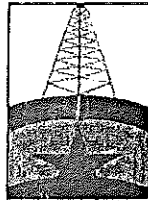


PETROLEUM AGREEMENT

BY AND AMONG



GOVERNMENT OF THE REPUBLIC OF GHANA



GNPC

GHANA NATIONAL PETROLEUM CORPORATION

AND



**SWISS AFRICAN
OIL LIMITED**

SWISS AFRICAN OIL COMPANY LIMITED



**Pet Volta
Investments Ltd**

PET VOLTA INVESTMENTS LIMITED

IN RESPECT OF

Onshore/Offshore Keta Delta Block


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.....2015

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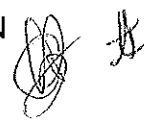
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THIS PETROLEUM AGREEMENT, made this _____ day of 2015 by and among

1. The Government of the Republic of Ghana (hereinafter referred to as the “**State**”), represented by the Minister for Petroleum, (hereinafter referred to as the “**Minister**”),
2. The Ghana National Petroleum Corporation, a public corporation established by the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64), with its registered address as Petroleum House, Harbour Road, Private Mail Bag, , Tema, (hereinafter referred to as “**GNPC**”),
3. Swiss African Oil Company Limited, a limited liability company duly incorporated in accordance with the laws of Ghana with its registered address at #10 Asafena Crescent, Platinum Estate, Regimanuel Estates, Spintex Road, P.O. Box KADTA 5325, Airport, Accra and represented by its authorised representative,..... and
4. Pet Volta Investments Limited, a limited liability company duly incorporated in accordance with the laws of Ghana with its registered address as #H11, Manet Court, Spintex Road, P.O. Box 17162, Accra and represented by its authorised representative, (together 2nd and 3rd Party hereinafter referred to as “**Contractor(s)**”).

WITNESSES THAT:

1. All Petroleum existing in its natural state within Ghana is the property of the Republic of Ghana and held in trust by the State on behalf of the people of Ghana.
2. In accordance with the Petroleum Law, the Minister has prepared a reference map showing areas of potential petroleum fields within the jurisdiction of Ghana, divided into numbered areas and each of which is described as a “**Block**”.
3. GNPC has by virtue of the Petroleum Law the right to undertake Exploration, Development and Production of Petroleum over all Blocks declared by the Minister to be open for Petroleum Operations.
4. GNPC is further authorised to enter into association by means of a Petroleum Agreement with a contractor for the purpose of Exploration, Development and Production of Petroleum.
5. The Contract Area that is the subject matter of this Petroleum Agreement has been declared open for Petroleum Operations by the Minister and the State desires to encourage and promote Exploration, Development and Production within the said area. The State assures Contractor that all of said area is within the jurisdiction of Ghana.
6. Contractor, having the financial ability, technical competence and professional skills necessary for carrying out the Petroleum Operations herein described,

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desires to associate with GNPC in the Exploration for, and Development and Production of, the Petroleum resources of the said area.

7. Contractor shall comply with all the applicable laws of Ghana, in effect from time to time, including without limitation any regulations, policies or directives issued by or other acts of the Petroleum Commission pursuant to the Petroleum Commission Act, 2011 (Act 821), as the same may be amended from time to time.
8. The Parties are committed to providing qualified Ghanaian nationals with employment at all levels in the Petroleum industry, including technical, administrative and managerial positions, and Contractor accordingly commits to providing and supporting a programme of training for Ghanaian nationals as an integral part of this Agreement.
9. GNPC has aspirations of becoming a stand-alone Operator in the shortest possible time. Without prejudice to the rights of the Parties under this Agreement, Contractor is committed to supporting GNPC to develop its institutional capacity to enable GNPC to fulfill its aspirations.
10. The Parties are committed to providing an annual local content plan in line with State policy and Local Content Regulations, for fulfilling the applicable Ghanaian content requirements with respect to the provision of goods and services.

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed and declared as follows:

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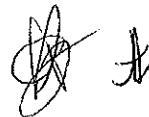
ARTICLE 1

DEFINITIONS

1. In this Agreement:

- 1.1 “**Accounting Guide**” means the accounting guide which is attached hereto as Annex 2 and made a part hereof;
- 1.2 “**Additional Interest**” means the additional interest of GNPC provided in Article 2.5
- 1.3 “**Affiliate**” means any person, whether a natural person, corporation, partnership, unincorporated association or other entity which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with a Party. For this purpose control means the direct or indirect ownership of in aggregate fifty percent (50%) or more of voting capital or voting rights of the entitlement (directly or indirectly) to appoint a majority of the directors or equivalent management body of, or to direct the policies or operations of the other entity;
- 1.4 “**Agreement**” means this Agreement between the State, GNPC and Contractor, and includes the Annexes attached hereto in each case as may be amended by mutual written agreement from time to time;
- 1.5 “**Appraisal**” means operations or activities carried out pursuant to an Appraisal Programme following a Discovery of Petroleum for the purpose of delineating the accumulations of Petroleum to which that Discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein and all operations or activities to resolve uncertainties required for determination of a Commercial Discovery;
- 1.6 “**Appraisal Programme**” means a programme approved by the Petroleum Commission pursuant to Article 8.5 for the conduct of Appraisal;
- 1.7 “**Appraisal Well**” means a well drilled pursuant to an Appraisal Programme;
- 1.8 “**Associated Gas**” means Natural Gas produced from a well in association with Crude Oil
- 1.9 “**Barrel**” means a quantity or unit of Crude Oil equal to forty-two (42) United States gallons at a temperature of sixty (60) degrees Fahrenheit and at fourteen and sixty-five one-hundredths per square inch at atmospheric(14.65 psia) pressure;

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- 1.10 “**Block**” means an area of approximately 685 square kilometres depicted on the reference map prepared by the Minister in accordance with the provisions of the Petroleum Law;
- 1.11 “**Business Day**” means a day on which banks are open for business in London, New York and Accra;
- 1.12 “**Calendar Year**” means the period of twelve (12) Months of the Gregorian calendar, commencing on January 1 and ending on the succeeding December 31;
- 1.13 “**Carried Interest**” means an interest held by GNPC, pursuant to this Agreement in respect of which Contractor pays for the conduct of Petroleum Operations as set out in this Agreement, without any entitlement to reimbursement from GNPC;
- 1.14 “**Commercial Discovery**” means a Discovery which is determined to be commercial in accordance with the provisions of Article 8 of this Agreement;
- 1.15 “**Commercial Production Period**” means in respect of each Development and Production Area the period from the Date of Commencement of Commercial Production until the termination of this Agreement or earlier relinquishment of such Development and Production Area;
- 1.16 “**Contract Area**” means the area of approximately three thousand square kilometers (3,000km²) covered by this Agreement in which Contractor is authorised in association with GNPC to explore for, develop and produce Petroleum, which is described in Annex 1 attached hereto and made a part of this Agreement, but excluding any portions of such area in respect of which Contractor’s rights hereunder are from time to time relinquished or surrendered pursuant to this Agreement;
- 1.17 “**Contractor**” means, collectively Swiss African Oil Company Limited and Pet Volta Investments Limited and their respective permitted successors and assignees and each of them individually a “**Contractor Party**” as the context may require;
- 1.18 “**Contract Year**” means a period of twelve (12) calendar Months, commencing on the Effective Date or any anniversary thereof;
- 1.19 “**Crude Oil**” means hydrocarbons which are liquid at fourteen and sixty-five one-hundredths per square inch at atmospheric pressure (14.65 psia) and sixty degrees Fahrenheit (60° F) and includes condensates and distillates obtained from Natural Gas;
- 1.20 “**Date of Commencement of Commercial Production**” means, in respect of each Development and Production Area, the date on which

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production of Petroleum under a programme of regular production, lifting and sale commences as defined in a Development Plan;

- 1.21 **"Date of Commercial Discovery"** means the date referred to in Article 8.15;
- 1.22 **"Development"** or **"Development Operations"** means the following activities carried out in connection with a Development Plan: the building and installation of facilities for Production, including drilling of Development Wells, construction and installation of equipment, pipelines, facilities, plants and systems, in and outside the Contract Area, which are required for achieving Production, treatment, transport, storage and lifting of Petroleum, and preliminary Production activities carried out prior to the Date of Commencement of Commercial Production, including all related planning and administrative work, and may also include the construction and installation of approved secondary and tertiary recovery systems;
- 1.23 **"Development Costs"** means allowable Petroleum Costs incurred in Development Operations;
- 1.24 **"Development and Production Area"** means that portion of the Contract Area reasonably determined by the JMC (or by GNPC if of a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data to cover the areal extent of an accumulation or accumulations of Petroleum constituting a Commercial Discovery, enlarged in area by ten percent (10%), such enlargement to extend uniformly around the perimeter of such accumulation;
- 1.25 **"Development Period"** means in respect of each Development and Production Area, the period from the Date of Commercial Discovery until the Date of Commencement of Commercial Production;
- 1.26 **"Development Plan"** means the plan for development of a Commercial Discovery prepared by Contractor in consultation with the JMC and approved by the Minister pursuant to Article 8;
- 1.27 **"Development Well"** means a well drilled in accordance with a Development Plan for producing Petroleum including wells for pressure maintenance or for increasing the Production rate;
- 1.28 **"Discovery"** means finding within a well at the end of drilling under Exploration Operations (an) accumulation(s) of Petroleum whose existence until that finding was unproved by drilling, which is or can be recovered at the surface in a flow measurable by conventional international petroleum industry testing methods (and in the case of water depths greater than four hundred (400) metres, including Modular Formation Dynamics Testing (also referred to as "MDT" by Schlumberger);

- 1.29 “**Discovery Area**” means that portion of the Contract Area, reasonably determined by the JMC (or by GNPC if such area occurs as a result of a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data, that covers the areal extent of the geological structure in which a Discovery is made. A Discovery Area may be modified at any time by the JMC (or by GNPC to the extent permitted by Article 9, if applicable), if justified on the basis of new information, but may not be modified after the date of completion of the Appraisal Programme and submission of a report under Article 8.10;
- 1.30 “**Discovery Date**” means the date on which a Discovery Notice is issued by Contractor;
- 1.31 “**Discovery Notice**” means a written notification of Discovery to the Minister, Petroleum Commission and GNPC pursuant to Article 8 providing information which shall include the name and location of the well from which the accumulation(s) have been found, the depth interval(s), estimates of gross and net pay thickness, stratigraphy, and type of reservoir and fluids encountered;
- 1.32 “**Effective Date**” shall have the meaning ascribed to it in Article 26.11;
- 1.33 “**Exploration**” or “**Exploration Operations**” means the search for Petroleum by geological, geophysical and other methods and the drilling of Exploration Well(s) and includes any activity in connection therewith or in preparation thereof and any relevant processing and Appraisal work, including technical and economic feasibility studies, that may be carried out to determine whether a Discovery of Petroleum constitutes a Commercial Discovery;
- 1.34 “**Exploration Costs**” means allowable Petroleum Costs incurred, both within and outside Ghana, in conducting Exploration Operations hereunder determined in accordance with the Accounting Guide attached hereto as Annex 2;
- 1.35 “**Exploration Period**” means the period commencing on the Effective Date and continuing during the time provided for in Article 3.1 within which Contractor is authorised to carry out Exploration Operations and shall include any periods of extensions provided for in this Agreement. The period shall terminate with respect to any Discovery Area on the Date of Commercial Discovery in respect of such Discovery Area;
- 1.36 “**Exploration Phase**” means any one of the Initial Exploration Period, the First Extension Period or the Second Extension Period;
- 1.37 “**Exploration Well**” means a well drilled in the course of Exploration Operations conducted hereunder during the Exploration Period;

- 1.38 "Extension Period" means either of the First Extension Period or Second Extension Period, as applicable;
- 1.39 "Force Majeure" means any event beyond the reasonable control of the Party claiming to be affected by such event which has not been brought about directly or indirectly at its own instance or which has not been brought about directly or indirectly at the instance of an Affiliate. Force Majeure events may include, but are not limited to, acts of God, accidents, fires, explosions, earthquake, storm, flood, hurricanes, tidal waves, cyclones, tornados, lightning or other adverse weather conditions or any other natural disasters, war, acts of war, acts of terrorism, embargo, blockade, riot, civil disorder, or strikes;
- 1.40 "Foreign National Employee" means an expatriate employee of Contractor, its Affiliates, or its Subcontractors who is not a citizen of Ghana;
- 1.41 "Ghana" means the territory of the Republic of Ghana and includes rivers, streams, water courses, the territorial sea, seabed and subsoil, the contiguous zone, the exclusive economic zone, continental shelf, the airspace and all other areas within the jurisdiction of Ghana;
- 1.42 "Gross Negligence" or "Wilful Misconduct" means any act, failure to act or failure to exercise such minimum degree of care and prudence by a Party which was in reckless disregard of or wanton indifference to the harmful consequences that the person knew, or should reasonably have known, could result;
- 1.43 "Gross Production" means the total amount of Petroleum produced and saved from a Development and Production Area during Production Operations which is not used by Contractor in Petroleum Operations and is available for distribution to the Parties in accordance with Article 10;
- 1.44 "Income Tax Act" means the Income Tax Act, 2015 (Act 896) as the same may be amended from time to time ;
- 1.45 "Indigenous Ghanaian company" means a company incorporated under the Companies Act, 1963 (Act 179) of Ghana as may be amended from time to time:
- a) that has at least fifty-one percent of its equity owned by a citizen or citizens of Ghana; and
 - b) that has Ghanaian citizens holding at least eighty percent of senior management positions and one hundred percent of non-managerial and other positions;

- 1.46 "Initial Interest" means the interest of GNPC in all Petroleum Operations provided for in Article 2.4
- 1.47 "International Best Oil Field Practice" means uses and practices that are generally accepted in the international petroleum industry as good, safe, economical and efficient in exploring for, developing, producing, processing and transporting Petroleum;
- 1.48 "Joint Management Committee (JMC)" means the committee established pursuant to Article 6.1 hereof;
- 1.49 "LIBOR" means the rate which the Ghana International Bank, London quotes or, if the Ghana International Bank, London ceases to exist, then as published in the *Financial Times London* or any successor thereto to be the London Interbank offered rate (LIBOR) in the London Interbank Eurodollar market on thirty (30) day deposits, in effect on the last business day of the immediately preceding Month. In the event that the *Financial Times London* or successor thereto is not published, the Parties shall endeavour to agree on a source of certification for LIBOR in reference to market practice. If the Parties are unable to agree on a source of certification for LIBOR, any Party may refer the matter to a Sole Expert for certification. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law;
- 1.50 "LNG" means Liquefied Natural Gas;
- 1.51 "Local Content Regulations" means the Petroleum (Local Content and Local Participation) Regulations, 2013, L.I. 2204 as the same may be amended from time to time;
- 1.52 "Market Price" means the market price for Crude Oil realized by Contractor under this Agreement as determined in accordance with Article 11.7 hereof;
- 1.53 "Minister" means Minister for Petroleum;
- 1.54 "Minimum Work Obligation" means the Contractor's obligations set forth in Article 4.3a)(i) with respect to the Initial Exploration Period, Article 4.3(b) with respect to the First Extension Period and Article 4.3(c) with respect to the Second Extension Period, as the case may be;
- 1.55 "Month" means a month of the Calendar Year;
- 1.56 "Natural Gas" means all hydrocarbons which are gaseous at fourteen and sixty-five one-hundredths (14.65) pounds per square inch at atmospheric pressure and sixty (60) degrees Fahrenheit temperature and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas;

- 1.57 "Non-Associated Gas" means Natural Gas produced from a well other than in association with Crude Oil;
- 1.58 "Operator" means Swiss African Oil Company, or a person as may be jointly proposed by GNPC and Contractor and approved by the Minister.,
- 1.59 "Participating Interest" means the interest held by Contractor in accordance with the provisions of Article 2.5
- 1.60 "Party" means each of the State, GNPC, Swiss African Oil Company Limited, and Pet Volta Investments Limited, as the case may be;
- 1.61 "Paying Interest" means an interest held by GNPC in respect of which GNPC pays for the conduct of Petroleum Operations as expressly provided for in Article 2.5;
- 1.62 "Petroleum" means Crude Oil or Natural Gas or a combination of both;
- 1.63 "Petroleum Commission" means a body established by an Act of Parliament (Petroleum Commission Act, 2011, (Act 821) for the regulation and the management of the utilization of petroleum resources in the upstream sector;
- 1.64 "Petroleum Costs" means all expenditures made and costs incurred in conducting Petroleum Operations hereunder determined in accordance with the Accounting Guide attached hereto as Annex 2;
- 1.65 "Petroleum Law" means the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84) as the same may be amended from time to time;
- 1.66 "Petroleum Operations" means all activities, both in and outside Ghana, relating to the Exploration for, Appraisal of, Development, Production, handling, storage, processing, transportation to the Delivery Point, of Petroleum contemplated under this Agreement and includes Exploration Operations, Development Operations and Production Operations and all activities in connection therewith;
- 1.67 "Petroleum Product" means any product derived from Petroleum by any refining or other process;
- 1.68 "Pre-Award Attachment" means any order, decree, injunction or other decision (however designated) of any court, arbitral body or other competent authority requested by a Party and issued prior to a final arbitral award issued pursuant to Article 24 of this Agreement that attaches, seizes, freezes or otherwise restricts the use or alienation of any property (whether tangible or intangible) of the other Party pending issuance of the final arbitral award, whether such property is in the possession or control of a Party or of a third party;

- 1.69 **"Production"** or **"Production Operations"** means activities, other than Exploration Operations or Development Operations, undertaken in order to extract, save, treat, measure, handle, store and transport (to the Delivery Point) Petroleum to storage and/or loading points and to carry out any type of primary, secondary or tertiary recovery operations, including recycling, recompression, injection for maintenance of pressure and water flooding and all related activities such as planning and administrative work and shall also include maintenance, repair, abandonment or decommissioning and replacement of facilities, and well workovers, conducted after the Date of Commencement of Commercial Production of the respective Development and Production Area;
- 1.70 **"Production Costs"** means Petroleum Costs incurred in Production Operations;
- 1.71 **"Proposed Appraisal Programme"** means a draft of a programme for the conduct of an Appraisal to be presented to the Petroleum Commission for approval;
- 1.72 **"Quarter"** means a period of three (3) Months, commencing January 1, April 1, July 1 or October 1 and ending March 31, June 30, September 30, or December 31, respectively;
- 1.73 **"Sole Expert"** means the person appointed to resolve a dispute pursuant to Article 24 hereof;
- 1.74 **"Sole Risk"** means an operation conducted at the sole cost, risk, expense and liability of GNPC referred to in Article 9;
- 1.75 **"Specified Rate"** means LIBOR plus three percent (3%);
- 1.76 **"Standard Cubic Foot"** or **"SCF"** means the quantity of gas that occupies one (1) cubic foot at 14.65 psia pressure and sixty degrees Fahrenheit (60°F) temperature;
- 1.77 **"State"** means the Government of the Republic of Ghana represented by the Minister;
- 1.78 **"Subcontractor"** means a third party with whom GNPC or the Contractor has entered into a contract for provision of goods or services for or in connection with Petroleum Operations;
- 1.79 **"Termination"** means termination of this Agreement pursuant to Article 23 hereof;
- 1.80 **"Work Programme"** means the annual plan for the conduct of Petroleum Operations prepared pursuant to Articles 6.4 and 6.5; and
- 1.81 **"Year"** means a continuous twelve (12) Month period.

