising out of the facts and circumstances giving rise to the matters that resulted in this Amended Agreement, including, but not limited to, BIS's investigation of the facts and circumstances giving rise to the BIS Allegations and BIS's issuance of the Proposed Charging Letters. Each of the Weatherford Respondents also hereby waives any possible legal objections to this Amended Agreement at any future date and all rights to further procedural steps in this matter (except with respect to any alleged violations of this Amended Agreement or the BIS Amended Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Amended Agreement and the Amended Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Amended Agreement or the BIS Amended Order, if issued. Each of the Weatherford Respondents waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letters or in connection with collection of the civil penalty or enforcement of this Amended Agreement and the Amended Order, if issued, from the date of the Order until the latest of the date the Weatherford Respondents pay in full the civil penalty agreed to in Paragraph 2.a of this Amended Agreement, the Weatherford Respondents complete the audit requirements described in paragraph 2.b of this Amended Agreement, Weatherford complies with the deferred prosecution agreement, and Weatherford eProd UK complies with any sentence imposed upon it following the entry of Weatherford eProd UK's plea and conviction.

4. Each of the Weatherford Respondents agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegations in the Proposed Charging Letters, this Amended Agreement or the BIS Amended Order. Nothing in this paragraph affects any of the Weatherford Respondents' testimonial obligations, or right to take legal or factual positions in litigation or other legal proceedings in which the U.S. Department of Commerce is not a party.

5. BIS will not initiate any further administrative proceeding against the Weatherford Respondents in connection with any violation of the EAA or the EAR arising out of the transactions specifically detailed in the Proposed Charging Letters.

6. This Amended Agreement amends and supersedes the settlement agreement executed by the parties on November 25, 2013, and expresses the complete understanding of the Parties regarding resolution of the BIS Allegations. No agreement, understanding, representation or interpretation not contained in this Amended Agreement may be used to vary or otherwise affect the terms of this Amended Agreement or the BIS Amended Order, if issued. This Amended Agreement shall not serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

7. BIS will make the Proposed Charging Letters, this Amended Agreement, and the BIS Amended Order, if issued, available to the public. BIS may also issue a press release relating to this matter, the contents of which will be determined by BIS in its discretion.

8. This Amended Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the BIS Amended Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record. If this Amended Agreement is so approved and the BIS Amended Order so issued, this Amended Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns, except that if the United States District Court for the Southern District of Texas does not, on or before February 6, 2014, approve the deferred prosecution agreement entered into by Weatherford, or does not accept the plea agreement entered into by Weatherford eProd UK, this Amended Agreement shall become null and void.

9. This Amended Agreement is for settlement purposes only. Therefore, if this Amended Agreement is not approved and the BIS Amended Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the EAR, or if this Amended Agreement becomes null and void as provided for in Paragraph 8 herein, no Party may use this Amended Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Amended Agreement in any subsequent administrative or judicial proceeding.

10. Each signatory affirms that he has authority to enter into this Amended Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

On behalf of Respondents:

WEATHERFORD INTERNATIONAL LTD.,

WEATHERFORD OIL TOOL MIDDLE EAST LTD.,

WEATHERFORD PRODUCTION OPTIMISATION (UK) LTD., formerly known as eProduction Solutions U.K. Ltd.,

PRECISION ENERGY SERVICES ULC, formerly known as Precision Energy Services Ltd.,

and

PRECISION ENERGY SERVICES COLOMBIA LTD.

Date: 12-20-13

Alejandro Cestero
Vice President, Co-General Counsel, and Corporate Secretary
Weatherford International Ltd.

On behalf of:

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

Date: 12-21-2013

Douglas R. Hassebrock
Director
Office of Export Enforcement
Bureau of Industry and Security
U.S. Department of Commerce