ORDER RELATING TO NATIONAL OILWELL VARCO AND DRECO ENERGY SERVICES LTD.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has notified National Oilwell Varco ("NOV") and Dreco Energy Services Ltd. ("Dreco") (collectively, "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 (2016)) ("EAR" or "Regulations"),\(^1\) and Section 13(c) of the Export Administration Act of 1979, as amended (the "Act"),\(^2\) through the issuance of a Proposed Charging Letter to each of the Respondents. The Proposed Charging Letters

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allege a total, in the aggregate, of 22 violations of the EAR by Respondents. Specifically, BIS alleges:

**As to Respondent Dreco:**

**Charges 1-21**

15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting Unlicensed Exports to Iran

On 21 occasions between on or about April 26, 2006, and on or about December 29, 2007, Dreco caused, aided and/or abetted the export from the United States to Iran, via Canada, of U.S.-origin oil and gas equipment, items subject to the Regulations, and valued at $2,315,254.52, without the required U.S. Government authorization. Dreco ordered the items from the United States without disclosing that the items were intended to fulfill orders from Iranian customers. Upon receiving the items from the U.S. manufacturer and/or supplier, Dreco transshipped the items from Canada to Iran, and specifically to the National Iranian Drilling Company and Kala Naft, the procurement arm of the National Iranian Oil Company.

At all times pertinent hereto, Section 746.7 of the Regulations prohibited the export or reexport of any item subject to both the EAR and the Iranian Transactions Regulations (“ITR”) without prior authorization 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 at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as Canada, undertaken with knowledge or reason to know that the items were intended for supply, transshipment, or reexportation, directly or indirectly, to Iran. Dreco did not disclose that the items were intended for transshipment to Iran, and no OFAC authorization was sought or obtained for any of the exports to Iran, via Canada, alleged herein.

In so doing, Dreco committed 21 violations of Section 764.2(b) of the Regulations.

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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 (2006-2007).

As to Respondent NOV:

Charge 1 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

On or about January 24, 2012, NOV sold and/or transferred filament winder mandrels, items subject to the Regulations that were to be exported from the United States to Oman, with knowledge that a violation of the Regulations was about to occur or intended to occur in connection with the items. The filament winder mandrels were classified under ECCN 1B201, controlled for reasons of nuclear nonproliferation, and required a license for export to Oman pursuant to Section 742.3 of the Regulations. NOV was the U.S. principal party in interest in this transaction and knew that a violation was about or intended to occur in connection with the items, because NOV had applied for and received an export license from BIS to export a total of nine filament winder mandrels to an end-user in Oman, but instead sold and/or transferred for export, and subsequently exported, to the applicable end-user in Oman a total of twenty-one filament winder mandrels. No BIS export license or authorization was sought or obtained for the additional filament winder mandrels exported by NOV to Oman in excess of the number authorized by the BIS license. The value of these additional, unlicensed items was approximately $69,615.

In so doing, NOV committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, BIS and Respondents have entered into a settlement agreement (the “Settlement Agreement”) pursuant to Section 766.18 of the EAR, whereby each of the Respondents agreed to settle this matter in accordance with the terms and conditions set forth therein;

WHEREAS, I have taken into consideration the non-prosecution agreement (“NPA”) that NOV has entered into with the U.S. Attorney’s Office for the Southern District of Texas and the civil administrative settlement that Respondents have entered into with OFAC (“OFAC Settlement Agreement”);

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

IT IS THEREFORE ORDERED:

FIRST, Respondents shall be assessed a civil penalty of $2,500,000, the payment of which shall be made to the U.S. Department of Commerce by January 6, 2017.
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, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, 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 full and timely payment of the civil penalty set forth above and compliance with the NPA and the OFAC Settlement Agreement 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 Respondents. Accordingly, the failure to make full or timely payment of the civil penalty may result in the denial of all of the export privileges of each of the Respondents for a period of one year from the due date of the payment. Additionally, the failure by NOV to comply in full with the NPA or the failure by Respondents to comply in full with the OFAC Settlement Agreement may result in the denial of the export privileges of each of the Respondents for a period of one year from the date on which it is determined that a violation of the NPA or the OFAC Settlement Agreement, as applicable, has occurred.

FOURTH, each of the 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 Settlement Agreement, or this Order. Nothing in this paragraph affects any of 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.

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

This Order, which constitutes the final agency action in this matter, is effective immediately.