ARTICLE 2

SCOPE OF THE AGREEMENT, INTERESTS OF THE PARTIES AND CONTRACT AREA

- 2.1 This Agreement provides for the Exploration for and Development and Production of Petroleum in the Contract Area by GNPC in association with Contractor.
- 2.2 Subject to the provisions of this Agreement, the Contractor shall be responsible for the execution of such Petroleum Operations as are required by the provisions of this Agreement and, subject to Article 9, is hereby appointed the exclusive entity to conduct Petroleum Operations in the Contract Area. In order that the Parties may cooperate in the implementation of Petroleum Operations, GNPC and Contractor shall establish a Joint Management Committee to conduct and manage Petroleum Operations.
- 2.3 In the event that no Commercial Discovery is made in the Contract Area or that Gross Production achieved from the Contract Area is insufficient to fully reimburse Contractor in accordance with the terms of this Agreement, then Contractor shall bear its own loss; GNPC and the State shall have no obligations whatsoever to Contractor in respect of such loss.
- 2.4 GNPC shall have a twelve percent (12%) Initial Interest in all Petroleum Operations under this Agreement. With respect to all Exploration Operations and Development Operations, the Initial Interest shall be a Carried Interest. With respect to all Production Operations GNPC's Initial Interest shall be a Paying Interest.
- 2.5 In addition to the Initial Interest provided for in Article 2.4, GNPC shall have the option in respect of each Development and Production Area to acquire an Additional Interest of up to ten percent (10%) in the Petroleum Operations in such Development and Production Area, by contributing the corresponding proportionate share to all the Petroleum Costs incurred after the Date of Commercial Discovery, in respect of such Development and Production Area (or make arrangements satisfactory to the Contractor to that effect). With respect to all Development Operations and Production Operations, the Additional Interest shall be a Paying Interest. GNPC shall notify the Contractor of the exercise of its intention to acquire the Additional Interest within ninety (90) days of the Date of Commercial Discovery. GNPC and Contractor shall agree on the mode of financing such Additional Interest.

In the event that Contractor decides to seek project finance from a bank or group of banks for the financing of Development Operations, Contractor shall offer GNPC the opportunity (but not the obligation) to join in the said project financing with respect to the Additional Interest.

- 2.6 If GNPC opts to take an Additional Interest as provided for in Article 2.5 then within six (6) Months of the date of its election , GNPC shall reimburse the Contractor for all expenditures attributable to GNPC's Additional Interest incurred

from the Date of Commercial Discovery to the date GNPC notifies Contractor as provided for in Article 2.5 of its election to acquire such interest.

2.7 For the avoidance of doubt GNPC shall only be liable to contribute to Petroleum Costs:

- a) incurred in respect of Development Operations in any Development and Production Area to the extent only of any Additional Interest acquired in such Development and Production Area under Article 2.5; and
- b) incurred in respect of Production Operations in any Development and Production Area both to the extent of:
 - i) its twelve percent (12%) Initial Interest; and
 - ii) any Additional Interest acquired under Article 2.5.

GNPC may during the Exploration Period contribute to Petroleum Operations by providing such relevant services as may be requested by the Contractor from time to time. Prior to the provision of such services, and subject to JMC Approval, Contractor must specify in writing whether GNPC is either to (i) be paid in cash for such services by Contractor upon receipt of invoice from GNPC, or (ii) earn credit for the costs of providing such services against GNPC's share, if any, of future Development and/or Production Costs. The amount of costs to be invoiced or credit earned by GNPC pursuant to this paragraph must be approved by the JMC prior to provision of the relevant services, and shall be at fair market rates at which such services could be obtained under freely competitive conditions at the time of such approval. Likewise, if the Contractor provides services, it shall earn credit for the costs of providing such services in accordance with the Accounting Guide.

2.8 Upon notifying Contractor of its decision to acquire an Additional Interest pursuant to Article 2.5, GNPC may specify in the notification one or more of the following:

- a) that notwithstanding the provisions in Article 2.6 GNPC shall elect to have Contractor advance GNPC's total proportionate share of Development Costs incurred in respect of the Additional Interest. Such advances shall be reimbursed with interest at the Specified Rate from the proceeds of the sales of GNPC's petroleum entitlement; and
- b) notify the Contractor of any arrangements for the payment of the balance of GNPC's total proportionate share of Development Costs.



2.9 Contractor's Participating Interest in all Petroleum Operations and in all rights under this Agreement shall be eighty three percent (83%), reduced proportionately on each Contractor Party pro rata to its Participating Interest, at any given time and in any given part of the Contract Area by the exercise of the option of Additional Interest of GNPC pursuant to Article 2.5 or the exercise of the Sole Risk interest of GNPC pursuant to Article 9.

2.10 For the avoidance of doubt, the Participating Interest shall be divided as at the Effective Date as follows:

- | | | |
|----|-----------------------------------|-----|
| a) | Swiss African Oil Company Limited | 83% |
| b) | GNPC | 12% |
| c) | Pet Volta Investments Limited | 5% |

2.11 As of the Effective Date, the Contract Area shall cover a total of approximately three thousand square kilometers (3,000km²) as depicted by Annex 1 and shall from time to time during the term of this Agreement be reduced according to the terms herein. During the term of the Agreement, Contractor shall pay rentals to the State for that area included within the Contract Area at the beginning of each Contract Year according to the provisions of Article 12.1(e) below.

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ARTICLE 3

EXPLORATION PERIOD

3.1 The Exploration Period shall begin on the Effective Date and, subject to Article 22.8, shall not extend beyond six and one half (6½) years except as provided for in accordance with the Petroleum Law.

- a) The Exploration Period shall be divided into an Initial Exploration Period of three (3) years ("**Initial Exploration Period**") and two (2) extension periods, the first of two (2) years and the second of one and one half (1½) years each (respectively, "**First Extension Period**" and "**Second Extension Period**") and where applicable the further periods for which provision is made hereafter.
- b) Where Contractor has fulfilled its obligations set out in Article 4.3 before the end of the Initial Exploration Period or, as the case may be, the First Extension Period, and has exercised its option by applying to the Minister in writing for an extension, the Minister will be deemed to have granted an extension into the First Extension Period or, as the case may be, into the Second Extension Period.
- c) For each well drilled by Contractor or with Contractor's participation during the Initial Exploration Period beyond those referred to in Article 4.3, the Initial Exploration Period shall be extended by three (3) Months and the commencement of subsequent periods shall be postponed in their entirety accordingly.

3.2 Following the end of the Second Extension Period, subject to the provisions of Article 3.4, Contractor will be entitled to an extension or extensions, by reference to Article 8, of the Exploration Period as follows:

- a) Where at the end of the Second Extension Period Contractor is drilling or testing any well, Contractor shall be entitled to an extension for such further period as may be reasonably required to enable Contractor to complete such work and assess the results and, in the event that Contractor notifies the Minister that the results from any such well show a Discovery which merits Appraisal, Contractor shall be entitled to a further extension for such period as may be reasonably required to carry out an Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;
- b) Where at the end of the Second Extension Period Contractor is engaged in the conduct of an Appraisal Programme in respect of a Discovery which has not been completed, Contractor shall be entitled to a further extension following the end of the Second Extension for such period as may be reasonably required to complete that Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;

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- c) Where at the end of the Second Extension Period Contractor has undertaken work not falling under paragraphs (a) or (b) which is not completed, Contractor shall be entitled to a further extension following the end of the Second Extension Period for such period as the Minister considers reasonable for the purpose of enabling such work to be completed;
- d) Where pursuant to Article 8 Contractor has before the end of the Second Extension Period, including extensions under (a), (b) and (c) above, given to the Minister a notice of Commercial Discovery, Contractor shall, if the Exploration Period would otherwise have been terminated, be entitled to a further extension of the Exploration Period in respect of the Discovery Area during which it must prepare the Development Plan in respect of the Commercial Discovery until either:
 - i) the Minister has approved the Development Plan as set out in Article 8; or
 - ii) in the event that the Development Plan is not approved by the Minister as set out in Article 8 and the matter or matters in issue between the Minister and Contractor have been referred for resolution under Article 24 one (1) Month after the date on which the final decision thereunder has been given.

3.3 Where at the end of the Initial Exploration Period or, as the case may be, at the end of the First Extension Period, Contractor has failed to complete its Minimum Work Obligations as specified in Article 4.3(a) or Article 4.3(b) in respect of that period (including in the circumstances contemplated in Article 4.7(b) but has made reasonable arrangements during the Initial Exploration Period or the First Extension Period, as applicable, to remedy its default, Contractor may apply to the Minister for further extension. The Minister may refuse to grant or grant in his discretion an extension on the then current applicable period subject to such reasonable terms and conditions as the Minister may stipulate to assure performance of the work.

3.4 Save in respect of a Discovery Area:

- a) in the circumstances and subject to the limitations set forth in Section 12(3) of the Petroleum Law;
- b) in a case falling within the provisions of Article 3.2(d); or
- c) in circumstances where Article 22.8 applies;

Subject to Article 3.5 and Article 8, nothing in Article 3.2 shall be read or construed as requiring the extension of the Exploration Period beyond seven (7) years from the Effective Date.

3.5 The provisions of Articles 3.2(a), (b) and (c) and Article 3.3 so far as they relate to the duration of the relevant Extension Period to which Contractor will be entitled

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shall be read and construed as requiring the Minister to give effect to the provisions of Article 8 relating to the time within which Contractor must meet the requirements of that Article.

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ARTICLE 4

MINIMUM EXPLORATION PROGRAMME

- 4.1 Exploration Operations shall begin as soon as practicable and in any case not later than sixty (60) days after the Effective Date.
- 4.2 GNPC shall, at the request of Contractor, make available to Contractor such records and information relating to the Contract Area as are relevant to the performance of Exploration Operations by Contractor and are in GNPC's possession, provided that Contractor shall reimburse GNPC for licensing the data and for other costs reasonably incurred in procuring or otherwise making such records and information available to Contractor.
- 4.3 Subject to the provisions of this Article 4, in discharge of its obligations to carry out Exploration Operations in the Contract Area, Contractor shall during the several phases into which the Exploration Period is divided carry out the obligations specified hereinafter:
- a) **Initial Exploration Period:** Commencing on the Effective Date and terminating three (3) years from the Effective Date.

Description of Contractor' Minimum Work Obligation:

- (i) Acquisition, processing and interpretation of one thousand one hundred (1,100) line kilometers of **2D** seismic data, and
- (ii) Drilling of one (1) Exploration well;

Minimum Expenditure: Contractor's minimum expenditure for the work in the Initial Exploration Period shall be forty Million United States Dollars (US\$ 40,000,000).

- b) **First Extension Period:** Commencing at the end of the Initial Exploration Period and terminating two (2) years from the expiration of the Initial Exploration Period.

Description of Contractor's Minimum Work Obligation:

- (i) Acquisition, processing and interpretation of a minimum one hundred and fifty (150) square kilometers or up to a maximum of three hundred (300) square kilometers of **3D** seismic data, and
- (ii) Drilling of one (1) Exploration well

Minimum Expenditure: Contractor's minimum expenditure for the work in the First Extension Period shall be forty Million United States Dollars (US\$ 40,000,000).

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- c) **Second Extension Period:** Commencing at the end of the First Extension Period and terminating one and one half (1½) years from the expiration of the First Extension Period or as may be extended under this Agreement.

Description of Contractor's Minimum Work Obligation:

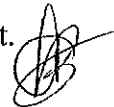
- (i) Geological and Geophysical Studies
- (ii) Drilling of one (1) Exploration well

Minimum Expenditure: Contractor's minimum expenditure for the work in the Second Extension Period shall be twenty Million United States Dollars (US\$20,000,000).

Work accomplished in any period in excess of the above obligations may be applied as credit in satisfaction of obligations called for in any other Period. Without prejudice to Article 23.3(e), should Contractor fail to perform its Minimum Work Obligations under Article 4.3(a), (b) or (c) as applicable, Contractor shall pay to GNPC, an amount equal to the unspent amount of the Minimum Expenditure Obligation for the relevant Exploration Phase.

- 4.4 The seismic programme in Article 4.3(a), when combined with existing data, shall be such as will enable a study of the regional geology of the Contract Area and the preparation of a report thereon with appropriate maps, cross sections and illustrations, as well as a geophysical survey of the Contract Area which, when combined with existing data, shall provide:
- a) A minimum seismic grid adequate to define prospective drill sites over prospective areas or closures as interpreted from data available to Contractor; and
 - b) A seismic evaluation of structural and stratigraphic conditions over the remaining portions of the Contract Area.
- 4.5 Each Exploration Well shall be drilled at a location and to an objective depth determined by Contractor in consultation with GNPC. Except as otherwise provided in Article 4.6 below, the minimum depth of each obligatory Exploration Well in Articles 4.3 (b) and (c) shall be whichever of the following is first encountered:
- a) the depth of four thousand five hundred (4,500) metres measured from the Rotary Table Kelly Bushing (RTKB);
 - b) one hundred (100) metres into the Devonian primary target; or
 - c) the depth at which Contractor encounters geologic basement.

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4.6 The minimum depth of one (1) of the obligatory Exploration Wells in Article 4.3 shall be whichever of the following is first encountered:

- a) the depth of three thousand metres (3,000m) measured from the Rotary Table Kelly Bushing (RTKB);
- b) the depth sufficient to penetrate one hundred metres (100m) into a Cretaceous target; and
- c) the depth at which Contractor encounters geological basement;

unless GNPC consents otherwise, which consent shall not be unreasonably withheld or delayed.

4.7 If in the course of drilling an Exploration Well the Contractor concludes that drilling to the minimum depth specified in Article 4.5 or 4.6 above is impossible, impracticable or imprudent in accordance with International Best Oil Field Practice, then Contractor may plug and abandon the Exploration Well and GNPC shall have the option of either:

- a) waiving the minimum depth requirement, in which case Contractor will be deemed to have satisfied the obligation to drill such Exploration Well; or
- b) requiring Contractor to drill a substitute Exploration Well at a location determined by Contractor in consultation with GNPC and to the minimum depth set forth in Article 4.5 or 4.6 except that if in the course of drilling such substitute Exploration Well Contractor establishes that drilling to the minimum depth specified in Article 4.5 or 4.6 above is impossible, impracticable or imprudent in accordance with International Best Oil Field Practice, then Contractor may plug and abandon the substitute Exploration Well and will be deemed to have satisfied the obligation to drill one (1) Exploration Well.

The above option shall be exercised by GNPC within fifteen (15) days from the notice given by Contractor to GNPC of the completion of the plugging and abandonment of the Exploration Well, and failure to exercise such option shall constitute a waiver of the minimum depth requirement pursuant to (a) above.

4.8 During the Exploration Period, Contractor shall have the right to perform additional Exploration Operations subject to the terms of this Agreement and approval by the JMC, including without limitation performing gravity and magnetic surveys, drilling stratigraphic wells and performing additional geological and geophysical studies, provided the Minimum Work Obligations are completed within the applicable period. Provided further that Contractor may elect to perform such additional Exploration Operations in the absence of approval by the JMC and the costs of such additional Exploration Operations shall not be considered allowable Petroleum Costs. However, such costs shall only be allowable Petroleum Costs for purposes of AOE if there arises a subsequent Commercial

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Discovery associated with such additional Exploration Operations. Any such subsequent Commercial Discovery shall be treated hereunder in the same manner as if such Commercial Discovery had been made in connection with operations that were not performed as sole risk operations including, without limitation, participation by GNPC in such Commercial Discovery.

- 4.9 During the Exploration Period, Contractor shall deliver to GNPC and the Minister reports on Exploration Operations conducted during each Quarter within thirty(30) days following the end of that Quarter. Further requests for information by the Minister under Section 9(1) of the Petroleum Law shall be complied with within a reasonable time and copies of documents and other material containing such information shall be provided to GNPC.

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ARTICLE 5

RELINQUISHMENT

5.1 Except as provided in Article 5.2, 8.3, 8.6, 8.12, 8.18, 8.19, 8.20, 8.21, 8.22 and 14.9, Contractor shall relinquish portions of the Contract Area in the manner provided hereafter:

- a) If on or before the expiration of the Initial Exploration Period, Contractor elects to enter into the First Extension Period pursuant to Article 3.1(b) then subject to Article 5.2 at the commencement of the First Extension Period the area retained shall not exceed seventy percent (70%) of the Contract Area as at the Effective Date;
- b) If on or before the expiration of the First Extension Period, Contractor elects to enter into the Second Extension Period pursuant to Article 3.1(b) then subject to Article 5.2 at the commencement of the Second Extension Period the area retained shall not exceed forty percent (40%) of the original Contract Area as at the Effective Date;
- c) On the expiration of the Second Extension Period, Contractor shall subject to Article 5.2 relinquish the remainder of the retained Contract Area.

5.2 The provisions of Article 5.1 shall not be read or construed as requiring Contractor to relinquish any portion of the Contract Area which constitutes or forms part of either a Discovery Area (excluding a Discovery Area determined by the terms of this Agreement to neither merit Appraisal nor to be a Commercial Discovery) or a Development and Production Area; provided, however, that if at the end of the Initial Exploration Period or the First Extension Period, as the case may be, Contractor elects not to enter into the First or Second Extension Period Contractor shall relinquish the entire Contract Area, except a Discovery Area or a Development and Production Area.

5.3 Each area to be relinquished pursuant to this Article shall be selected by Contractor and shall be measured as far as possible in terms of continuous and compact units of a size and shape which will permit the carrying out of Petroleum Operations in the relinquished portions.

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ARTICLE 6

JOINT MANAGEMENT COMMITTEE

6.1 In order that the Parties may at all times cooperate in the implementation of Petroleum Operations, GNPC and Contractor shall not later than thirty (30) days after the Effective Date establish a Joint Management Committee (JMC). Without prejudice to the rights and obligations of Contractor for day-to-day management of the operations, the JMC shall oversee, supervise and approve the Petroleum Operations and ensure that all approved Work Programmes, and Development Plans are complied with and also that accounting for costs and expenses and the maintenance of records and reports concerning the Petroleum Operations are carried out in accordance with this Agreement and with the accounting principles and procedures generally accepted as International Best Oil Field Practice.



6.2 The composition of and distribution of functions within the JMC shall be as provided hereinafter:

- a) The JMC shall be composed of two (2) representatives of GNPC and two (2) representatives of the Contractor. Any Contractor Party not represented on the JMC may appoint an observer to attend all JMC meetings and shall receive copies of all notices and materials distributed to the members of the JMC concurrently with the distribution of such notices and materials to the JMC members. GNPC and Contractor shall also designate a substitute or alternate for each member. In the case of absence or incapacity of a member of the JMC, such alternate shall automatically assume the rights and obligations of the absent or incapacitated member;
- b) The Chairperson of the JMC shall be designated by GNPC from amongst the members of the JMC;
- c) Contractor shall be responsible, in consultation with GNPC, for the preparation of an agenda and supporting documents for each meeting of the JMC and for keeping records of the meetings and decisions of the JMC. GNPC shall have the right to inspect all records of the JMC within seven (7) days of request or any reasonable extension provided. Contractor shall circulate the agenda and supporting documents for each meeting to all members and the substitutes or alternates designated pursuant to Article 6.2(a); and
- d) At any meeting of the JMC three (3) representatives shall form a quorum.

6.3 Meetings of the JMC shall be held and decisions taken as follows:

- a) All meetings of the JMC shall be held in Accra or such other place or electronically as may be agreed upon by members of the JMC;

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- b) The JMC shall meet at least twice per Year and at such times as the members may agree;
- c) A meeting of the JMC may be convened by GNPC or the Contractor giving not less than twenty (20) days' notice to the other or, in a case requiring urgent action, notice of such lesser duration as the members may agree upon;
- d) Decisions of the JMC shall require unanimity;
- e) Any member of the JMC may vote by written and signed proxy held by another member;
- f) Decisions of the JMC may be made without holding a meeting if all representatives of GNPC and the Contractor notify their consent thereto in the manner provided in Article 27;
- g) GNPC and Contractor shall have the right to bring expert advisors to any JMC meetings to assist in the discussions of technical and other matters requiring expert advice;
- h) The JMC may also establish such subcommittees as it deems appropriate for carrying out its functions including:
 - i) a technical subcommittee;
 - ii) an audit subcommittee;
 - iii) an accounting subcommittee;
 - iv) a contract/procurement subcommittee; and
- i) Reasonable costs and expenses as evidenced by invoices and/or receipts related to attendance by GNPC in or outside Accra (e.g. travel, transportation, lodging, per diem and insurance), in accordance with applicable laws, regulations and GNPC policies and procedures shall be borne by Contractor and treated as Petroleum Costs.

6.4 The JMC shall oversee Exploration Operations as follows:

- a) Not later than sixty (60) days after the Effective Date and thereafter at least ninety (90) days before the commencement of each Calendar Year, Contractor shall prepare and submit to the JMC for its review and approval a detailed Work Programme and budget covering all Exploration Operations which Contractor proposes to carry out in that Calendar Year and shall also give an indication of Contractor's tentative preliminary exploration plans for the succeeding Calendar Year. Where the Effective Date occurs later than June 30 in any Calendar Year, Contractor shall have the option of submitting a single detailed Work Programme and budget covering the

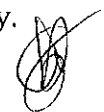
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remaining Months of the Calendar Year in which the Effective Date occurs and the succeeding Calendar Year;


- b) Upon notice to GNPC, Contractor may amend any Work Programme and budget submitted to the JMC pursuant to this Article 6 which notice will state why in Contractor's opinion the amendment is necessary or desirable. Any such amendment shall be submitted to the JMC for review and approval;
- c) Every Work Programme
- d) and associated budget submitted to the JMC pursuant to this Article 6.4 and every revision or amendment thereof shall be consistent with the requirements set out in Article 4.3 relating to the minimum work and expenditure for the period of the Exploration Period in which such Work Programme and budget falls;
- e) Contractor shall report any Discovery to GNPC immediately following such Discovery and shall subsequently place before the JMC for review its Proposed Appraisal Programme. Within thirty (30) days of completion of the Appraisal Programme a JMC meeting to discuss the results of the Appraisal Programme shall be convened to take place before submission of the detailed Appraisal report provided for in Article 8.10;
- f) The JMC will review and approve Work Programmes and budgets and any amendments or revisions thereto, and Proposed Appraisal Programmes and any amendments or revisions thereto, submitted to it by Contractor pursuant to this Article 6, and timely give such advice as it deems appropriate which Contractor shall consider before submitting Work Programmes and budgets and any amendments or revisions thereto for approvals required by law or this Agreement; and
- g) After the date of the first Commercial Discovery, Contractor shall seek the approval of GNPC's JMC representatives, which approval shall not be unreasonably withheld, on any proposal for the drilling of any further Exploration Well or Wells not associated with the Commercial Discovery and not otherwise required to be drilled under Article 4.3. If approval is not secured by Contractor, Contractor may nevertheless elect to drill the Exploration Well or Wells at its sole risk and the costs of such Exploration Operations shall not be considered allowable Petroleum Costs. However, such costs shall only be allowable Petroleum Costs for purposes of AOE if there arises a subsequent Commercial Discovery associated with such additional Exploration Operations. Any such subsequent Commercial Discovery shall be treated hereunder in the same manner as if such Commercial Discovery had been made in connection with operations that were not performed as sole risk operations, including, without limitation, participation by GNPC in such Commercial Discovery.

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- 6.5 From the Date of Commercial Discovery, the JMC shall have supervision of Petroleum Operations as follows:
- a) Within sixty (60) days after the Date of Commercial Discovery, Contractor shall prepare and submit to the JMC for approval any revisions to its annual Work Programme and budget that may be necessary for the remainder of that Calendar Year and, with respect to the Contract Area (excluding the Discovery Area) for the rest of the Exploration Period;
 - b) At least ninety (90) days before the Commencement of each subsequent Calendar Year Contractor shall submit to the JMC for review and approval a detailed Work Programme and budget setting forth all Development and Production Operations which Contractor proposes to carry out in that Calendar Year and the estimated cost thereof and shall also give an indication of Contractor plans for the succeeding Calendar Year; and
 - c) Within sixty (60) days of the Date of commencement of Commercial Production and thereafter not later than one hundred and twenty (120) days before the commencement of each Calendar Year Contractor shall submit to the JMC for its approval an annual production schedule which shall be in accordance with International Best Oil Field Practice, and shall be designed to provide the most efficient, beneficial and timely production of the Petroleum resources.
- 6.6 Lifting schedules for Development and Production Areas and other supplementary agreements provided for under Article 10.7 shall be subject to JMC approval.
- 6.7 The JMC shall review all of Contractor reports on the conduct of Petroleum Operations .
- 6.8 Contractor insurance programme and the programmes for training and technology transfer shall be submitted by Contractor to the JMC for approval and the accompanying budgets for such schemes and programmes shall be subject to JMC approval
- 6.9 Any contract to be entered into or awarded by Contractor for the provision of services for Petroleum Operations must comply with the provisions of Article 20, JMC approved relevant tendering procedures and shall be subject to approval by the JMC.
- 6.10 If during any meeting of the JMC the Parties are unable to reach agreement concerning any of the matters provided for in Articles 6.4, 6.5, 6.6, 6.8 and 6.9 the matter shall be deferred for reconsideration at a further meeting to be held not later than fifteen (15) days following the original meeting. If after such further meeting the Parties are still unable to reach agreement, the matter in dispute shall be referred to the Parties' executive management forthwith. Failing agreement within fifteen (15) days thereafter, the matter in dispute shall, at the request of any Party, be referred for resolution under Article 24.

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6.11 For the avoidance of doubt, the concurrence or approval of JMC representatives shall not be unreasonably withheld or delayed with respect to any proposal submitted to the JMC

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ARTICLE 7

RIGHTS AND OBLIGATIONS OF CONTRACTOR AND GNPC

7.1 Subject to the provisions of this Agreement, Contractor shall be responsible for the conduct of Petroleum Operations and shall perform its obligations in a workmanlike manner, with due care and expedition and in accordance with International Best Oil Field Practice, including without prejudice to the generality of the foregoing:

- a) conduct Petroleum Operations with utmost diligence, efficiency and economy in accordance with International Best Oil Field Practice observing sound technical and engineering practices using appropriate advanced technology and effective equipment, machinery, materials and methods;
- b) take all practicable steps to ensure compliance with Section 3 of the Petroleum Law; including ensuring the recovery and prevention of waste of Petroleum in the Contract Area in accordance with International Best Oil Field Practice;
- c) prepare and maintain in Ghana full and accurate records of all Petroleum Operations performed under this Agreement;
- d) prepare and maintain accounts of all Petroleum Operations under this Agreement in such a manner as to present a full and accurate record of the costs of such Petroleum Operations, in accordance with the Accounting Guide;
- e) disclose to GNPC and the Minister any operating or other agreement among the Parties that constitute Contractor relating to the Petroleum Operations hereunder, which agreement shall not be inconsistent with the provisions of this Agreement;
- f) prepare and implement a programme to develop GNPC's institutional capacity to become a competent operator. Such programme shall be approved by the JMC;
- g) provide and be solely responsible for the payment of all costs related or incidental to all services, equipment and supplies necessary for the execution of the activities to be conducted by the Contractor under this Agreement except as otherwise provided hereunder and the related documents;
- h) prepare and submit in accordance with this Agreement for approval by the JMC (i) the Development Plan and (ii) such other matters as are specified in this Agreement and the related documents as subject to approval by the JMC;

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- i) take all measures consistent with International Best Oil Field Practice (i) to control the flow and prevent loss or waste of Petroleum, (ii) to prevent any injurious ingress of water and damage to Petroleum bearing strata and (iii) to manage reservoir pressure;
- j) not to flare any Natural Gas except to the extent necessary to mitigate or prevent an emergency or for safe operations as provided in the Development Plan;
- k) keep the Minister, Petroleum Commission and GNPC promptly advised in writing of all material developments which occur, or the occurrence of which is reasonably foreseeable, affecting or highly likely to affect Petroleum Operations;
- l) to take such steps in case of emergency, and make such immediate expenditures as are necessary in accordance with International Best Oil Field Practice, environmental, industrial hygiene and safety legislation and/or this Agreement and the related documents for the protection of health, life, the environment and property, and to report in reasonable detail all such steps taken and expenditures made promptly to the Minister, Petroleum Commission and JMC;
- m) notify promptly the Minister, Petroleum Commission and GNPC if the Contractor becomes aware of any unusual event or circumstance occurring in the Contract Area or such other areas where Contractor is undertaking activities contemplated under this Agreement or the related documents that could reasonably be expected to adversely affect the environment;
- n) implement and administer contracts related to Petroleum Operations entered into with Affiliates on an arm's-length basis;
- o) maintain or decommission, as appropriate, all existing facilities and assets and all other assets used or held for use in connection with Petroleum Operations in accordance with International Best Oil Field Practice, applicable law and this Agreement; and
- p) perform and observe each other term, covenant and agreement of the Contractor contained in this Agreement.

7.2 In connection with its performance of Petroleum Operations, Contractor shall have the right within the terms of and pursuant to applicable law and regulations in effect from time to time:

- a) to establish offices in Ghana and to assign to those offices such representatives as it shall consider necessary for the purposes of this Agreement;
- b) to use public lands for installation and operation of shore bases, and terminals, harbours and related facilities, petroleum storage and processing,

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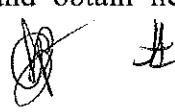
pipelines from fields to terminals and delivery facilities, camps and other housing;

- c) to receive licenses and permission to install and operate such communications, Petroleum production, processing, storage facilities, transportation facilities (to the Delivery Point) and other facilities as shall be necessary for the efficiency of its operations;
- d) to give first consideration to qualified Ghanaians before bringing to Ghana such number of Foreign National Employees as shall be necessary for its operations, including employees assigned on permanent or resident status, with or without families, as well as those assigned on temporary basis such as rotational employees in accordance with the Local Content Regulations;
- e) to provide or arrange for reasonable housing, schooling and other amenities, permanent and temporary, for its Foreign National Employees and to import personal and household effects, furniture and vehicles, for the use of its personnel in Ghana;
- f) to be solely responsible for provision of health, accident, pension and life insurance benefit plans of its Foreign National Employees and their families; and such employees shall not be required to participate in any insurance, compensation or other employee or social benefit programs established in Ghana;
- g) to have, together with its personnel, at all times the right of ingress to and egress from its offices in Ghana, the Contract Area, and the facilities associated with Petroleum Operations hereunder in Ghana including the offshore waters, using its owned or chartered means of land, sea and air transportation; and
- h) to engage such Subcontractors, expatriate and national, including also consultants, and to bring such Subcontractors and their personnel to Ghana as are necessary in order to carry out the Petroleum Operations in a skillful, economic, safe and expeditious manner; and said Subcontractors shall have the same rights as Contractor specified in this Article 7.2 to the extent they are engaged by Contractor for the Petroleum Operations hereunder.

7.3 Provided that Contractor and its Subcontractors have complied with all of their material obligations under this Agreement, GNPC shall use its best efforts to assist Contractor in carrying out Contractor's obligations expeditiously and efficiently as stipulated in this Agreement, and in particular GNPC shall use its best efforts to assist Contractor and its Subcontractors, as long as Contractor and its Subcontractors use their reasonable efforts to appropriately complete applicable procedures and other requirements prescribed by relevant authorities, to:

- a) establish supply bases and obtain necessary communications facilities, equipment and supplies;

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- b) obtain necessary approvals to open bank accounts in Ghana;
- c) subject to Article 21 hereof, obtain entry visas, work permits or any other documentation that may be required from time to time for such number of Foreign National Employees of Contractor and its Subcontractors engaged in Petroleum Operations and members of their families who will be resident in Ghana, and make arrangements for their travel, arrival, medical services and other necessary amenities;
- d) comply with Ghana customs procedures and obtain permits for the importation of necessary materials;
- e) obtain the necessary permits to transport documents, samples or other forms of data to foreign countries for the purpose of analysis or processing if such is deemed necessary for the purposes of Petroleum Operations;
- f) assist with the acquisition of any approvals or waivers required from any State agencies or other ministerial or regulatory bodies under the direct or indirect control of the State (each a "State Agency") dealing with fishing, meteorology, navigation, environment and communications as required;
- g) identify qualified Ghanaian personnel as candidates for employment by Contractor in Petroleum Operations; and
- h) procure access, on competitive commercial terms to infrastructure owned by the State, or GNPC (or its Affiliates) or any third party, including facilities owned or used by contractors on oil and gas blocks adjacent to the Contract Area.

7.4 All reasonable and documented expenses incurred by GNPC in connection with any of the matters set out in Article 7.3 shall be borne by Contractor in accordance with this Agreement.

7.5 GNPC shall use its best efforts to render assistance to Contractor in emergencies and major accidents and such other assistance as may be requested by Contractor, provided that any reasonable expenses involved in such assistance shall be borne by Contractor in accordance with this Agreement.

7.6 Subject to the provisions of this Agreement and save for Petroleum Operations undertaken by GNPC pursuant to Article 9, Contractor shall, during the term of this Contract, maintain and obtain insurance coverage for and in relation to Petroleum Operations, for such amounts and against such risks as are customarily or prudently insured in the international petroleum industry in accordance with modern oilfield and petroleum industry practices, and shall within two months of the date of policy or renewal furnish to the Minister and the Petroleum Commission, certificates evidencing that such coverage is in effect. Such insurance policies shall cover the interest of GNPC as additional insured and shall waive subrogation against GNPC. The said insurance shall, without prejudice to the generality of the foregoing, cover:

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- a) loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with Petroleum Operations; provided, however, that if for any reason the Contractor fails to insure any such installation, equipment or assets, it shall replace any loss thereof or repair any damage caused thereto;
- b) loss, damage or injury caused by pollution in the course of or as a result of Petroleum Operations;
- c) loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor may be liable;
- d) any claim for which the State may be liable relating to the loss of property or damage or bodily injury suffered by any third party in the course of or as a result of Petroleum Operations for which the Contractor is liable to indemnify the State;
- e) with respect to Petroleum Operations offshore, the cost of removing wrecks and cleaning up operations following any accident in the course of or as a result of Petroleum Operations; and
- f) the Contractor and/or the Operator's liability to its employees engaged in Petroleum Operations.

7.7 The Contractor shall require its Subcontractors to obtain and maintain insurance against the risks referred to above in Article 7.6 relating mutatis mutandis to such Subcontractors.

7.8 Contractor shall indemnify, defend and hold the State and GNPC harmless against all claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from any Petroleum Operations conducted by or on behalf of the Contractor.

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ARTICLE 8

COMMERCIALITY

- 8.1 Contractor shall submit a Discovery Notice to the Minister, the Petroleum Commission and GNPC as soon as possible after any Discovery is made, but in any event not later than thirty (30) days after the date any such Discovery is made.
- 8.2 As soon as possible after the analysis of the test results of such Discovery is complete and in any event not later than one hundred (100) days from the date of such Discovery, Contractor shall by a further notice in writing to the Minister, the Petroleum Commission and GNPC, indicate whether in the opinion of Contractor the Discovery merits Appraisal.
- 8.3 Where the Contractor does not make the indication required by Article 8.2 within the period indicated or indicates that the Discovery does not merit Appraisal, Contractor shall, subject to Article 8.18, relinquish the Discovery Area associated with the Discovery.
- 8.4 Where Contractor indicates that the Discovery merits Appraisal, Contractor shall within one hundred and eighty (180) days from the date of such Discovery notify the Minister and submit to the Petroleum Commission for approval and to the Minister for information purposes a Proposed Appraisal Programme to be carried out by Contractor in respect of such Discovery. For the avoidance of doubt, unless otherwise instructed by the Petroleum Commission, Contractor shall conduct a separate Appraisal for each Discovery where Contractor indicates that such Discovery merits Appraisal.
- 8.5 In the absence of regulations otherwise governing the process, the Petroleum Commission and Contractor shall adhere to the procedure set forth in this Article 8.5 in connection with the submission of a Proposed Appraisal Programme. The Petroleum Commission shall within sixty (60) days of submission of the Proposed Appraisal Programme, give the Contractor a notice in writing stating:
- a) whether the Proposed Appraisal Programme has been approved (outright or conditionally) or not;
 - b) if not approved, any revisions or improvements required by the Petroleum Commission to be made to the Proposed Appraisal Programme, and the reasons therefor; or
 - c) if conditionally approved, the conditions to the approval of the Proposed Appraisal Programme, and the reasons therefor.

If the Petroleum Commission fails to provide such notice after such sixty (60) day period, such Proposed Appraisal Programme shall be deemed not approved.

If the Petroleum Commission notifies the Contractor that the Proposed Appraisal Programme is not approved or fails to satisfy such obligation to notify the

Contractor within the timeframe provided or the Contractor notifies the Petroleum Commission that it does not accept the revisions or conditions required for any approval pursuant to this Article 8.5, the Petroleum Commission and the Contractor shall consult within thirty (30) days of the earlier of the date of the notice by the Petroleum Commission and the date such notice was due with a view to amending the Proposed Appraisal Programme to be acceptable to both. Should the Petroleum Commission not agree to so consult or should the Petroleum Commission and the Contractor fail to agree changes required for such approval within fourteen (14) days following said consultation, Contractor may notify the Minister and request resolution. If the Minister is unable to resolve the matter in a manner agreeable to all relevant Parties within thirty (30) days from the date such notification was lodged, the resulting dispute arising out of this Article 8.5 shall be resolved in accordance with Article 24

If the Petroleum Commission has given a notice in writing pursuant to this Article, and the Parties cannot agree on the revisions or conditions, then the arbitration panel shall determine whether the Petroleum Commission's revisions or conditions proposed are lawful. In each case, the arbitration panel shall also determine the appropriate damages and/or other award flowing from any such unlawfulness.

8.6 Where the issue in dispute referred for resolution pursuant to Article 24 is finally decided in favour of Contractor, the Petroleum Commission shall forthwith give the requisite approval to the Proposed Appraisal Programme submitted by Contractor, and where the issue in dispute referred for resolution pursuant to Article 24 is finally decided in favour of the Petroleum Commission, Contractor shall forthwith:

- a) amend the Proposed Appraisal Programme to give effect to the final decision rendered under Article 24 and the Petroleum Commission shall give the requisite approval to such revised Proposed Appraisal Programme; or
- b) relinquish the Discovery Area.

8.7 Where Contractor seeks to amend an Appraisal Programme, it shall submit such amendment to the JMC for review pursuant to Article 6.4(f) before submission to the Petroleum Commission for approval.

8.8 Unless Contractor and the Petroleum Commission otherwise agree in any particular case, Contractor shall have a period of two (2) years from the date of Discovery to complete the Appraisal Programme. In the event Contractor requires a period of more than the two (2) years to complete the Appraisal Programme, Contractor shall submit a request to the Petroleum Commission for an extension with a firm programme with timelines to justify the request.

8.9 Contractor shall commence Appraisal within one hundred and fifty (150) days from the date of approval of the Appraisal Programme. Where the Contractor is unable to commence or otherwise fails to commence Appraisal within one hundred and fifty (150) days from the date of approval of the Appraisal Programme, GNPC

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shall be entitled to exercise the option provided for in Article 9.1 to enable prompt Appraisal unless Contractor has commenced Appraisal or obtained an extension of time for such Appraisal, provided that if Contractor obtains an extension of time for such Appraisal and has not commenced Appraisal prior to the end of such extension, GNPC shall be entitled to exercise the option provided for in Article 9.1 to enable prompt Appraisal.