[Signature]

David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this __ day of __, 2016.
UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

National Oilwell Varco
7909 Parkwood Circle Drive
Houston, TX 77036

Dreco Energy Services Ltd.
Suite 1340 Weber Centre
5555 Calgary Trail
Edmonton, AB T6H5P9
Canada

Respondents

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and between the Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), National Oilwell Varco ("NOV"), and NOV subsidiary Dreco Energy Services Ltd. ("Dreco"), pursuant to Section 766.18(a) of the Export Administration Regulations ("the EAR" or the "the Regulations"),¹ issued pursuant to the Export Administration Act of 1979, as amended ("the EAA" or "the Act").² BIS, NOV, and Dreco are hereinafter collectively referred to as the "Parties." NOV and Dreco are hereinafter collectively referred to as "Respondents."


WHEREAS, BIS has notified Respondents of its intention to initiate administrative proceedings against Respondents, pursuant to the Act and the Regulations, and has issued a Proposed Charging Letter to each of the Respondents. The Proposed Charging Letters allege a total, in the aggregate, of 22 violations of the Regulations by Respondents. Specifically, BIS alleges:

As to Respondent Dreco:

Charges 1-21 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting Unlicensed Exports to Iran

On 21 occasions between on or about April 26, 2006, and on or about December 29, 2007, Dreco caused, aided and/or abetted the export from the United States to Iran, via Canada, of U.S.-origin oil and gas equipment, items subject to the Regulations, and valued at $2,315,254.52, without the required U.S. Government authorization. Dreco ordered the items from the United States without disclosing that the items were intended to fulfill orders from Iranian customers. Upon receiving the items from the U.S. manufacturer and/or supplier, Dreco transshipped the items from Canada to Iran, and specifically to the National Iranian Drilling Company and Kala Naft, the procurement arm of the National Iranian Oil Company.

At all times pertinent hereto, Section 746.7 of the Regulations prohibited the export or reexport of any item subject to both the EAR and the Iranian Transactions Regulations (“ITR”) without prior authorization 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 at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as Canada, undertaken with knowledge or reason to know that the items were intended for supply, transshipment, or reexportation, directly or indirectly, to Iran. Dreco did not disclose that the items were intended for transshipment to Iran, and no OFAC authorization was sought or obtained for any of the exports to Iran, via Canada, alleged herein.

In so doing, Dreco committed 21 violations of Section 764.2(b) of the Regulations.

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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 (2006-2007).

As to Respondent NOV:

Charge 1 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

On or about January 24, 2012, NOV sold and/or transferred filament winder mandrels, items subject to the Regulations that were to be exported from the United States to Oman, with knowledge that a violation of the Regulations was about to occur or intended to occur in connection with the items. The filament winder mandrels were classified under ECCN 1B201, controlled for reasons of nuclear nonproliferation, and required a license for export to Oman pursuant to Section 742.3 of the Regulations. NOV was the U.S. principal party in interest in this transaction and knew that a violation was about or intended to occur in connection with the items, because NOV had applied for and received an export license from BIS to export a total of nine filament winder mandrels to an end-user in Oman, but instead sold and/or transferred for export, and subsequently exported, to the applicable end-user in Oman a total of twenty-one filament winder mandrels. No BIS export license or authorization was sought or obtained for the additional filament winder mandrels exported by NOV to Oman in excess of the number authorized by the BIS license. The value of these additional, unlicensed items was approximately $69,615.

In so doing, NOV committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, Respondents have reviewed the Proposed Charging Letters issued to Respondents (the “Proposed Charging Letters” or “BIS Allegations”) and are aware of the civil administrative 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 $284,582 per violation\(^5\) or twice the value of the transactions that are the basis of the violations, plus a denial of export privileges;\(^6\)

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

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\(^5\) See 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015.

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

WHEREAS, the Parties enter into this Agreement having taken into consideration the non-prosecution agreement ("NPA") that NOV has entered into with the U.S. Attorney's Office for the Southern District of Texas and the civil administrative settlement that Respondents have entered into with OFAC ("OFAC Settlement Agreement");

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

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

WHEREAS, Respondents desire to settle the BIS Allegations and agree to be bound by the BIS Order, if issued;