- 8.10 Not later than ninety (90) days from the date on which said Appraisal Programme relating to the Discovery is completed, Contractor will submit to the Minister and the Petroleum Commission a report containing the results of the Appraisal Programme. Such report shall include all available technical and economic data relevant to a determination of commerciality, including, but not limited to, geological and geophysical conditions, such as structural configuration, physical properties and the extent of reservoir rocks, areas, thickness and depth of pay zones, pressure, volume and temperature analysis of the reservoir fluids, preliminary estimates of Crude Oil and/or Natural Gas reserves, recovery drive characteristics, anticipated production performance per reservoir and per well, fluid characteristics, including gravity, sulphur percentage, sediment and water percentage and refinery assay pattern.
- 8.11 Not later than ninety (90) days from the date on which said Appraisal Programme is completed Contractor shall, by a further notice in writing, inform the Petroleum Commission and Minister whether the Discovery in the opinion of Contractor is or is not a Commercial Discovery.
- 8.12 If Contractor fails to notify the Minister and the Petroleum Commission as provided in Article 8.10 or informs the Minister that the Discovery is not a Commercial Discovery, then subject to Article 8.18, Contractor shall relinquish such Discovery Area; provided, however, that in appropriate cases, before declaring that a Discovery is not a Commercial Discovery, Contractor shall consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of commerciality. The other Parties may, where feasible, and in the best interests of the Parties agree to make such changes or modifications in the existing arrangements.
- 8.13 If Contractor pursuant to Article 8.11 informs the Minister that the Discovery is a Commercial Discovery, Contractor shall not later than one hundred and eighty (180) days thereafter, prepare and submit to the JMC, and upon approval by the JMC, the Minister, a Development Plan.
- 8.14 The Development Plan referred to in Article 8.13 shall be based on detailed engineering studies and shall include:
- a) Contractor's proposals on the delineation of the proposed Development and Production Area and for the development of any reservoir(s), including the method for the disposal of Associated Gas in accordance with the provisions of Article 14.14;

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- b) the way in which the Development and Production of the reservoir is planned to be financed;
- c) Contractor's proposals relating to the spacing, drilling and completion of wells, the production, storage, processing, transportation, gas utilization, delivery facilities and necessary infrastructure developments required for the production, storage and transportation (to the Delivery Point) of the Petroleum, including without limitation:
 - i) the estimated number, size and production capacity of production facilities if any;
 - ii) the estimated number of Production wells;
 - iii) the particulars of feasible alternatives for transportation of the Petroleum, including pipelines;
 - iv) the particulars of onshore installations required, including the type and specifications or size thereof; and
 - v) the particulars of other technical equipment required for the operations;
- d) the estimate of the reserves together with the estimated annual production profiles throughout the life of the field to be developed pursuant to the Development Plan for Crude Oil and Natural Gas from the Petroleum reservoirs;
- e) tie-ins with other petroleum fields where applicable;
- f) information on operation and maintenance;
- g) a description of technical solutions including enhanced recovery methods;
- h) estimates of capital and operating expenditures;
- i) the economic feasibility studies carried out by or for Contractor in respect of alternative methods for Development of the Discovery, taking into account:
 - i) location; water depth (where applicable);
 - ii) meteorological conditions;
 - iii) estimates of capital and operating expenditures; and
 - iv) any other relevant data and evaluation thereof;
- j) the safety measures to be adopted in the course of the Development and Production Operations, including measures to deal with emergencies;
- k) environmental impact assessments as required by the applicable laws of the Republic of Ghana in effect and as amended from time to time;

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- l) measures to protect the environment and a contingency plan for handling of emergencies (including the provision and maintenance of equipment stockpiles to respond to an emergency);
- m) Contractor's proposals with respect to the procurement of goods and services obtainable in Ghana;
- n) Contractor's technology transfer plan;
- o) Contractor's plan for training and employment of Ghanaian nationals;
- p) the timetable for effecting Development Operations; and
- q) a plan for decommissioning and abandonment.

8.15 The date of the Minister's approval of the Development Plan shall be the Date of Commercial Discovery.

8.16 The Minister shall within the ninety (90) days following submission of the Development Plan give Contractor a notice in writing stating:

- a) whether or not the Development Plan as submitted has been approved or conditionally approved; and
- b) if not approved, any revisions proposed by the Minister to the Development Plan as submitted, and the reasons thereof; or
- c) if conditionally approved, any conditions pursuant to which the Development Plan is approved.

If the Minister fails to approve the Development Plan within the ninety (90) day time period described above, then the Development Plan shall be deemed not approved.

Where the Minister notifies the Contractor that the Development Plan is not approved the Parties shall within a period of thirty (30) days from the date of such notice by the Minister consult (and shall include GNPC in such consultations) with a view to amending the Development Plan to be acceptable to both. Should the Minister not agree to so consult or should the Minister and the Contractor fail to agree changes required for such approval within fourteen (14) days following said thirty (30) day period, the resulting dispute arising out of this Article 8.16 shall be resolved in accordance with Article 24.

If the Minister has given a notice in writing pursuant to clause (b) or (c), and the Parties cannot agree on the revisions or conditions, then the arbitration panel shall determine whether the Minister's revisions or conditions proposed are lawful.

8.17 Where the issue in dispute referred for resolution pursuant to Article 24 is finally decided in favour of Contractor, the Minister shall forthwith give the requisite approval to the Development Plan submitted by Contractor.

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8.18 Where the issue in question referred for resolution pursuant to Article 24 is finally decided in favour of the Minister in whole or in part, Contractor shall forthwith:

- a) amend the proposed Development Plan to give effect to the final decision rendered under Article 24 and the Minister shall give the requisite approval to such revised Development Plan; or
- b) subject to Article 8.20 below relinquish the Discovery Area.

8.19 Notwithstanding the relinquishment provisions of Articles 8.3 and 8.12 above, if Contractor indicates that a Discovery does not at the time merit Appraisal, or after Appraisal does not appear to be a Commercial Discovery but may merit Appraisal or potentially become a Commercial Discovery at a later date during the Exploration Period, then Contractor need not relinquish the Discovery Area and may continue its Exploration Operations in the Contract Area during the Exploration Period; provided that the Contractor shall explain to the Minister and Petroleum Commission what additional evaluations, including Exploration work or studies, are or may be planned in order to determine whether subsequent Appraisal is warranted or that the Discovery is a Commercial Discovery and the Minister shall approve of any such non relinquishment. Such evaluations shall be performed by Contractor according to a specific time table (which shall not exceed the time frame specified under Article 8.20) to be approved by the JMC and Petroleum Commission, subject to Contractor's right of earlier relinquishment of the Discovery Area. After completion of the evaluations, Contractor shall make the indications called for under Article 8.3 or 8.12 and either proceed with Appraisal, confirm the Discovery is a Commercial Discovery or relinquish the Discovery Area.

8.20 In any case, if a Discovery is made in the Initial Exploration Period or First Extension Period, the Contractor shall by the end of the subsequent phase (that is the First Extension Period or Second Extension Period as the case may be), take a decision to Appraise the Discovery or relinquish such Discovery. Likewise, if the Contractor has completed the Appraisal of a Discovery in the Initial Exploration Period or First Extension Period, the Contractor shall by the end of the subsequent phase (that is, the First Extension Period or Second Extension Period as the case may be), take a decision to determine if such Discovery is a Commercial Discovery or relinquish such Discovery. In any event, if at the end of the Exploration Period the Contractor has neither indicated its intent to proceed with an Appraisal Programme nor declared the Discovery to be a Commercial Discovery, then the Discovery Area shall be relinquished.

8.21 Upon completion of an Appraisal Programme and before Contractor makes a determination that any Discovery is not a Commercial Discovery, Contractor may consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of a Commercial Discovery. The other Parties may agree to make such changes or modifications in the existing arrangements. In the event the Parties do not agree on such changes or

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modifications, then subject to Articles 8.19 and 8.20, Contractor shall relinquish the Discovery Area.

8.22 Nothing in Articles 8.3, 8.12, 8.19 or 8.20 above shall be read or construed as requiring Contractor to relinquish:


- a) any area which constitutes or forms part of another Discovery Area in respect of which:
 - i) Contractor has given the Minister, the Petroleum Commission and GNPC a separate notice stating that such Discovery merits Appraisal; or
 - ii) Contractor has given the Minister a separate notice indicating that such Discovery is a Commercial Discovery; or
- b) any area which constitutes or forms part of a Development and Production Area.

8.23 For the avoidance of doubt, where Contractor makes a Discovery after the expiration of the Exploration Period, Contractor shall notify the Minister of such Discovery pursuant to Article 8.1 and, subject to its rights under Article 3, surrender such Discovery to GNPC.

8.24 In the event a field extends beyond the boundaries of the Contract Area, the Minister may require the Contractor to exploit said field in association with the third party holding the rights and obligations under a petroleum agreement covering the said field (or GNPC as the case may be). The exploitation in association with said third party or GNPC shall be pursuant to good unitization and engineering principles and in accordance with International Best Oil Field Practice. In the event Contractor and said third party are unable to agree to the terms of unitization, Contractor shall notify the Minister in writing and the Minister shall give appropriate directions to Contractor and the third party or GNPC to resolve the matter in accordance with International Best Oil Field Practice.

8.25 All notices required to be submitted to the Minister under this Article 8 shall be copied to the Petroleum Commission.

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ARTICLE 9

SOLE RISK ACCOUNT

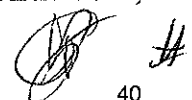
- 9.1 Subject to Contractor's rights under Article 8, if Contractor fails to commence Appraisal in accordance with Article 8.9, GNPC may notify Contractor that it will, at its Sole Risk, commence to appraise a Discovery pursuant to Article 8.9, provided that within thirty (30) days of such notification from GNPC, Contractor may elect to commence to appraise that Discovery within its own Work Programme.
- 9.2 Where an Appraisal undertaken under Article 9.1 at the Sole Risk of GNPC results in a determination that a Discovery is a Commercial Discovery, Contractor may develop the Commercial Discovery upon reimbursement to GNPC of all expenses incurred in undertaking the Appraisal and after arranging with GNPC satisfactory terms for the payment of a premium equivalent to seven hundred percent (700%) of such expenses. Such premium shall not be counted as cost of Petroleum Operations for the purpose of the Accounting Guide. In the event that Contractor declines to develop said Discovery, Contractor shall relinquish the Development and Production Area established by the Appraisal Programme conducted by GNPC under Article 9.1.
- 9.3 During the Exploration Period GNPC may, at its Sole Risk require Contractor to continue drilling to penetrate and test horizons deeper than those contained in the Work Programme of Contractor or required under Article 4. GNPC may also at its Sole Risk ask the Contractor to test a zone or zones which Contractor has not included in Contractor's test programme. Notice of this shall be given to Contractor in writing as early as possible prior to or during the drilling of the well, but in any case not after Contractor has begun work to complete or abandon the well. The exercise by GNPC of this right shall be in an agreed manner (such agreement not to be unreasonably withheld or delayed by Contractor) which does not prevent Contractor from complying with its work obligations under Article 4.3.
- 9.4 At any time before commencing such deeper drilling under Article 9.3 above Contractor may elect to incorporate the required deeper drilling in its own Exploration Operation, in which case any resulting Discovery shall not be affected by the provisions of this Article 9.
- 9.5 Where any Sole Risk deeper drilling results in a Discovery, GNPC shall have the right, at its Sole Risk, to appraise, develop, produce and dispose of all Petroleum resulting from such Sole Risk deeper drilling and shall conduct such Sole Risk operations unless GNPC proposes otherwise and Contractor agrees. Provided however that if at the time such Petroleum is tested from the producing horizon in a well, Contractor's Work Programme includes a well or wells to be drilled to the same producing horizon, and provided that the well or wells drilled by Contractor result(s) in a Petroleum producing well producing from the same horizon, Contractor shall, after reimbursing GNPC for all costs associated with its Sole Risk deeper drilling and testing in said well, have the right to include production from

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that well in its total production for the purposes of establishing a Commercial Discovery, and, if a Commercial Discovery is subsequently established, to develop, produce and dispose of the Petroleum in accordance with the provisions of this Agreement.

- 9.6 Alternatively, if at the time such Petroleum is tested from a producing horizon in a well pursuant to a Sole Risk operation, Contractor's Work Programme does not include a well to be drilled to said horizon, Contractor has the option to appraise and /or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects within a period of sixty (60) days after such Discovery. In such case, Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with such Sole Risk operations, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to seven hundred percent (700%) of such expenses. Such premium shall not be considered as Petroleum Costs for the purposes of the Accounting Guide.
- 9.7 During the term of this Agreement, GNPC shall have the right to submit a Work Programme to the JMC to drill, at its Sole Risk, a well(s) in the Contract Area provided that the work intended to be done by GNPC had not been scheduled for a Work Programme to be performed by Contractor and the exercise of such right by GNPC and the arrangements made by GNPC for undertaking such drilling do not prevent Contractor carrying out Petroleum Operations. Within thirty (30) days after receipt of such notice, Contractor may elect to drill the proposed well(s) as part of Contractor's Exploration Operations or may elect to participate in the well to be drilled by GNPC.
- 9.8 In the event that a well drilled at the Sole Risk of GNPC in accordance with Article 9.7 above results in a Discovery, GNPC shall notify Contractor in writing, and GNPC shall have the right to appraise such Discovery and develop or require Contractor to develop, after GNPC declares a Commercial Discovery, such Discovery for a mutually agreed reasonable service fee, so long as Contractor has an interest in the Contract Area, GNPC taking all the interest, risk and costs and hence having the right to all Petroleum produced from the Commercial Discovery; provided however that Contractor has the option to appraise and/or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects within a period of sixty (60) days after receipt of GNPC's written notice of such Discovery.
- 9.9 Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with such Sole Risk operations, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to seven hundred percent (700%) of such expenses before exercising the option under this Article 9.8. Such premium shall not be considered as Petroleum Costs for the purposes of the Accounting Guide.
- 9.10 In the event that Contractor declines to exercise its option in Article 9.8 or no agreement is reached on the service fee arrangement as provided for in Article 9.8,





Contractor shall relinquish the Development and Production Area associated with such Commercial Discovery.

9.11 Sole Risk operations under this Article 9 shall not extend the Exploration Period nor the term of this Agreement and Contractor shall complete any agreed programme of work commenced by it under this Article at GNPC's Sole Risk, and subject to such provisions hereof as the Parties shall then agree, even though the Exploration Period as defined in Article 3 or the term of this Agreement may have expired.

9.12 GNPC shall indemnify and hold harmless Contractor against all actions, claims, demands and proceedings whatsoever brought by any third party or the State, arising out of or in connection with Sole Risk operations under this Article 9 unless such actions, claims, demands and proceedings are caused by Contractor's Gross Negligence or Wilful Misconduct.

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ARTICLE 10

SHARING OF CRUDE OIL

10.1 Gross Production of Crude Oil from each Development and Production Area shall (subject to a Calendar Year adjustment developed under the provisions of Article 10.7) be distributed amongst the Parties in the following sequence and proportions:

- a) Thirteen percent (13%) of the Gross Production of Crude Oil from Onshore Production and twelve and one half percent (12.5%) from Offshore Production shall be delivered to the State as **ROYALTY**, pursuant to the provisions of the Petroleum Law. Upon notice to Contractor, the State shall have the right to elect to receive cash in lieu of its royalty share of such Crude Oil. The State's notice shall be given to Contractor at least ninety (90) days in advance of each lifting period, such periods to be established pursuant to the provisions of Article 10.7. In such case, said share of Crude Oil shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the relevant weighted average Market Price for the relevant period as determined in accordance with Article 11.7;
- b) After distribution of such amounts of Crude Oil as are required pursuant to Article 10.1(a), the amount of Crude Oil, if any, shall be delivered to GNPC to the extent it is entitled for Sole Risk operations under Article 9;
- c) After distribution of such amounts of Petroleum as are required pursuant to Articles 10.1(a) and 10.1(b), the remaining Crude Oil produced from each Development and Production Area shall be distributed to Contractor and, subject to Article 10.1(e) below to GNPC on the basis of their respective interests pursuant to Article 2;
- d) The State's AOE (as defined under Article 10.2), if any, shall be distributed to the State out of the Contractor's share of Crude Oil determined under Article 10.1(c). The State shall also have the right to elect to receive cash in lieu of the AOE share of Crude Oil accorded to it pursuant to Article 10.2. Notification of said election shall be given in the same notice in which the State notifies Contractor of its election to receive cash in lieu of Crude Oil under Article 10.1(a). In such case, said share shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the relevant weighted average Market Price for the relevant period as determined in accordance with Article 11.7;
- e) Notwithstanding Articles 10.1(d) and (e), in the event that GNPC has failed to pay any amounts due to Contractor pursuant to Article 15.2 of this Agreement (such amounts with interest thereon in accordance with Article 26.6 being hereinafter called "**Default Amounts**") and for so long as any such advances and interest thereon remain unrecovered by Contractor, an amount of Crude Oil shall be delivered to GNPC sufficient in value to reimburse it for its share of Production Costs paid by it to that date, until

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such share of Production Costs has been fully reimbursed to it, after which a volume of Crude Oil shall be delivered to Contractor equivalent in value to the outstanding amounts of the aforesaid Default Amounts until such Default Amounts are fully recovered by Contractor. The value of the Crude Oil for the purpose of this Article 10 shall be the Market Price determined pursuant to Article 11.7.

10.2 At any time the State shall be entitled to a portion of Contractor's share of Crude Oil then being produced from each separate Development and Production Area (hereinafter referred to as "Additional Oil Entitlements" or "AOE") on the basis of the after-tax post-inflation-adjusted rate of return ("ROR") which Contractor has achieved with respect to such Development and Production Area as of that time. Contractor's ROR shall be calculated on its NCF and shall be determined separately for each Development and Production Area at the end of each Month in accordance with the following computation:

a) Definitions:

"NCF" means Contractor's net cash flow for the Month for which the calculation is being made, and shall be computed in accordance with the following formula:

$$\text{NCF} = x - y - z$$

where

"x" equals all revenues received during such Month by Contractor from the Development and Production Area, including an amount computed by multiplying the amount of Crude Oil taken by Contractor during such Month in accordance with Articles 10.1(c) and 10.1(e), excluding such Crude Oil taken by Contractor for payment of interest in respect of Petroleum Costs incurred by Contractor on GNPC's behalf, by the Market Price applicable to such Crude Oil during the Month when lifted, plus any other proceeds specified in the Accounting Guide received by Contractor, including, without limitation, the proceeds from the sale of any assets to which Contractor continues to have title. For the avoidance of doubt, "x" shall not include revenues from Crude Oil lifted by Contractor which is part of another Party's entitlement (e.g. Royalty, Crude Oil relating to the State's AOE delivered to Contractor because the State has elected to receive cash in lieu of Crude Oil, Crude Oil purchased by Contractor from GNPC or the State) but shall include revenues from Crude Oil owned by Contractor but lifted by another Party (e.g. Crude Oil purchased by GNPC or the State from Contractor).

"y" equals one-twelfth ($1/12$) of the income tax paid by the Contractor to the State with respect to the Calendar Year in respect of the Development and Production Area. If there are two (2) or more Development and Production Areas, the total income tax paid by

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Contractor in accordance with the Income Tax Act shall for purposes of this calculation be allocated to the Development and Production Area on the basis of hypothetical tax calculations for the separate Development and Production Areas. The hypothetical tax calculation for each Development and Production Area shall be determined by allocating the total amount of tax incurred for each Calendar Year by Contractor under the Income Tax Act to each Development and Production Area based on the ratio that the chargeable income from a given Development and Production Area bears to the total chargeable income of Contractor. The chargeable income of Contractor is determined under section 2 of the Income Tax Act and the chargeable income of a Development and Production Area shall be calculated by deducting from the gross income derived from or allocated to that Area those expenses deductible under section 3 of the Income Tax Act which are reasonably allocable to that Area and with respect to the Development and Production Area with the earliest date of Commercial Production, those expenses deductible under the said section 3 of the Income Tax Act which are not attributable to any Development and Production Area. A negative chargeable income for an Area shall be treated as zero for purposes of this allocation and not more (or less) than the total income tax paid by Contractor shall be allocated between the Areas.

“z” equals all Petroleum Costs specified in the Accounting Guide and expended by Contractor during such Month or with respect to abandonment costs, those calculated in accordance with Article 12.7 or actually incurred, as the case may be, with respect to the Development and Production Area, including any Petroleum Costs paid by Contractor on GNPC’s behalf, and not reimbursed by GNPC within the Month, provided that all Petroleum Costs for Exploration Operations not directly attributable to a specific Development and Production Area shall for purposes of this calculation be allocated to the Development and Production Area having the earliest date of Commencement of Commercial Production. Where Petroleum Costs for Exploration Operations are not directly attributable to a specific Development and Production Area during a Month, but are directly attributable to a subsequently delineated Development and Production Area, then Contractor may elect either to maintain the original allocation or reallocate such Petroleum Costs to the newly delineated Development and Production Area to which they are directly attributable and provided further that for the purpose of the ROR calculation Petroleum Costs shall not include any amounts in respect of interest on loans obtained for the purposes of carrying out Petroleum Operations.

“FA_n”, “SA_n”, “TA_n”, “YA_n” and “ZA_n” means First Account, Second Account, Third Account, Fourth Account and Fifth Account, respectively, and represent amounts as of the last day of the Month in question as determined by the formulae in (b) below.

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“FA_{n-1}”, “SA_{n-1}”, “TA_{n-1}”, “YA_{n-1}”, and “ZA_{n-1}”, respectively, mean the lesser of (i) the FA_n, SA_n, TA_n, YA_n or ZA_n, as the case may be, as of the last day of the Month immediately preceding the Month in question, or (ii) zero. Stated otherwise, FA_{n-1} shall equal FA_n as of the last day of the Month immediately preceding the Month in question if such FA_n was a negative number, but shall equal zero if such FA_n was a positive number. Likewise, SA_{n-1} shall equal SA_n as of the last day of the Month immediately preceding the Month in question if such SA_n was a negative number, but shall equal zero if such SA_n was a positive number. Likewise TA_{n-1} shall equal TA_n as of the last day of the Month immediately preceding the Month in question if such TA_n was a negative number, but shall equal zero if such TA_n was a positive number. Likewise YA_{n-1} shall equal YA_n as of the last day of the Month immediately preceding the Month in question if such YA_n was a negative number but shall equal zero if such TA_n was a positive number. Likewise, ZA_{n-1} shall equal ZA_n as of the last day of the Month immediately preceding the Month in question if such ZA_n was a negative number, but shall equal zero if such ZA_n was a positive number. In the ROR calculation for the first Month of Petroleum Operations, FA_{n-1}, SA_{n-1}, TA_{n-1}, YA_{n-1} and ZA_{n-1} shall be zero.

“i” for the Month in question equals one (1) subtracted from the quotient of the United States Industrial Goods Wholesale Price Index (“USIGWPI”) for the second Month preceding the Month in question (e.g. use August data for October’s computation) as first reported in the International Financial statistics of the International Monetary Fund, divided by the USIGWPI for the same second preceding Month of the immediately preceding Calendar Year as first reported in the International Financial Statistics of the International Monetary Fund. If the USIGWPI ceases to be published, a substitute U.S. Dollar-based price index shall be agreed by the Parties hereto and used.

“n” refers to the nth Month in question.


“n-1” refers to the Month immediately preceding the nth Month

b) Formulae:

$$FA_n = \left(FA_{n-1} \left(1 + \frac{(0.125 + i)}{12} \right) \right) + NCF$$

$$SA_n = \left(SA_{n-1} \left(1 + \frac{(0.175 + i)}{12} \right) \right) + NCF$$

In the calculation of SA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n.

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$$TA_n = \left(TA_{n-1} \left(1 + \frac{(0.225 + i)}{12} \right) \right) + NCF$$

In the calculation of TA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n and SA_n .

$$YA_n = \left(YA_{n-1} \left(1 + \frac{(0.275 + i)}{12} \right) \right) + NCF$$

In the calculation of YA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n , SA_n and TA_n .

$$ZA_n = \left(ZA_{n-1} \left(1 + \frac{(0.325 + i)}{12} \right) \right) + NCF$$

In the calculation of ZA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n , SA_n , TA_n and YA_n .

c) Prospective Application:

The State's AOE measured in Barrels of oil will be as follows:

- i) If FA_n , SA_n , TA_n , YA_n and ZA_n are all negative, the State's AOE for the Month in question shall be zero;
- ii) If FA_n is positive and SA_n , TA_n , YA_n and ZA_n are all negative, the State's AOE for the Month in question shall be equal to the absolute amount resulting from the following monetary calculation:

Ten (10%) of the FA_n for that Month divided by the weighted average Market Price as determined in accordance with Article 11.7.

- iii) If both FA_n and SA_n are positive, but TA_n , YA_n and ZA_n are negative, the State's AOE for the Month in question shall be equal to an absolute amount resulting from the following monetary calculation:

the aggregate of ten percent (10%) of FA_n for that Month plus twelve and one half percent (12.5%) of the SA_n for that Month all divided by the weighted average Market Price as determined in accordance with Article 11.7.

- iv) If FA_n , SA_n and TA_n are all positive but YA_n and ZA_n is negative, the State's AOE for the Month in question shall be equal to the absolute amount resulting from the following monetary calculation: the aggregate of ten percent (10%) of the FA_n for that Month plus twelve

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and one half percent (12.5%) of the SA_n for that Month plus twenty percent (20%) of the TA_n for that Month all divided by the weighted average Market Price as determined in accordance with Article 11.7.

- v) If FA_n , SA_n , TA_n and YA_n are all positive but ZA_n is negative, the State's AOE for the Month in question shall be equal to the absolute amount resulting from the following monetary calculation:


the aggregate of ten percent (10%) of the FA_n for that Month plus twelve and one half percent (12.5%) of the SA_n for that Month plus twenty percent (20%) of the TA_n for that Month plus twenty percent (25%) of the YA_n for that Month all divided by the weighted average Market Price as determined in accordance with Article 11.7.

- vi) If FA_n , SA_n , TA_n , YA_n and ZA_n are all positive, the State's AOE for the Month in question shall be equal to the absolute amount resulting from the following monetary calculation:

the aggregate of ten percent (10%) of the FA_n for that Month plus twelve and one half percent (12.5%) of the SA_n for that Month plus twenty percent (20%) of the TA_n for that Month plus twenty five percent (25%) of the YA_n for that Month, plus twenty seven and one half percent (27.5%) of the ZA_n for that Month all divided by the weighted average Market Price as determined in accordance with Article 11.7.

- d) The AOE calculations shall be made in U.S. Dollars with all non-dollar expenditures converted to U.S. Dollars in accordance with Section 1.3.5 of Annex 2. When the AOE calculation cannot be definitively made because of disagreement on the Market Price or any other factor in the formulae, then a provisional AOE calculation shall be made on the basis of Contractor's good faith estimates of such factors and such provisional calculation shall be subject to correction and revision upon the conclusive determination of such factors, and appropriate retroactive adjustments shall be made.
- e) The AOE shall be calculated on a monthly basis, with the AOE to be paid commencing with the first Month following the Month in which the FA_n , SA_n , TA_n , YA_n or ZA_n , (as applicable) becomes positive. Because the precise amount of the AOE for a Calendar Year cannot be determined with certainty until after the end of that Calendar Year, deliveries (or payments in lieu) of the AOE with respect to a Month shall be made during such Calendar Year based upon the Contractor's good faith estimates of the amounts owing, with any adjustments following the end of the Calendar Year to be settled pursuant to the procedures agreed to pursuant to Article 10.7. Final calculations of the AOE shall be made within thirty (30) days following the filing by the Contractor of the annual tax return for such Calendar Year pursuant to the Income Tax Act and this Agreement, and the

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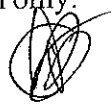
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amount of the AOE shall be appropriately adjusted in the event of a subsequent adjustment of the amount of tax owing on such term.

- 10.3 GNPC shall act as agent for the State in the collection of all Petroleum accruing to the State under this Article 10 and delivery to GNPC by Contractor shall discharge Contractor's liability to deliver the share of the State.
- 10.4 The State or GNPC, having met the requirements of Article 15.1, may elect, in accordance with terms and conditions to be mutually agreed by the Parties, that all or part of the Crude Oil to be distributed to the State or to GNPC pursuant to this Article shall be sold and delivered by the State or GNPC to Contractor or its Affiliate for use and disposal and in such case Contractor or its Affiliate shall pay to the State or to GNPC, as the case may be, the Market Price for any Crude Oil so sold and delivered. Market Price for purposes of this Article 10.4 shall be the amounts actually realized by Contractor or said Affiliate on its resales of said Crude Oil in arm's length commercial transactions, or for its other resales or dispositions of said Crude Oil, based upon Market Price determined in the manner specified in Article 11.7(b).
- 10.5 Ownership and risk of loss of all Crude Oil produced from the Contract Area which is purchased, and all of its percentage Participating Interest or other Crude Oil lifted, by Contractor shall pass to Contractor at the outlet flange (the "**Delivery Point**") of the marine terminal or other storage facility for loading into tankers or other transportation equipment referred to in Article Article 11.
- 10.6 Subject to the provisions of Article 15 hereof, Contractor shall have the right freely to export and dispose of all the Petroleum allocated and/or delivered to it pursuant to this Article.
- 10.7 The Parties shall through consultation enter into supplementary agreements concerning Crude Oil lifting procedures, lifting and tanker schedules, loading conditions, Crude Oil metering, and the settlement of lifting imbalances, if any, among the Parties at the end of each Calendar Year. The Crude Oil to be distributed or otherwise made available to the Parties in each Calendar Year in accordance with the preceding provisions of this Article shall insofar as possible be in reasonably equal monthly quantities.
- 10.8 To assist in the making of the AOE calculation in accordance with Article 10.2, there is attached as Annex 4 to this Agreement a worked example of the calculation using hypothetical figures, rates and thresholds, for the purpose of illustration only.

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ARTICLE 11

MEASUREMENT AND PRICING OF CRUDE OIL

- 11.1 Crude Oil shall be delivered by Contractor to storage tanks or other suitable holding facility constructed, maintained and operated in accordance with applicable laws and good oilfield practice. Crude Oil shall be metered or otherwise measured for quantity and tested for quality at the outlet flange of oil treatment facilities associated with producing wells and then again for quantity at each inlet and at the outlet flange of such storage tanks for all purposes of this Agreement. Any Party may request that measurements and tests be done by an internationally recognized inspection company. Contractor shall arrange and pay for the conduct of any measurement or test so requested provided, however, that in the case of (1) a test requested for quality purposes and/or (2) a test requested on metering (or measurement) devices, or where the test results demonstrate that such devices are accurate within acceptable tolerances agreed to by the Parties or if not established by the Parties, then in accordance with International Best Oil Field Practice, the Party requesting the test shall reimburse Contractor for the costs associated with the test or tests.
- 11.2 GNPC or its authorized agents shall have the right:
- a) to be present at and to observe such measurement of Crude Oil;
 - b) to examine and test whatever appliances are used by Contractor therefore; and
 - c) to install a device or equipment, at GNPC's sole risk, expense and liability, for the purpose of determining the quantity and quality of Crude Oil.
- 11.3 In the event that GNPC considers Contractor's methods of measurement to be inaccurate, GNPC shall notify Contractor to this effect and the Parties shall meet within ten (10) days of such notification to discuss the matter. Where after thirty (30) days the Parties cannot agree over the issue, they shall refer for resolution under Article 24 the sole question of whether Contractor's method of measuring Crude Oil is accurate and reasonable. Retrospective adjustments to measurements shall be made where necessary to give effect to the decision rendered under Article 24
- 11.4 If upon the examination or testing of appliances provided for in Article 11.2 any such appliances shall be discovered to be defective:
- a) Contractor shall take immediate steps to repair or replace such appliance; and
 - b) subject to the establishment of the contrary, such error shall be deemed to have existed for three (3) Months or since the date of the last examination and testing, whichever occurred more recently.

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11.5 In the event that Contractor desires to adjust, repair or replace any measuring appliance, it shall give GNPC reasonable notice to enable GNPC or its authorized agent to be present.

11.6 Contractor shall keep full and accurate accounts concerning all Petroleum measured as aforesaid and provide GNPC with copies thereof on a monthly basis, not later than ten (10) days after the end of each Month.

11.7 The Market Price for Crude Oil delivered to Contractor hereunder shall be established with respect to each lifting or other period as provided elsewhere in this Agreement as follows:

a) on Crude Oil sold by Contractor in arm's length commercial transactions (defined in Article 11.7(c) below), the Market Price shall be the price actually realized by Contractor on such sales;

b) on sales of Crude Oil by Contractor not in an "arm's length commercial transaction" (defined by Article 11.7(c) below), on exports by Contractor without sale or on sales under Article 15.2, the Market Price shall be the price determined by reference to world market prices of comparable Crude Oils sold in arm's length transactions for export in the major world petroleum markets, and adjusted for oil quality, location, timing and conditions of pricing, delivery and payment provided that in the case of sales under Article 15.2 where such sales relate to part only of Contractor's entitlement, prices actually realized by Contractor in sales of the balance of its proportionate share falling within Article 11.7(a) above shall be taken into account in determining Market Price. For purposes of this Article 11.7(b), "comparable Crude Oils" shall mean Crude Oils of similar API gravity, sulphur content, and acidity, and if Contractor cannot identify comparable Crude Oils for the purposes of this Article, the Parties may agree on an alternative method for establishing a comparable Crude Oil;

c) sales in "**arm's length commercial transactions**" shall mean sales to purchasers independent of the seller, which do not involve Crude Oil exchange or barter transactions, government to government transaction, sales directly or indirectly to Affiliates, or sales involving consideration other than payment in U.S. Dollars or currencies convertible thereto, or affected in whole or in part by considerations other than the usual economic incentives for commercial arm's length Crude Oil sales;

d) the price of Crude Oil shall be expressed in U.S. Dollars per Barrel, F.O.B. the point of delivery by Contractor; and

e) if Crude Oils of various qualities are produced from the Contract Area, the Market Price shall be determined separately for each type sold and/or exported by Contractor, only to the extent that the different quality grades remain segregated through to the point where they are sold, and if grades of different quality are commingled into a common stream, Contractor and GNPC shall agree on an equitable methodology for assessing relative value

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for each grade of Crude Oil comprising the blend and shall implement the agreed methodology for having the producer(s) of higher quality Crude Oil(s) be reimbursed by the producer(s) of lower quality Crude Oil(s).

- 11.8 Contractor shall provide to GNPC information in accordance with Section 7 of the Accounting Guide on each lifting which shall include the buyer of the cargo, sales basis with respect to benchmark Crude Oil, the pricing basis, the differential, any deductions and the Market Price determined by it for each lifting not later than thirty five (35) days after the end of such lifting. For the purposes of this Article 11.8 the obligations of Parties comprising Contractor shall be several.
- 11.9 If GNPC considers that the Market Price notified by Contractor was not correctly determined in accordance with the provisions of Article 11.7, it shall so notify Contractor not later than thirty (30) days after notification by Contractor of such price, and GNPC and Contractor shall meet not later than twenty (20) days thereafter to agree on the correct Market Price.
- 11.10 In the event that GNPC and Contractor fail to agree upon the commencement of meetings for the purpose described in Article 11.9 above, the Market Price shall be referred for determination in accordance with Article 24 of this Agreement.
- 11.11 Pending a determination under Article 11.7, the Market Price will be deemed to be the last Market Price agreed or determined, as the case may be, or if there has been no such previous agreement or determination, the price notified by Contractor for the lifting in question under Article 11.7. Should the determined price be different from that used in accordance with the foregoing then the difference plus interest at the Specified Rate shall be paid in cash by or to Contractor, as the case may be, within thirty (30) days of such determination.

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ARTICLE 12

TAXATION AND OTHER IMPOSTS

12.1 Subject to applicable laws and regulations as the same may be amended from time to time, the tax, duty, fee and other imposts that shall be imposed by the State or any entity or any political subdivision on Contractor, its Subcontractor or its Affiliates in respect of work and services related to Petroleum Operations and the sale and export of Petroleum shall include, but not be limited to, the following:

- a) Tax in accordance with the Income Tax Act in force and as amended from time to time;
- b) Petroleum Income tax in accordance with the provisions of Income Tax Act levied at the rate of thirty-five percent (35%) for the term of this Agreement, subject to applicable law in effect from time to time;
- c) Notwithstanding Article 12.1(a) or (b), tax in respect of gain (calculated in accordance with applicable Ghanaian law) resulting from the direct or indirect sale, transfer or assignment of (i) partial or total interest in this Agreement, (ii) assets acquired or used in Petroleum Operations under this Agreement or (iii) shares of Contractor, at the rate applicable under Ghanaian law in effect at the time of the sale, transfer or assignment. For the avoidance of doubt, such rate at the Effective Date of this Agreement is fifteen percent (15%);
- d) Payments for rental of State property, public lands or for the provisions of specific services requested by Contractor from public enterprises; provided, however, that the rates charged Contractor for such rentals or services shall not exceed the prevailing rates charged to other members of the public who receive similar services or rentals;
- e) Surface rentals payable to the State pursuant to Section 18 of the Petroleum Law per square kilometre of the area remaining at the beginning of each Contract Year as part of the Contract Area, in the amounts as set forth below:

<u>Phase of Operation</u>	<u>Surface Rentals Per Annum</u>
Initial Exploration Period	US \$ 50 per sq. km.
1st Extension Period	US \$ 100 per sq. km.
2nd Extension Period	US \$ 100 per sq. km.
Development & Production Area	US \$ 200 per sq. km.

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These rentals shall be pro-rated where the beginning of a Period and the end of a Period or the creation of a Development and Production Area occurs during the course of a Calendar Year.

- f) Taxes, duties, fees or other imposts of a minor nature.
- 12.2 Contractor shall not be liable for any export tax on Petroleum exported from Ghana and no duty or other charge shall be levied on such exports. Vessels or other means of transport used in the export of Contractor's Petroleum from Ghana shall not be liable for any tax, duty or other charge by reason of their use for that purpose.
- 12.3 Subject to the local purchase obligations hereunder, Contractor and Subcontractors may import into Ghana all plant, equipment and materials to be used solely and exclusively in the conduct of Petroleum Operations without payment of customs and other duties and taxes on imports save administrative fees and charges;

PROVIDED THAT:

- a) GNPC shall have the right of first refusal for any item imported duty free under this Article which is later sold in Ghana; and
- b) where GNPC does not exercise its right of purchase, Contractor may sell to any other person subject to the relevant law in effect and as amended from time to time.
- 12.4 Contractor shall not be liable to pay VAT in respect of plant, equipment and materials, and related services supplied in Ghana, to be used solely and exclusively in the conduct of Petroleum Operations.
- 12.5 Foreign National Employees of Contractor or its Affiliates, and of its Subcontractor, shall be permitted to import into Ghana free of import duty, their personal and household effects in accordance with Section 22.7 of PNDCL 64; provided, however, that no property imported by such employee shall be resold by such employee in Ghana except in accordance with Article 12.33.
- 12.6 Subject to GNPC's rights under Article 19, Contractor, Subcontractors and Foreign National Employees shall have the right to export from Ghana all items imported duty free. Such exports shall be exempt from all customs and other duties, taxes, fees and charges on exports save minor administrative charges.
- 12.7 Subject to guidelines to be issued by the Minister, the Contractor shall make contributions to a decommission fund based on estimated costs of abandonment in proportion to its Participating Interest. Such contributions shall be allowed as deduction from assessable income from the year of assessment the contributions commenced. In the year of assessment in respect of which decommission has been completed in accordance with an approved decommission plan, the surplus funds shall be treated as chargeable income and subject to tax. The amount left after the tax shall be subject to Additional Oil Entitlement at the highest rate at which the Contractor paid AOE during the period of contributions to the relevant

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decommission fund. Any surplus after payment of the tax and AOE shall revert to the Contractor.

12.8 Parties will negotiate in good faith to ensure that Contractor is afforded tax credits for corporate taxes paid in Ghana. However no adverse effect should occur to the economic rights of GNPC or the State.

12.9 It is the intent of the Parties that payments by Contractor of tax levied by the Income Tax Act or any other tax imposed on Contractor qualify as creditable against the income tax liability of each company comprising Contractor in its jurisdiction. Should the fiscal authority involved determine that the Income Tax Act does not impose a creditable tax, the Parties agree to negotiate in good faith with a view to establishing a creditable tax on the precondition that no adverse effect should occur to the economic rights of GNPC or the State.

12.10 All tax returns prepared and payments made by Contractor and its Affiliates or Subcontractors, and Foreign National Employees thereof shall be made in United States Dollars.