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanctions shall be imposed against Respondents in complete settlement of the BIS Allegations:
   a. Respondents shall be assessed a civil penalty of $2,500,000, the payment of which shall be made to the U.S. Department of Commerce by January 6, 2017. 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 full and timely payment of the civil penalty agreed to in paragraph 2.a above and compliance with the NPA and the OFAC Settlement Agreement 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 Respondents. The failure to make full or timely payment of the civil penalty set forth in paragraph 2.a above may result in the denial of all of the export privileges of each of the Respondents for a period of one year from the due date of the payment. Additionally, the failure by NOV to comply in full with the NPA or the failure by Respondents to comply in full with the OFAC Settlement Agreement may result in the denial of the export privileges of each of the Respondents for a period of one year from the date on which it is determined that a violation of the NPA or the OFAC Settlement Agreement, as applicable, has occurred.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 below, each of the Respondents hereby waives any claims by or on behalf of 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 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 Respondents also hereby waives any possible legal objections to this Agreement at any future date and all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the BIS Order, if issued), including, without limitation, any right to: (a) receive an administrative hearing regarding the allegations in any proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the BIS
Order, if issued. Each of the 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 Agreement and the Order, if issued, from the date of the Order until the latest of the date Respondents pay in full the civil penalty agreed to in Paragraph 2.a of this Agreement, the date NOV complies with the NPA, and the date Respondents comply with the OFAC Settlement Agreement.

4. Each of the 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 Agreement, or the BIS Order. Nothing in this paragraph affects any of 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 agrees that upon full and timely payment of the civil penalty set forth in Paragraph 2.a above, and compliance with the NPA and the OFAC Settlement Agreement, BIS will not initiate any further administrative proceeding against 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 Agreement expresses the complete understanding of the Parties regarding resolution of the BIS Allegations. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the BIS Order, if issued. This 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 Agreement, and the BIS 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 Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the BIS Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record. If the Agreement is so approved and the BIS Order so issued, this Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

9. This Agreement is for settlement purposes only. Therefore, if this Agreement is not approved and the BIS Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the EAR, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.
10. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

NATIONAL OILWELL VARCO

Date: November 8, 2016

Craig W. Weinstock
Senior Vice President and General Counsel
National Oilwell Varco

DRECO ENERGY SERVICES LTD.

Date: November 8, 2016

Craig W. Weinstock
General Counsel
Dreco Energy Services Ltd.

Reviewed and approved by:

Date: November 8, 2016

Tim Johnson, Esq.
Berne C. Rube, Esq.
Locke Lord LLP
Counsel for National Oilwell Varco and Dreco Energy Services Ltd.

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

Date: 8 Nov, 2016

Douglas R. Hassebrock
Director, Office of Export Enforcement
Bureau of Industry and Security
U.S. Department of Commerce
PROPOSED CHARGING LETTER
BY U.S. CERTIFIED MAIL – RETURN RECEIPT REQUESTED

National Oilwell Varco
7909 Parkwood Circle
Drive Houston, TX
77036

Attention: Mr. Clay C. Williams
Chief Executive Officer

Dear Mr. Williams,

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that National Oilwell Varco ("NOV"), of Houston, Texas, has violated the Export Administration Regulations (the "Regulations"), which issued under the authority of the Export Administration Act of 1979, as amended (the "Act"). Specifically, BIS alleges that NOV committed the following violation:

Charge 1 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation
On or about January 24, 2012, NOV sold and/or transferred filament winder mandrels, items subject to the Regulations that were to be exported from the United States to Oman, with knowledge that a violation of the Regulations was about to occur or intended to occur in connection with the items. The filament winder mandrels were classified under ECCN 1B201, controlled for reasons of nuclear nonproliferation, and required a license for export to Oman pursuant to Section 742.3 of the Regulations. NOV was the U.S. principal party in interest in this transaction and knew that a violation was about or intended to occur in connection with the items, because NOV had applied for and received an export license from BIS to export a total of nine filament winder mandrels to an end-user in Oman, but instead sold and/or transferred for export, and subsequently exported, to the applicable end-user in Oman a total of twenty-one filament winder mandrels. No BIS export license or authorization was sought or obtained for the additional filament winder mandrels exported by NOV to Oman in excess

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of the number authorized by the BIS license. The value of these additional, unlicensed items was approximately $69,615.

In so doing, NOV committed one violation of Section 764.2(e) of the Regulations.

* * * * * *

Accordingly, NOV is hereby notified that an administrative proceeding is instituted against them pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to $284,582 per violation\(^3\) or twice the value of the transaction that is the basis of the violation;\(^4\)
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If NOV fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. See 15 C.F.R. §§ 766.6 and 766.7. If NOV defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to NOV. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

NOV is further notified that they are entitled to an agency hearing on the record if it files a written demand for one with its answer. See C.F.R. § 766.6(e). NOV is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent them. See 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. See 15 C.F.R. § 766.18. Should NOV have a proposal to settle this case, NOV's representative should transmit it to the attorney representing BIS named below.

NOV is further notified that under the Small Business Regulatory Enforcement Flexibility Act, NOV may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: http://www.sba.gov/ombudsman/.