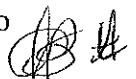
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ARTICLE 13

FOREIGN EXCHANGE TRANSACTIONS

- 13.1 Subject expressly to Articles 26.2, 26.3 and 26.4, the provisions of this Article 13 shall be subject to applicable legislation governing foreign exchange transactions in Ghana in force from time to time.
- 13.2 Contractor shall, for the purpose of this Agreement, be entitled to receive, remit with the approval of the Bank of Ghana, keep and utilise freely abroad all the foreign currency obtained from the sales of the Petroleum assigned to it by this Agreement or purchased hereunder, or from transfers, as well as its own capital, receipts from loans and in general all assets thereby acquired abroad. Upon making adequate arrangements with regard to its commitment to conduct Petroleum Operations, Contractor shall be free to dispose of this foreign currency or assets as it deems fit.
- 13.3 Contractor shall have the right to open and maintain in Ghana, bank accounts in foreign currency and Ghanaian currency. No restriction shall be made on the import by Contractor in an authorised manner of funds assigned to the performance of the Petroleum Operations and Contractor shall be entitled to purchase Ghanaian currency through authorised means, without discrimination, at the prevailing rate of exchange; provided, however, that such prevailing rate applicable to Contractor hereunder for all transactions for converting Ghanaian currency into United States Dollars, and vice versa, shall be at a buying or selling, as the case may be, rate of exchange not less favourable to Contractor than that quoted by the State or its foreign exchange control authority to any person or entity on the dates of such conversion (excepting those special rates provided by the State to discretely defined groups for special limited purposes).
- 13.4 Contractor shall be entitled to convert in an authorised manner into foreign currencies of its choice funds imported by Contractor for the Petroleum Operations and held in Ghana which exceeds its local requirements at the prevailing rate of exchange referred to in Article 13.3 and remit and retain such foreign currencies outside Ghana.
- 13.5 In the event of resale by Contractor or its Affiliate of Crude Oil purchased from the State or GNPC, the State or GNPC shall have the right to request payment for such sales of its share of production to Contractor or its Affiliate to be held in the foreign currency in which the resale transaction took place or in United States Dollars.
- 13.6 Contractor shall have the right to make direct payments outside of Ghana from its home offices abroad, and elsewhere, to its Foreign National Employees, and to those of its Subcontractors and suppliers 'not resident in Ghana' (as that term is defined in Section 160 of the Internal Revenue Act 2000 (Act 592)) for wages, salaries, purchases of goods and performance of services, whether imported into

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Ghana or supplied or performed therein for Petroleum Operations carried out hereunder, in accordance with the provisions of this Agreement, in respect of services performed within the framework of this Agreement, and such payments shall be considered as part of the costs incurred in Petroleum Operations. In the event of any changes in the location of Operator's home or other offices, Operator shall so notify GNPC and the State.

13.7 All payments which this Agreement obligates Contractor to make to GNPC or the State, including income taxes, shall be made in United States Dollars, except as requested otherwise pursuant to Article 13.5 above. All payments shall be made by wire transfer in immediately available funds to a bank to be designated by GNPC or the State, and reasonably accessible to Contractor by way of its being able to receive payments made by Contractor and give a confirmation of receipt thereof, or in such other manner as may be mutually agreed.

13.8 All payments which this Agreement obligates GNPC or the State to make to Contractor shall be made in United States Dollars. All payments shall be made by electronic transfer (or in such other manner as may be mutually agreed) in immediately available funds to a bank to be designated by Contractor, and reasonably accessible to GNPC or the State by way of its being able to receive payments made by GNPC or the State and give confirmation of receipt thereof

13.9 All payments due to the Contractor in respect of the conduct of petroleum activities in Ghana shall first be paid into the Contractor's bank account in Ghana.

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ARTICLE 14

SPECIAL PROVISIONS FOR NATURAL GAS

PART I - GENERAL

All Natural Gas produced by Contractor in association with GNPC under this Agreement shall be the property of GNPC in accordance with the provisions of Section 16.2 of the Petroleum Law, subject to the terms of this Agreement.

- 14.1 Contractor shall have the right to use Natural Gas produced from any Development and Production Area for Petroleum Operations within the Contract Area such as reinjection for pressure maintenance and/or power generation at no cost.
- 14.2 Contractor shall not flare nor vent Natural Gas except:
- a) to the extent provided for in an approved Development Plan;
 - b) during production testing operations;
 - c) when required for operational safety and the safety of persons engaged in Petroleum Operations in accordance with International Best Oil Field Practice; or
 - d) as otherwise authorised by the Minister.
- 14.3 Contractor shall have the right to extract and dispose of liquid hydrocarbons pursuant to the provisions of this Agreement relating to Crude Oil. Residual Natural Gas remaining after the extraction of liquid hydrocarbons is subject to the provisions of this Article 14.

PART II - ASSOCIATED GAS

- 14.4 All gas produced in association with Crude Oil is the property of GNPC. The Development Plan of each Development and Production Area shall include a plan of utilization for Associated Gas.
- 14.5 If Contractor considers that production, processing and utilisation of Associated Gas from any Development and Production Area is non-economic, GNPC or any State appointed agency, body or Subcontractor shall have the option to offtake such Associated Gas not used for Petroleum Operations pursuant to Article 14.1 at the outlet flange of the gas-oil separator on the Crude Oil production facility, at its Sole Risk for its own use. GNPC and Contractor shall work together to develop the appropriate interface between Gas infrastructure owned by the State and/or GNPC and Contractor's proposed Development Plan and to that end shall include:

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- a) a statement of the facilities necessary for the delivery to GNPC (or any State appointed agency, body, or Subcontractor) of such Associated Gas;
- b) a plan for the reinjection of Associated Gas into the reservoir if needed for pressure support;
- c) a plan for any other utilization; and
- d) a plan for power-generation.

14.6 The decision of GNPC as to whether or not to exercise the option provided for in Article 14.5 shall be made in a timely manner. In making such decision and in its subsequent conduct, GNPC shall avoid the prevention of or delay to the orderly start up or continuation of the production of Crude Oil as envisaged in the approved Development Plan.

14.7 If GNPC (or any State appointed agency, body, or Subcontractor) elects to offtake Associated Gas under Article 14.5 above GNPC shall be responsible, for any additional facilities needed for the delivery of the Associated Gas to GNPC, provided that:

- a) if Contractor subsequently wishes to participate in GNPC's gas utilisation programme, it shall reimburse GNPC for the costs of such facilities plus a premium of three hundred percent (300%) of costs; or
- b) if Contractor subsequently develops a gas utilisation programme and requires the use of GNPC's gas facilities, Contractor shall pay GNPC an agreed fee for such use.

If Contractor considers that it may be economic to produce Associated Gas for sale, the provision of Article 14.13, and Part IV below shall apply as to such Associated Gas.

PART III - NON-ASSOCIATED GAS

14.8 Contractor shall have the right to commercialize a Discovery of Non-Associated Gas in the Contract Area in accordance with the provisions of this Agreement. Except as otherwise provided in this Agreement, the terms applicable to a Discovery as provided under Article 8 of this Agreement shall apply to a Discovery of Non-Associated Gas.

14.9 Where Contractor submits notice pursuant to Article 8.2 or Article 8.19 indicating that the Discovery does not at that time merit Appraisal but may merit Appraisal or additional evaluation at a later date during the Exploration Period or during the initial period under a new Agreement made pursuant to Article

14.16 below, then Contractor need not submit a Proposed Appraisal Programme at that time but instead shall indicate to the Petroleum Commission what other studies or evaluations (in accordance with a definite time-table) may be warranted before an Appraisal Programme is undertaken. Where Contractor's Notice indicates that the Discovery will not merit Appraisal at any time during the Exploration Period or during the initial period under a new Agreement made pursuant to Article 14.16, then Contractor shall relinquish the rights to the Non-Associated Gas within that Discovery Area.

14.10 Not later than ninety (90) days from the date on which the Appraisal Programme relating to a Discovery is concluded, Contractor shall submit to the Minister and Petroleum Commission a report containing the results of the Appraisal Programme ("**Appraisal Report**"). The Appraisal Report may conclude that the Discovery merits commercial assessment. If the Appraisal Report concludes that the Discovery merits commercial assessment, Contractor shall submit to the Minister and Petroleum Commission within thirty (30) days from the date of submission of the Appraisal Report, a programme incorporating a specific timetable and budget for conducting such commercial assessment for approval by the Minister. If the Minister approves this programme, such commercial assessment shall be conducted within the Exploration Period and, if applicable, during the initial period under a new Agreement made pursuant to Article 14.16. Notwithstanding the above, the Minister may approve the conduct of other studies or evaluation, in accordance with a specific timetable, which may be warranted before a commercial assessment is undertaken. Notwithstanding the above, Contractor may also notify the Minister that commercial assessment of the Discovery is not warranted at that time but the Discovery may merit such assessment at a later date during the Exploration Period or during the initial period aforesaid.

14.11 The purpose of the commercial assessment shall be to study the uses to which production from the Discovery Area separately can be devoted and to what extent such uses involve exports or domestic utilization. As part of the assessment, the Parties shall also pursue discussions on the required contractual arrangements for disposition of the Natural Gas to potential purchasers, consumers, infrastructure owners and GNPC. Contractor may undertake the Gas commercialization project at a level that will facilitate the achievement of the Contractor's rate of return, and shall use the State's gas infrastructure if available.



14.12 Contractor may consult with the Minister and GNPC and may make appropriate representations proposing changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the above determinations made pursuant to Articles 14.9 and 8.3. The Minister and GNPC may, where feasible and in the best interests of the Parties, agree to make such changes or modifications in the existing arrangements.

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PART IV-NATURAL GAS PROJECTS

- 14.13 If at any time during the commercial assessment Contractor informs the Minister in writing that the Discovery can be produced commercially, it shall within one hundred eighty (180) days submit to the Minister and to GNPC its proposals for an agreement relating to the Development of the Discovery on the principles set forth in this Part IV of Article 14. The State and GNPC undertake on receipt of such notice to negotiate in good faith with Contractor with a view to reaching agreement on terms for such production. Any such agreement will be based on terms and fiscal requirements which shall be no less favourable to Contractor than those provided for in Article 10 and 10.8 and which take full account of the legitimate interest of the State as the resource owner.
- 14.14 If at any time during the commercial assessment Contractor has identified a market for the reserves of Non-Associated Gas or any part thereof that can be saved without prejudice to an export project, the Parties shall proceed in good faith to negotiate the appropriate contractual arrangements for the disposition of the Natural Gas. In the event of a market for such Gas, Contractor shall receive for delivery its share of the Natural Gas at a price to be agreed in good faith between GNPC and Contractor, taking into account among other things, the cost of finding and developing the Natural Gas, a reasonable return on exploration and investment and the uses which will be made of the Natural Gas.
- 14.15 In the event of a Discovery of Natural Gas in the Contract Area which is to be developed and commercially produced, the provisions of this Agreement in respect to interests, rights and obligations of the Parties regarding Crude Oil shall apply to Natural Gas, with the necessary changes in points of detail, except with respect to specific provisions in this Agreement concerning Natural Gas and different or additional provisions concerning Natural Gas which may be agreed by the Parties in the future. The system for the allocation of Natural Gas among the Parties shall follow the same general format as Article 10.1 provides for Crude Oil with the exception that the royalty to be delivered to the State on Natural Gas for domestic gas projects shall be at the rate of six percent (6 %) of the annual Gross Production of Natural Gas destined for the domestic market and seven and one half percent (7.5 %) for Natural Gas to be exported.
- a) The Parties recognise that projects for the Development and Production of Natural Gas are generally long-term in nature for both the project developers and the customers who purchase the Natural Gas. Substantial investments and dedication of facilities require long-term commitments on both sides. This Agreement, being for a specific term of years, may not cover the length of time for which customers in given cases will require commitments on the part of the Parties to this Agreement to deliver their respective shares of the output. Accordingly the Parties agree to consider undertaking such commitments where reasonably required for the stable, efficient and viable development of a Natural Gas project. It is recognised that, unless otherwise agreed by the Parties hereto, Contractor will have no right or interest in the

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project or the Natural Gas produced and delivered after the term of this Agreement has expired.

- b) In the event that Contractor or an Affiliate, by mutual agreement with GNPC and the State, constructs facilities to receive Natural Gas from the Development and Production Area for further processing or for use as a feedstock or fuel in order to convert such Natural Gas into one or more commercially marketable products, the Contractor shall be entitled to pay GNPC or the State for such gas the price, if any, paid by the State or GNPC under Article 14.14.
- c) The Parties will consider collaboration in obtaining any common external financing available for Natural Gas production possibilities, including project financing; however, each Party shall remain free to finance externally its share of such facilities to the extent it prefers to do so.

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- a) Where Contractor has, during the continuance of the Exploration Period, made a Discovery of Non-Associated Gas but has not, before the end of the Exploration Period, declared that Discovery to be a Commercial Discovery, the State and GNPC will, if Contractor so requests, enter into a new Petroleum Agreement with Contractor in respect of the Discovery Area to which that Discovery relates.
- b) The State and GNPC shall not be under any obligation to enter into an Agreement pursuant to Article 14.16(a) unless before the end of the Exploration Period, Contractor has carried out an Appraisal Programme in respect of that Discovery pursuant to Article 14.8 and submitted to the Petroleum Commission a report thereon pursuant to Article 14.10, or has commenced an Appraisal Programme and has notified the Petroleum Commission of reasonable arrangements to undertake and complete such an Appraisal Programme during the period provided for in 14.16(c)(i) below:
 - c) A Petroleum Agreement entered into pursuant to Article 14.16(a):
 - i) shall, unless the Discovery in respect of which the Agreement has been made is declared by Contractor to be a Commercial Discovery, continue in force for an initial period not exceeding three (3) years;
 - ii) shall in the event that the Discovery is declared by Contractor to be a Commercial Discovery:
 - 1. continue in force for an aggregate period not exceeding twenty-five (25) years;

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2. include, or be deemed to include, all the provisions which, mutatis mutandis, would have applied to a Commercial Discovery of Non-Associated Gas pursuant to Article 14.16 if Contractor had declared such Discovery to be a Commercial Discovery under this Agreement;
- iii) shall contain in respect of the initial period or of any renewal period, details of the evaluations or studies (in accordance with a specific timetable) which Contractor proposes to undertake in order to determine or keep under review the commerciality of the Discovery.
- iv) Shall confer on GNPC pre-emptive rights in respect of the Gas contained in the reservoir to which the Discovery relates substantially in the form of the provisions hereinafter set out in Article 14.16(e).
- d) Where Contractor has not, before the end of the initial period declared the Discovery to be commercial and the Minister has, in his discretion, determined that further evaluation or studies may be required before the Discovery can be declared a Commercial Discovery, the right of Contractor to retain the Discovery Area shall continue for a further period not exceeding, in the aggregate, three (3) years. The right of Contractor to retain the Discovery Area aforesaid shall be secured by the renewal of the Agreement referred to in Article 14.16(a) or where necessary by a new Agreement entered into by the Parties for that purpose.
- e) (1) Where Contractor has not declared the Discovery to be a Commercial Discovery, if GNPC has identified a market for the Gas contained in the reservoir to which the Discovery relates, or any part thereof, it may at any time during the initial period or the aggregate period referred to in Article 14.16(d) above, serve on Contractor a notice giving particulars of the quantities of Gas required to serve that market and the price offered; and on the basis of the procedure detailed in Article 9, exercise the right referred to in Article 14.16(c)(iv) above.
- i) Within three (3) Months from the receipt of a notice as aforesaid, Contractor may declare the Discovery to be a Commercial Discovery and in accordance with the Agreement and the Petroleum Law prepare and submit to the Minister a Development Plan for the production of the Gas in association with GNPC.
- ii) If Contractor has not, within the period of three (3) Months aforesaid, declared the Discovery to be a Commercial Discovery, GNPC may at its sole risk and expense, develop the Discovery and

in that event the Contractor shall cease to have any rights in respect of the Gas in the reservoir required for that purpose.

14.17 For the purpose of calculating the State's six percent (6%) royalty share on Natural Gas for domestic natural gas projects or its seven and one half percent (7.5 %) royalty share on Natural Gas for international gas export projects, if the State elects to take its royalty on Natural Gas in cash, the value of such Natural Gas shall be the actual realized price received by the Contractor, less transportation, compression, and marketing costs which shall be in accordance with the principles indicated in 10.8.



ARTICLE 15

DOMESTIC SUPPLY REQUIREMENTS (CRUDE OIL)

- 15.1 Crude Oil for Consumption (as defined in Article 15.4) in Ghana called the “**Domestic Supply Requirement**” shall be supplied, to the extent possible, by the State and GNPC from their respective entitlements under this Agreement and under any other contract for the production of Crude Oil in Ghana.
- 15.2 Contractor shall be obliged together with any third parties which produce Crude Oil in Ghana within two (2) Months’ notice from the State, to supply a volume of Crude Oil to be used for such Domestic Supply Requirements, calculated on the basis of the ratio of Contractor’s entitlement to Crude Oil under Article 10.1(c) to the sum of the similar entitlements of all such third parties and provided that Contractor’s obligation to supply Crude Oil for purposes of meeting the Domestic Supply Requirement shall not exceed the total of Contractor’s said entitlement under this Agreement.
- 15.3 The State shall purchase any Crude Oil supplied by Contractor pursuant to this Article 15 at the Market Price determined under Article 11.7 for the Month of delivery, and the State shall pay such prices in accordance with Article 13.8 within thirty (30) days after receipt of invoice, failing which Contractor’s obligations in respect of the Domestic Supply Requirement under this Article 15 shall be suspended until payment is made good, at which time deliveries shall be resumed subject to any alternative commitments that may have been reasonably entered into by Contractor to dispose of the Domestic Supply Requirement Crude Oil during the period of default in payment.
- 15.4 The calculation of the Domestic Supply Requirement shall be done on a Calendar Year basis, broken down by Month. The calculation shall begin with the determination of the quantities of Crude Oil required for Consumption in Ghana in each relevant Month (the “**Monthly Domestic Consumption**”) during the applicable Calendar Year. “**Consumption**” shall consist of the total Crude Oil consumed in Ghana, Crude Oil processed in Ghana, and the Crude Oil equivalent of Crude Oil derived Products imported for consumption in Ghana.

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ARTICLE 16

INFORMATION AND REPORTS: CONFIDENTIALITY

16.1 Contractor shall keep the Petroleum Commission and GNPC regularly and fully informed of operations being carried out by Contractor under this Agreement and provide the Petroleum Commission and GNPC with all information, data (film, paper and digital forms), samples, interpretations and reports (including progress and completion reports) including but not limited to the following:

- a) processed seismic data and interpretations thereof;
- b) well data, including but not limited to electric logs and other wireline surveys, and mud logging reports and logs, oil or hydrocarbon samples, samples of cuttings and cores and analyses made therefrom;
- c) any reports prepared from drilling data or geological or geophysical data, including maps or illustrations derived therefrom;
- d) well testing and well completion reports;
- e) reports dealing with location surveys, seabed conditions and seafloor hazards and any other reports dealing with well, platform or pipeline locations;
- f) reservoir investigations and estimates regarding reserves, field limits and economic evaluations relating to future operations;
- g) daily, weekly, monthly and other regular reports on Petroleum Operations;
- h) comprehensive final reports upon the completion of each specific project or operation;
- i) contingency programmes and reports on safety and accidents;
- j) procurement plans, subcontracts and contracts for the provision of services to Contractor; and
- k) for such subcontracts and contracts for the provision of services to Contractor:
 - i) bid documents and their evaluation reports; and
 - ii) a statement showing the values, executing companies, award and completion dates; and
 - iii) budgetary allocations for such work as approved by the Joint Management Committee

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Data shall be provided on film, paper or digital format as then common practice in the international petroleum industry and as available in an acceptable format to the Petroleum Commission and GNPC. In respect of the reports, including text and graphics, paper and digital copies shall be submitted.

16.2 Contractor shall have the right to retain for its own use in connection with the conduct of Petroleum Operations under this Agreement copies of data, well logs, maps, magnetic tapes, other geological and geophysical information, portions of core samples and copies of reports, studies and analyses, referred to in Article 16.1.

16.3 Not later than ninety (90) days following the end of each Calendar Year, Contractor shall submit to the Petroleum Commission and GNPC a report covering Petroleum Operations performed in the Contract Area during such Calendar Year. Such report shall include, but not be limited to:

- a) a statement of the number of Exploration Wells, Appraisal Wells and Development Wells drilled, the depth of each such well, and a map on which drilling locations are indicated;
- b) a statement of any Petroleum encountered during Petroleum Operations, as well as a statement of any fresh water layers encountered and of any other minerals discovered;
- c) a statement of the quantity of Petroleum produced and saved and of all other minerals encountered therewith from the same reservoir or deposit;
- d) a summary of the nature and extent of all Exploration activities in the Contract Area;
- e) a general summary of all Petroleum Operations in the Contract Area; and
- f) a statement of the number of employees engaged in Petroleum Operations in Ghana, identified as Ghanaian or non-Ghanaian. Contractor will inform the latter that details as to nationality are required by GNPC and that Contractor is available to assist them to supply that information.

16.4 All data, information and reports including interpretation and analysis supplied by Contractor pursuant to this Agreement ("**Data**") shall be treated as confidential by the Parties and shall not be disclosed by Contractor to any other person without the express written consent of GNPC, such consent not to be unreasonably withheld. However, subject to Article 16.6 and prior written notice to Contractor, GNPC may disclose Data to any other person who is not in competition with Contractor in or around the contract area and whose activities shall not undermine contractor's operations in the contract area.

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16.5 Data may be disclosed by :

- a) the State:
 - i) to any agency of the State or to any advisor or consultant to GNPC or the State;
 - ii) to applicants seeking to obtain a petroleum agreement in respect of any open acreage adjacent to the Contract Area;

provided, in each case, Contractor receives reasonable prior notice of such disclosure;

or

- b) Contractor:
 - i) to its Affiliates, advisers or consultants;
 - ii) to a bona fide potential assignee of all or part of Contractor's interest provided that with respect to a bona fide assignee of Contractor's interest, GNPC is given prior notice of such potential assignee, and subject to approval of the State and GNPC for the disclosure (not to be unreasonably withheld);
 - iii) to banks or other lending institutions for the purpose of seeking external financing of costs of the Petroleum Operations;
 - iv) to non-Affiliates who shall provide services for the Petroleum Operations, including Subcontractors, vendors and other service contractors, where this is essential for their provision of such services, and provided GNPC is notified about such disclosure;
 - v) to governmental agencies for obtaining necessary rulings, permits, licenses and approvals, or as may be required by applicable law or stock exchange, accounting or reporting practices, and provided GNPC is given prior notice of such disclosure;

or

- c) any Party:
 - i) to the extent necessary in any Arbitration Proceedings or proceedings before a Sole Expert or in proceedings before any court;
 - ii) with respect to Data, which already through, no fault of the disclosing Party is in the public domain.

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- 16.6 Any Party disclosing information or providing Data to any third party under this Article shall require such persons to observe the confidentiality of such Data by executing a confidentiality agreement in the form attached hereto as Annex 3.
- 16.7 Public statements and press releases regarding the Petroleum Operations undertaken under this Agreement ("Releases") shall be issued jointly by the Contractor and GNPC, and the Parties shall agree on the timing and wording of such Releases to the public. Where, however, a Party is required to make a Release under the applicable laws, rules or regulations of any government, legal proceedings or a stock exchange having jurisdiction over such Party or any of its Affiliates, to the extent permitted by law, that Party shall inform the other Party of such requirement and submit the text of the proposed Release for comment and/or approval. Should a Party fail to respond for more than three (3) Business Days (or such shorter period as may be reasonable in the event of an emergency or disaster or reasonably required or necessary to enable the disclosing Party comply with applicable laws, rules or regulations of any government, legal proceedings or a stock exchange having jurisdiction over such disclosing Party) to a request for the approval of a public statement or announcement for such purposes, such failure shall be deemed approval of the request.
- 16.8 Subject in all cases to the terms of any technical services agreements, all intellectual property rights to any and all inventions, discoveries or improvements made or conceived directly in connection with conducting Petroleum Operations either through a Contractor Party's employees, contractors (including the Contractor Parties), Subcontractors, secondees, GNPC's employees or otherwise to which such Contractor Party or GNPC, as the case may be, would otherwise have ownership rights and entitlements, shall be jointly owned by GNPC and Contractor.
- 16.9 Notwithstanding any provision to the contrary in this Agreement, if a Contractor Party or an Affiliate of a Contractor Party has used its own confidential information, proprietary intellectual property or technology in Petroleum Operations then, subject to GNPC (or its successors or permitted assignees) entering into a usual and customary non-disclosure and licensing agreement (which such agreement shall be on terms that are commercially reasonable under the circumstances), such Contractor Party or its Affiliate shall provide GNPC (or its successors or permitted assignees) with rights to use such confidential information, proprietary intellectual property or technology in other operations of GNPC (or its successors or permitted assignees) in Ghana; provided that GNPC's use of such confidential information, proprietary intellectual property or technology (a) within the Contract Area shall be free of charge and (b) outside of the Contract Area shall be subject to a licensing fee in an amount mutually agreed between GNPC and such Contractor Party. The terms and conditions of the foregoing rights will be provided for in separate agreements to be agreed between GNPC (or its successors or permitted assignees) and such Contractor Party or its relevant Affiliate. Further, GNPC (or its successors or permitted assignees) and such Contractor Party or its relevant Affiliate will enter into a

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usual and customary confidentiality agreement relating to confidential information disclosed to GNPC (or its successors or permitted assignees) pursuant to any such licensing agreements, which confidentiality agreement shall restrict, inter alia, GNPC (or its successors or permitted assignees) from making disclosure of such information to such Contractor Party's oil and gas industry competitors.

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ARTICLE 17

INSPECTION, SAFETY AND ENVIRONMENTAL PROTECTION

- 17.1 GNPC shall have the right of access to all sites and offices of Contractor and the right to inspect all buildings and installations used by Contractor relating to Petroleum Operations. Such inspections and audits shall take place in consultation with Contractor and at such times and in such manner as to not unduly interfere with the normal operations of Contractor.
- 17.2 Contractor shall take all necessary steps, in accordance with International Best Oil Field Practice, to perform activities pursuant to the Agreement in a safe manner and shall comply with all requirements of applicable law, including labour, health, safety and environmental laws and regulations issued by the Environmental Protection Agency of Ghana and other relevant State agencies.
- 17.3 Contractor shall provide an effective and safe system for disposal of water and waste oil, oil based mud and cuttings in accordance with applicable laws and International Best Oil Field Practice, and shall provide for the safe completion or abandonment of all boreholes and wells.
- 17.4 Contractor shall exercise its rights and carry out its responsibilities under this Agreement in accordance with International Best Oil Field Practice, and shall take steps in such manner as to:
- a) result in minimum ecological damage or destruction;
 - b) control the flow and prevent the escape or the avoidable waste of Petroleum discovered in or produced from the Contract Area;
 - c) prevent damage to Petroleum-bearing strata;
 - d) prevent the entrance of water through boreholes and wells to Petroleum-bearing strata, except for the purpose of secondary recovery;
 - e) prevent damage to onshore lands and to trees, crops, buildings or other structures; and
 - f) avoid any actions which would endanger the health or safety of persons.
- 17.5 In the event of a release of Petroleum or other materials on the seabed, in the sea, on land or in fresh water, or if Contractor's operations result in any other form of pollution or otherwise cause harm to fresh water, marine, plant or animal life, Contractor shall, in accordance with applicable laws and International Best Oil Field Practice, promptly take all necessary measures, in accordance with International Best Oil Field Practice to control the pollution, to clean up Petroleum or other released material, or to repair, to the maximum extent feasible, damage resulting from any such circumstances. If such release or pollution results

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from the Gross Negligence of: (i) Contractor; (ii) any of Contractor's Affiliates; or (iii) a Subcontractor, the cost of subcontract clean-up and repair activities shall be borne by Contractor and shall not be included as Petroleum Cost under this Agreement.

17.6 Contractor shall notify GNPC immediately in the event of any emergency or major accident or major release of materials into the environment (and promptly in the event of any other accident or release of materials into the environment) and shall take such action as may be prescribed by GNPC's emergency procedures and by International Best Oil Field Practice.

17.7 If Contractor does not act promptly so as to control, clean up or repair any pollution or damage, GNPC may, after giving Contractor reasonable notice in the circumstances, take any actions which are necessary, in accordance with applicable laws and International Best Oil Field Practice and the reasonable costs and expenses of such actions shall be borne by Contractor and shall, subject to Article 17.5 be included as Petroleum Costs.

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ARTICLE 18

ACCOUNTING AND AUDITING

- 18.1 Contractor shall maintain, at its office in Ghana, books of account and supporting records in the manner required by applicable law and accepted accounting principles generally used in the international petroleum industry and shall file reports, tax returns and any other documents and any other financial returns which are required by applicable law.
- 18.2 In addition to the books and reports required by Article 18.1 Contractor shall maintain, at its office in Ghana, a set of accounts and records relating to Petroleum Operations under this Agreement. Such accounts shall be kept in accordance with the requirements of the applicable law and accepted accounting principles generally used in the international Petroleum industry.
- 18.3 The accounts required by Articles 18.1 and 18.2 shall be kept in United States Dollars or such other currency as GNPC and Contractor may agree.
- 18.4 Contractor will provide GNPC with quarterly and annual financial statements and summaries of the Petroleum Costs incurred under this Agreement.
- 18.5 GNPC shall review all financial statements submitted by the Contractor as required by this Agreement, and shall signify its provisional approval or disapproval of such statements in writing within ninety (90) days of receipt failing which the financial statements as submitted by Contractor shall be deemed approved by GNPC; in the event that GNPC indicates disapproval of any such statement, the Parties shall meet within fifteen (15) days of Contractor's receipt of the notice of disapproval to review the matter.
- 18.6 Notwithstanding any provisional approval pursuant to Article 18.5, GNPC shall have the right and upon giving reasonable notice in writing to Contractor to audit, at its sole expense the books and accounts of Contractor relating to Petroleum Operations. GNPC shall not, in carrying out such audit, interfere unreasonably with the conduct of Petroleum Operations. Any such audit shall be undertaken by an independent auditing firm and shall be completed within nine (9) Months after commencement. Contractor shall provide all necessary facilities for auditors appointed hereunder by GNPC including working space and timely access to all relevant personnel, records, files and other materials.

If GNPC desires verification of charges from an Affiliate, Contractor shall, at GNPC's sole expense, obtain for GNPC or its representatives, an audit certificate for this purpose from the statutory auditors of the Affiliate concerned. Copies of audit reports shall be provided to the Contractor and GNPC. Any unresolved audit claim resulting from such audit, upon which Contractor and GNPC are unable to agree shall be submitted to the JMC for decision which must be unanimous. In the event that a unanimous decision is not reached in respect of

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any audit claim, then such unresolved audit claim shall be submitted for resolution in accordance with Article 24 subject to any adjustments resulting from such audits, Contractor's accounts and financial statements shall be considered to be correct on expiry of a period of two (2) years from the date of their submission unless before the expiry of such two (2) year period GNPC has notified Contractor of any exceptions to such accounts and statements.

- 18.7 Nothing in this Article shall be read or construed as placing a limit on GNPC's access to Contractor's books and accounts in respect of matters arising under Article 23.3(a).
- 18.8 In the event of any changes in location of Operator's home office, Operator shall so notify GNPC and the State.
- 18.9 Petroleum Costs incurred with respect to the Contract Area shall have no bearing on allowable or non-allowable costs under any other contract area or Contractor's eligibility or otherwise for deductions in computing Contractor's net income from Petroleum Operations for income tax purposes in any other contract area. Similarly, Petroleum Costs incurred in any other contract area shall have no bearing on allowable or non-allowable costs in respect of the Contract Area or Contractor's eligibility or otherwise for deductions in computing Contractor's net income from Petroleum Operations for income tax purposes in respect of the Contract Area.

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ARTICLE 19

TITLE TO AND CONTROL OF GOODS AND EQUIPMENT

- 19.1 GNPC shall be the sole and unconditional owner of:
- a) Petroleum produced and recovered as a result of Petroleum Operations, except for such Petroleum as is distributed to the State and to Contractor pursuant to this Agreement;
 - b) all physical assets other than those to which Article 19.3 or 19.4 apply, which are purchased, installed, constructed or used by Contractor in Petroleum Operations as from the time that:
 - i) the full cost thereof has been depreciated and/or recovered in accordance with the provisions of the Accounting Guide; or
 - ii) this Agreement is terminated and Contractor has not disposed of such assets prior to such termination, whichever occurs first.
- 19.2 Contractor shall have the use of the assets referred to in Article 19.1(b) for purposes of its operations under this Agreement without payment provided that Contractor shall remain liable for maintenance, insurance and other costs associated with such use. Where Contractor has failed to keep any such asset in good working condition (normal wear and tear excepted), GNPC shall have the right to recover the cost of repair or replacement of such assets from Contractor. Contractor shall indemnify GNPC against all losses, damages, claims or legal action resulting from Contractor's use of such assets, if and in as far as such losses, damages, claims or legal actions were directly caused by Contractor's Gross Negligence or Willful Misconduct.
- 19.3 Equipment or any other assets rented or leased by Contractor which is imported into Ghana for use in Petroleum Operations and subsequently re-exported therefrom, which is of the type customarily leased for such use in accordance with International Best Oil Field Practice or which is otherwise not owned by Contractor shall not be transferred to GNPC. No equipment or assets owned or leased by a Subcontractor shall by reason of the provisions of this Article 19 be deemed to be transferred to GNPC.
- 19.4 All assets acquired by Contractor which are not affected by the provisions of Article 19.1(b) above may, where required for further Petroleum Operations, be retained by GNPC for such operations provided that GNPC shall thereby be liable to pay a reasonable and mutually agreed fee for such use, and shall bear the cost of repair or replacement upon failure to keep such assets in good working condition (normal wear and tear excepted), and further provided that Contractor does not require such assets for its Petroleum Operations.

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19.5 Subject to Article 19.3, upon the termination of Petroleum Operations in any area, Contractor shall give GNPC the option to acquire any movable and immovable assets used for such Petroleum Operations and not affected by the provisions of Article 19.1(b) at a reasonable and mutually agreed price, always provided that Contractor does not require such assets for Contractor's Petroleum Operations in the Contract Area.

19.6 All assets which are not affected by Article 19.1(b) nor subject to Article 19.4 or 19.5 above, and all Subcontractor equipment, may be freely exported by Contractor or its Subcontractor, respectively, at its discretion.

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ARTICLE 20

PURCHASING AND PROCUREMENT

20.1 Subject to all applicable laws to which it is subject to, the Contractor, its Sub contractors or other entities which cooperate with them shall:

- a) acquire materials, equipment, machinery and consumer goods produced or provided in Ghana by an Indigenous Ghanaian company which are of the same or approximately the same quality as foreign materials, equipment, machinery and consumer goods, and which are available for sale and delivery in due time at prices which are no more than ten percent (10%) higher than the imported items including transportation and insurance costs and customs charges due;
- b) contract local services provided by Indigenous Ghanaian companies to the extent to which they are similar to those available on the international market and their prices, when subject to the same tax charges, are no more than ten percent (10%) higher than the prices charged by foreign contractors for similar services.

20.2 For the purposes of Article 20.1, price comparisons shall be made on a c.i.f. Accra delivered basis.

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ARTICLE 21

EMPLOYMENT AND TRAINING

21.1 In order to establish programmes to train Ghanaian personnel for work in Petroleum Operations and for the transfer of management and technical skills required for the efficient conduct of Petroleum Operations:

- a) Contractor shall pay to GNPC as training allowance the sum of one million United States Dollars US\$1,000,000 per Contract Year from the Effective Date. The amounts shall be payable within thirty (30) days after the beginning of each Contract Year, provided that the sum payable shall be pro rata for any period of less than a full Calendar Year.
- b) In addition to the annual sums payable pursuant to Article 21.1 (a) above, Contractor shall pay to GNPC a one-time technology support fee of one million five hundred thousand United States Dollars (US\$1,500,000) payable within thirty (30) days of the Effective Date
- c) All payments made pursuant to Article 21.1 (a) and Article 21.1(b) above shall be paid by Contractor by wire transfer to a designated GNPC account.

21.2 All payments under Article 21.1 above, shall be considered Petroleum Costs.

21.3 Where qualified Ghanaian personnel are available for employment in the conduct of Petroleum Operations, Contractor shall ensure that in the engagement of personnel it shall as far as reasonably possible provide opportunities for the employment of such personnel. For this purpose, Contractor shall from time to time submit to GNPC an employment plan stating the reasonably foreseeable number of persons and the required professions and technical capabilities prior to and during the conduct of Petroleum Operations. GNPC shall be given the opportunity to provide the qualified personnel for engagement according to the said plan for Contractor's consideration and approval.

21.4 Contractor shall, if so requested by GNPC, provide opportunities for a mutually agreed number of personnel nominated by GNPC to be seconded for on-the-job training or attachment in all phases of its Petroleum Operations under a secondment contract to be mutually agreed prior to such secondment. Such secondment contract shall include continuing education and short industry courses mutually identified as beneficial to the secondee. Costs and other expenses connected with such assignment of GNPC personnel shall be borne by the Contractor and considered Petroleum Costs.

21.5 Contractor shall regularly provide to GNPC information and data relating to worldwide Petroleum science and technology, Petroleum economics and engineering information available to Contractor regarding Petroleum Operations, other than Contractor's proprietary or trade secrets or information, data or

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technology subject to third party license, and shall assist GNPC personnel to acquire knowledge and skills in all aspects of the Petroleum industry.

21.6 GNPC shall to the extent possible regularly provide Contractor with all relevant information and data relating to or required in connection with the operations of the Technical Services Company.

21.7 Except as otherwise provided in Articles 21.5 and 21.6 and subject in all respects to Articles 16.4 to 16.6, it is agreed that there will be no disclosure or transfer of any documents, data, know-how, technology or other information owned or supplied by Contractor, its Affiliates, or non-Affiliates, to third parties without Contractor's prior written consent (such consent not to be unreasonably withheld), and then only upon written agreement substantially in the form attached hereto as Annex 3.

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



ARTICLE 22

FORCE MAJEURE

- 22.1 The failure of GNPC or a Contractor Party to fulfil any term or condition of this Agreement, except for the payment of monies, shall be excused if and to the extent that such failure arises from Force Majeure, provided that, if the event is reasonably foreseeable such Party shall have prior thereto taken all reasonably appropriate precautions and all reasonable alternative measures with the objective of carrying out the terms and conditions of this Agreement. Such Party affected by an event of Force Majeure shall promptly give the other Parties notice of such event and also of the restoration of normal conditions.
- 22.2 In the event that GNPC or a Contractor Party is unable wholly or in part to perform its obligations provided for in the Agreement as a result of such event of Force Majeure, the Party whose performance of obligations are prevented by the event of Force Majeure shall immediately but not later than fourteen (14) days from when such an occurrence becomes evident give written notice to the other Parties, including details of such event of Force Majeure and such Party's best estimate of the duration of the event of Force Majeure.
- 22.3 Throughout the duration of the event of Force Majeure, the affected Party shall report to the other Parties any changes to its best estimate of the duration of the delay and any significant developments with respect to the event of Force Majeure.
- 22.4 A Party unable by an event of Force Majeure to perform any obligation hereunder shall take all reasonable measures to remove its inability to fulfill the terms and conditions of this Agreement with a minimum of delay, and the Parties shall take all reasonable measures to minimise the consequences of any event of Force Majeure.
- 22.5 During the duration of an event of Force Majeure, each Party shall bear its own costs arising from the delay in performance under the Agreement and, until the implementation of the recovery plan described in Article 22.6 below, all such reasonably incurred costs as will have been previously approved by the JMC as are required in order to maintain safe and necessary Petroleum Operations shall be considered Petroleum Costs.
- 22.6 Should the event of Force Majeure continue or once it has occurred be reasonably expected to last longer than six (6) Months, the Parties agree to enter into discussion to review and assess the situation with the aim to identify a proper recovery plan for the future implementation of this Agreement, including an extension in accordance with Article 22.8 or a modification of the applicable contractual terms. When a recovery plan is identified and agreed, any affected Party's commitment schedule will be considered revised accordingly.

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22.7 The affected Party shall notify the other Parties of the termination of an event of Force Majeure in writing within seven (7) days of such termination.