\(^3\) See 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, NOV's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

In addition, a copy of NOV’s answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Gregory Michelsen Esq.  
Room H-3839  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Gregory Michelsen is the attorney representing BIS in this case; any communications that NOV may wish to have concerning this matter should occur through him. Mr. Michelsen may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock  
Director  
Office of Export Enforcement
PROPOSED CHARGING LETTER
BY REGISTERED MAIL – RETURN RECEIPT REQUESTED

Dreco Energy Services Ltd.
Suite 1340 Weber Centre
5555 Calgary Trail
Edmonton, AB T6H5P9
Canada

Attention: Craig W. Weinstock
General Counsel

Dear Mr. Weinstock,

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Dreco Energy Services Ltd. ("Dreco"), of Edmonton, Canada, has committed twenty-one (21) violations of the Export Administration Regulations (the "Regulations"),\(^1\) which issued under the authority of the Export Administration Act of 1979, as amended (the "Act").\(^2\) Specifically, BIS alleges that Dreco committed the following violations:

**Charges 1-21 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting Unlicensed Exports to Iran**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 21 occasions between on or about April 26, 2006, and on or about December 29, 2007, Dreco caused, aided and/or abetted the export from the United States to Iran, via Canada, of U.S.-origin oil and gas equipment, items subject to the Regulations,\(^3\) and valued at $2,315,254.52, without the required U.S. Government authorization. Dreco ordered the items from the United States without disclosing that the items were intended to fulfill orders from Iranian customers. Upon receiving the items from the U.S. manufacturer and/or supplier, Dreco

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\(^3\) 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 (2006-2007).
transshipped the items from Canada to Iran, and specifically to the National Iranian Drilling Company and Kala Naft, the procurement arm of the National Iranian Oil Company.

At all times pertinent hereto, Section 746.7 of the Regulations prohibited the export or reexport of any item subject to both the EAR and the Iranian Transactions Regulations ("ITR") without prior authorization 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 at all times pertinent hereto, including the exportation, reexportation, sale or supply of items from the United States to a third country, such as Canada, undertaken with knowledge or reason to know that the items were intended for supply, transshipment, or reexportation, directly or indirectly, to Iran. Dreco did not disclose that the items were intended for transshipment to Iran, and no OFAC authorization was sought or obtained for any of the exports to Iran, via Canada, alleged herein.

In so doing, Dreco committed 21 violations of Section 764.2(b) of the Regulations.

* * * * *

Accordingly, Dreco is hereby notified that an administrative proceeding is instituted against them pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to $284,582 per violation
- or twice the value of the transaction that is the basis of the violation;
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If Dreco fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. See 15 C.F.R. §§ 766.6 and 766.7. If Dreco defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Dreco. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Dreco is further notified that they are entitled to an agency hearing on the record if it files a written demand for one with its answer. See C.F.R. § 766.6(c). Dreco is also entitled to be

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5 See 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015.

Dreco Energy Services Ltd.
Proposed Charging Letter
Page 3 of 3
represented by counsel or other authorized representative who has power of attorney to represent them. See 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. See 15 C.F.R. § 766.18. Should Dreco have a proposal to settle this case, Dreco’s representative should transmit it to the attorney representing BIS named below.

Dreco is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Dreco may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: http://www.sba.gov/ombudsman/.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Dreco’s answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of Dreco’s answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Gregory Michelsen Esq.
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Gregory Michelsen is the attorney representing BIS in this case; any communications that Dreco may wish to have concerning this matter should occur through him. Mr. Michelsen may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement
### Schedule of Violations
**Dreco Energy Services Ltd.**

<table>
<thead>
<tr>
<th>Charge</th>
<th>Date</th>
<th>Ultimate Destination</th>
<th>Commodity</th>
<th>ECCN</th>
<th>Total Value</th>
<th>Violation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26-Apr-06</td>
<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$60,227.12</td>
<td>15 C.F.R. §764.2(b)</td>
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<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$95,644.43</td>
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<td>27-Jul-06</td>
<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$1,350.00</td>
<td>15 C.F.R. §764.2(b)</td>
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<td>16-Aug-06</td>
<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$10,783.80</td>
<td>15 C.F.R. §764.2(b)</td>
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<td>22-Aug-06</td>
<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$103.53</td>
<td>15 C.F.R. §764.2(b)</td>
</tr>
<tr>
<td>6</td>
<td>22-Sep-06</td>
<td>Iran</td>
<td>Oil and Gas Equipment</td>
<td>EAR99</td>
<td>$150,747.72</td>
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**Total** $2,315,254.52