22.8 Any period set herein for the completion by a Party of any act required or permitted to be done or rights or benefits to be enjoyed under the terms of this Agreement, shall be extended for a period of time equal to that during which such Party was unable to perform such actions or enjoy such rights or benefits as a result of Force Majeure, together with such time as may be required for the resumption of Petroleum Operations.

22.9 In the case that Contractor declares Force Majeure in respect of an action, omission or provision of the State, GNPC shall be entitled to elect for the duration of such declaration by Contractor to also be relieved of substantially the same obligations that Contractor has been relieved of by its declaration of Force Majeure in respect of such State action, omission or provision (but only to the extent that GNPC is unable to perform such obligations as a result of such Force Majeure in respect of such State action, omission or provision).

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ARTICLE 23

TERM AND TERMINATION

23.1 Subject to this Article 23, the term of this Agreement shall be twenty five (25) years commencing from the Effective Date.

23.2 Subject to Article 22, Termination of this Agreement shall result upon the occurrence of any of the following:

- a) the relinquishment or surrender of the entire Contract Area;
- b) the termination of the Exploration Period including extensions pursuant to Article 3 without notification by Contractor of a Commercial Discovery pursuant to Article 8 or Article 14, Part III in respect of a Discovery of Petroleum in the Contract Area, provided however Termination shall not occur while Contractor has the right to evaluate a Discovery for Appraisal or determination of a Commercial Discovery and/or propose a Development Plan pursuant to Articles 3.2(d), Article 8 or Article 14, or once a Development Plan has been approved, nor when the provisions of Articles 8.11 through 8.22 are applicable;
- c) if, following a notice that a Discovery is a Commercial Discovery the Exploration Period terminates under Article 3 without a Development Plan being approved, provided however that Termination shall not occur when the provisions of Articles 8.11 through 8.22 are applicable; or
- d) the failure of Contractor through any cause other than Force Majeure, to commence preparations with respect to Development Operations pursuant to Article 8.13.

23.3 Subject to Article 22 and pursuant to procedures described in Article 23.4 below, GNPC and/or the State may terminate this Agreement upon the uncorrected occurrence of any of the events (or failures to act listed) below:

- a) the submission by Contractor, to GNPC of a written statement which Contractor knows or reasonably should have known to be false in a material particular, or the release by a Contractor to any print or electronic media or to a stock exchange of a written statement regarding the Petroleum Operations in Ghana in breach of Article 16.7 and in a form which Contractor knows or should reasonably have known to be false in a material particular, provided that in the event of intent on the part of such Contractor to cause serious damage to GNPC or the State, a period for remedy of such false statement shall not be given;
- b) the assignment or purported assignment by Contractor of this Agreement contrary to the provisions of Article 25 hereof;

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- c) the insolvency or bankruptcy of a Contractor Party, the entry by a Contractor Party into any agreements or composition with its creditors, taking advantage of any law for the benefit of debtors or a Contractor Party's entry into liquidation, or receivership, whether compulsory or voluntary, which in itself provides evidence that the obligations of such Contractor Party hereunder will not be performed. Provided that the insolvency or bankruptcy of one Contractor Party shall not lead to a termination of the Agreement if the other Contractor Parties will assume all of the rights and obligations of the defaulting Contractor Party under this Petroleum Agreement. In such a case, GNPC shall have the right to acquire a share of the interest of the defaulting Contractor Party proportionate to the total of GNPC's Initial Interest and Additional Interest. GNPC may exercise this right by notice to all Contractor Parties within thirty (30) days following notification of the insolvency or bankruptcy of the defaulting Contractor Party. GNPC's written notice shall state the percentage share of the interest of the defaulting Contractor Party which GNPC proposes to acquire. Upon exercise by GNPC of its rights pursuant to this Article 23.3c), GNPC or its representative entity shall execute all appropriate transfers, assignments, novations and joint operating agreements which were in place as between or among the Parties, provided further that, if the other Contractor Parties in assuming the interest of the defaulting Contractor Party elects to assign, the whole or part of the assumed interest to a third party such assignment shall be subject to GNPC's pre-emptive right under Article 25.5. For clarity, the interest so acquired by GNPC pursuant to this Article 23.3(c) shall be a Paying Interest and not receive the benefits of a GNPC Carried Interest or Additional Interest.
- d) the intentional extraction by Contractor of any material of potential economic value other than as authorised under this Agreement, or any applicable law. Where, however, in the course of Petroleum Operations conducted in accordance with International Best Oil Field Practice, Contractor unavoidably extracts any mineral, Contractor shall immediately notify the Minister and surrender such mineral to the State;
- e) failure by the Contractor:
- i) to fulfil the Minimum Work Obligations pursuant to Article 4.3; save where the Minister has waived the default;
 - ii) to carry out an Appraisal Programme undertaken by Contractor pursuant to Article 8, unless the Contractor notifies GNPC and the Petroleum Commission that the Appraisal Programme should be amended and submit said amendment to the Petroleum Commission for its approval; or
 - iii) to carry out the terms of an approved Development Plan;

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- f) failure by Contractor to comply with any of its obligations pursuant to Articles 7.1(a) – (p) inclusive;
- g) failure by Contractor to make any payment of any sum due to GNPC or the State pursuant to this Agreement within thirty (30) days after receiving notice that such payment is due;
- h) failure by Contractor to comply with any decisions reached as a result of any arbitration proceedings conducted pursuant to Article 24 hereof;
- i) failure by Contractor to comply with any applicable regulation and/or the laws of the Republic of Ghana.

23.4 If GNPC and/or the State believe an event or failure to act as described in Article 23.3 above has occurred, a written notice shall be given to Contractor describing the event or failure. Contractor shall have thirty (30) days from receipt of said notice to commence and pursue remedy of the event or failure cited in the notice. If after said thirty (30) days Contractor has failed to commence appropriate remedial action, GNPC and/or the State may then issue a written Notice of Termination to Contractor which shall become effective thirty (30) days from receipt of said Notice by Contractor unless Contractor has referred the matter to arbitration in accordance with Article 24. In the event that Contractor's dispute whether an event specified in Article 23.2 or Article 23.3 has occurred or been remedied, Contractor may, any time up to the effective date of any Notice of Termination, refer the dispute to arbitration pursuant to Article 24 hereof. If so referred, GNPC and/or the State may not terminate this Agreement in respect of such event except in accordance with the terms of any resulting arbitration award as provided for in Article 24.

23.5 Upon Termination of this Agreement, all rights and obligations of Contractor hereunder shall cease, except for such rights as may at such time have accrued and without prejudice to any obligation or liability imposed or incurred under this Agreement prior to Termination and to such rights and obligations as the Parties may have under applicable law.

23.6 Notwithstanding Termination of this Agreement, Article 1, Article 2, Article 12, Article 16, Article 18, Article 24 and Articles 26.1 to 26.4 and Article 26.8i) shall survive such Termination. Moreover, any such Termination shall be without prejudice to rights, duties and obligations of any Party that have accrued prior to Termination and notwithstanding such Termination, such provisions of this Agreement as are reasonably necessary for the full enjoyment and enforcement of such accrued rights, duties and obligations shall survive such Termination for the period necessary.

23.7 Upon Termination of this Agreement or in the event of an assignment of all the rights of Contractor, all wells and associated facilities shall be left in a state of good repair in accordance with applicable laws and International Best Oil Field Practice.

ARTICLE 24

CONSULTATION, ARBITRATION AND INDEPENDENT EXPERT

- 24.1 Subject to the prior fulfillment of any procedures specified in this Agreement to resolve disputes arising hereunder, any dispute arising between the State and GNPC or either of them on one hand and Contractor on the other hand in relation to or in connection with or arising out of this Agreement, shall be resolved by consultation and negotiation among senior personnel authorized by each. In the event that no agreement is reached within thirty (30) days after the date when the State and/or GNPC on the one hand and the Contractor on the other hand notifies the other that a dispute exists within the meaning of this Article or such longer period specifically agreed to by the Parties or provided elsewhere in this Agreement, any Party shall have the right subject to Article 24.9 to have such dispute settled exclusively through international arbitration under the auspices of the International Chamber of Commerce (the "ICC") and adopting the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules") in force on the date on which the proceedings are instituted, which ICC Rules are deemed incorporated by reference into this Article 24, save as otherwise provided herein.
- 24.2 The failure or refusal to submit to arbitration in accordance with this Article and/or the seeking of any Pre-Award Attachment by any Party shall be deemed a breach of this Agreement by such Party. In the event of a breach of this Article, each non-breaching Party shall, without prejudice to any other remedies, be entitled to recover from each breaching Party all costs and expenses, including reasonable attorneys' fees, that such non-breaching Party was thereby required to incur.
- 24.3 The tribunal shall consist of three (3) arbitrators. The State and/or GNPC on the one hand and the Contractor on the other hand shall each be entitled to appoint one (1) arbitrator and those so appointed shall designate a chairman arbitrator. If a Party's arbitrator and/or the chairman arbitrator is/are not appointed within the periods provided in the rules referred to in Article 24.1 above, such Party's arbitrator and/or the chairman arbitrator shall at the request of any Party to the dispute be appointed by the ICC International Court of Arbitration in accordance with the ICC Rules.
- 24.4 No arbitrator shall be a citizen of the home country of any Party hereto, and shall have no economic interest in or relationship with any Party hereto or any such Party's ultimate parent company.
- 24.5 The seat of the arbitration proceedings shall be in London, England or at such other location as the Parties may agree in writing. The proceedings shall be conducted in the English language.



- 24.6 If the opinions of the arbitrators are divided on issues put before the tribunal, the decision of the majority of the arbitrators shall be determinative. The award of the tribunal shall be final and binding upon the Parties. The Parties undertake to carry out any award without delay and waive their right to any form of recourse based on grounds other than those contained in the United Nations Convention on the Recognition and Enforcement of Arbitral Awards of 1958 insofar as such waiver can be validly made. Judgement upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.
- 24.7 The right to arbitrate disputes arising out of this Agreement shall survive the termination of this Agreement.
- 24.8 Each of the State, GNPC and Contractor agree that, to the extent such party has any right of immunity from legal proceedings in Ghana, London or elsewhere arising from the terms and conditions of this Agreement, including immunity from service of process, immunity from the jurisdiction, judgment or award of any arbitral tribunal, or immunity from execution of judgment, such Party hereby expressly and irrevocably waives any such immunity and agrees not to assert or invoke any such rights or claims in any proceeding provided, however, that the provisions hereof shall not constitute a waiver by any Party of any right that it now or hereafter has under applicable law to claim sovereign immunity over its assets in respect of any effort to confirm, enforce, or execute any Pre-Award Attachment.
- 24.9 The Parties to a dispute arising under this Agreement, including the Accounting Guide, may in lieu of arbitration, mutually agree in writing to refer the dispute for determination by a sole expert to be appointed by agreement of the Parties who is a recognised specialist with respect to the subject matter of the dispute (a "Sole Expert"). In such case, the Parties shall agree on the terms of reference for such proceeding, the schedule of presentation of evidence and testimony of witnesses, and other procedural matters. The decision of the Sole Expert shall be final and binding upon the Parties. The Sole Expert shall have ninety (90) days after his appointment to decide the case, subject to any extensions mutually agreed to by the Parties to the dispute. Upon failure of the Sole Expert to decide the matter within such time, any Party shall have the right to have such dispute or difference settled through arbitration under the foregoing provisions of this Article 24.9
- 24.10 Each Party to a dispute shall pay its own counsel and other costs; however, costs of the arbitration tribunal shall be allocated in accordance with the decision of the tribunal. The costs and fees of the Sole Expert shall be borne equally by the Parties to the dispute.
- 24.11 In the event of a matter being referred for resolution under this Article 24.11 any obligations of the Parties relating specifically and directly to such matter, including a dispute relating to Termination, shall (unless otherwise provided by

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this Agreement) be suspended without liability to any Party, until said matter has been resolved pursuant to this Article 24 and a final arbitration award is made by the arbitral tribunal. All time periods applicable to such obligations in the Agreement shall be extended by the period of the arbitration proceedings; provided that any Petroleum Operations not specifically and directly related to any obligations referred to above shall not be suspended unless the Parties mutually agree otherwise.

24.12 Neither the State and/or GNPC, on the one hand, and Contractor, on the other hand, shall be held liable to the other for any consequential, special, indirect, punitive or exemplary damages (including loss of profit or loss of production) arising directly or indirectly out of or in relation or in connection to this Agreement, regardless of cause or fault. However, this Article 24.12 shall not be construed as a waiver of a Party's right and remedies to loss or damages, determined to arise out of or in connection with the occurrence of a MAC under this Agreement.

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ARTICLE 25

ASSIGNMENT

- 25.1 This Agreement shall not be assigned by Contractor directly or indirectly, in whole or in part, without the prior written consent of GNPC and the Minister. GNPC and/or the Minister may impose such reasonable conditions upon the giving of consent under this Article as may be deemed by GNPC or the Minister as appropriate in the circumstances.
- 25.2 Any assignment of this Agreement shall bind the assignee as a Party to this Agreement to all the terms and conditions hereof unless otherwise agreed by the non-assigning Parties and as a condition to any assignment Contractor shall provide an unconditional undertaking by the assignee to assume all obligations assigned by Contractor under this Agreement.
- 25.3 Where in consequence of an assignment hereunder Contractor is more than one person:
- a) any operating or other agreement made between the persons who constitute Contractor and relating to the Petroleum Operations hereunder shall be disclosed to GNPC and the Minister and shall not be inconsistent with the provisions of this Agreement;
 - b) an operating agreement shall be established by the JMC to regulate the conduct of Petroleum Operations thereafter, including cash-calls and the limits of authority; and
 - c) no change in the scope of the operations may take place without the prior approval in writing of GNPC which approval shall not be unreasonably delayed or withheld;
- the duties and obligations of the Contractor hereunder shall be joint and several except those relating to the payment of income tax levied on each such person individually pursuant to Article 12 which shall be the several obligation of each such person.
- 25.4 GNPC's acquisition of Additional Interest under Article 2 or a Sole Risk interest pursuant to Article 9 shall not be deemed to be an assignment within the meaning of this Article 25.
- 25.5 The transfer or disposal by a Contractor Party (the "**Selling Party**") of all or part of its Participating Interest, whether directly or indirectly by assignment, merger, consolidation or sale of stock or other conveyance, other than (a) with or to a wholly-owned Affiliate of such Contractor Party's ultimate parent entity or (b) upon a transfer of shares by the ultimate parent entity of a Contractor Party, including in connection with a takeover of such ultimate parent, shall be subject to the following procedure:

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- a) Once the Selling Party and a proposed transferee have fully negotiated the final terms and conditions of a transfer, such final terms and conditions shall be promptly disclosed in full detail to GNPC and the State in a notice from the transferor. GNPC shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within thirty (30) Days of transferor's notice, GNPC delivers to the transferor a counter-notice that it accepts the agreed terms and conditions of the transfer without reservations or conditions. If GNPC does not deliver such counter-notice, the transfer to the proposed transferee may be made, subject to the other provisions of this Agreement and the laws and regulations, under terms and conditions no more favourable to the transferee than those set forth in the notice to GNPC and the State, provided that the transfer shall be concluded within one hundred and eighty (180) Days from the date of the notice plus such reasonable additional period as may be required to secure requisite approvals.
- b) In the event that a Selling Party's proposed transfer of all or part of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction, then the Participating Interest (or part thereof) shall be allocated a reasonable and justifiable cash value by the transferor in any notification to GNPC and the State. GNPC may satisfy the requirements of this Article 25.5 by agreeing to pay such cash value in lieu of the consideration payable in the said proposed transfer.

25.6 Subject to applicable law in effect from time to time, GNPC may assign all or any undivided part of its rights and obligations under this Agreement to any governmental agency or instrumentality of the State, or to any corporate entity controlled by the State that has been duly authorized by appropriate governmental action to hold such right or perform such obligation; provided that such assignment shall not affect any of the rights of the Contractor under this Agreement; provided, further, that any such assignment shall bind the assignee as a Party to this Agreement to all the terms and conditions hereof unless otherwise agreed by Contractor, GNPC shall provide an unconditional undertaking by the assignee to assume all obligations assigned by GNPC under this Agreement.

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ARTICLE 26

MISCELLANEOUS

- 26.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of Ghana in effect from time to time.
- 26.2 In the event that after the Effective Date any applicable law, rule, decree or regulation of the Republic of Ghana is made that makes further observance of the original terms and conditions of this Agreement impossible or that has a material adverse effect on the rights, obligations or benefits arising from the economic, fiscal, and financial provisions of this Agreement as at the Effective Date ("MAC"), the Parties shall if a Party so requests, meet as soon as possible to negotiate possible modifications to the Agreement as provided under Article 26.3.
- 26.3 Where a Party considers that a significant change in the circumstances prevailing at the time the Agreement was entered into, has occurred affecting the economic balance of the Agreement or a MAC has occurred, the Party affected hereby shall notify the other Parties in writing of the claimed material adverse effect with a statement of how such claimed effect has affected the economic, fiscal and financial balance of this Agreement. The other Parties shall indicate in writing their response to such notice within a period of three (3) Months' of receipt of such notification and as soon as reasonably practicable thereafter the Parties shall meet to agree to such amendments to this Agreement as are necessary to restore such economic, fiscal and financial balance which existed at the time the Agreement was entered into. In any event, if the Parties have not, within six (6) Months of receipt of the affected Party's written notice pursuant to this Article 26.3 mutually agreed upon a resolution, any Party may then invoke the provisions of Article 24 (without the requirement to submit any dispute for consultation and negotiation among senior authorized personnel of the Parties for a period of thirty (30) days in accordance with Article 24.1). The arbitration panel shall determine (a) whether the claimed change or MAC has occurred and (b) if so, what remedy, if any, is appropriate to restore the economic, fiscal and financial balance of this Agreement as at the date of execution.
- 26.4 This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties. No waiver by any Party of any of its rights hereunder shall be construed or implied, but shall be binding on such Party only if made specifically, expressly and in writing.
- 26.5 Except for payment obligations arising under the Income Tax Act, any Party failing to pay any amounts payable by it under this Agreement (including the provisions of Annex 2) on the respective dates on which such amounts are payable by such Party hereunder shall be obligated to pay interest on such unpaid amounts to the Party to which such amounts are payable. The rate of such interest with respect to each day of delay during the period of such non-payment

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shall be LIBOR plus three percent (3%). Such interest shall accrue from the respective dates such amounts are payable until the amounts are duly paid. The Party to whom any such amount is payable may give notice of non-payment to the Party in default and if such amount is not paid within fifteen (15) days after such notice, the Party to which the amount is owed may, in addition to the interest referred to above, seek remedies available pursuant to Article 24.

26.6

- a) The rights and obligations under this Agreement of the State and GNPC on the one hand and Contractor on the other shall be separate and proportional and not joint. This Agreement shall not be construed as creating a partnership or joint venture, nor an association or trust (under any law other than the Petroleum Law), or as authorising any Party to act as agent, servant or employee for any other Party for any purpose whatsoever except as provided in Article 10.4.
- b) The duties and obligations of each Party constituting Contractor hereunder shall be joint and several and it is recognised that each such Party shall own and be responsible for its undivided Participating Interest in the rights and obligations of Contractor hereunder; provided, however, that the following payments shall be the separate obligation of and shall be made by each Party which constitutes the Contractor:
 - i) Payments under the Income Tax Act pursuant to Article 12;
 - ii) Payments of royalty taken in cash under the provisions of Article 10.1(a); and
 - iii) AOE share under the provisions of Article 10.1(d).

26.7 Each Party agrees and warrants that, in relation to this Agreement and the subject matter hereof, neither: (a) it or any of its Affiliates or employees; nor (b) to the best of its knowledge or belief, any of its consultants, agents, representatives or other persons retained or otherwise engaged by it, has offered or will offer, or has caused or will cause to be offered, or has given or will give, or has caused or will cause to be given, anything of value (including, without limitation, money or gifts) whether directly or indirectly to, or for the use of, any Ghanaian government official, political party or political candidate or to any member of their respective families. The foregoing shall not apply to any facilitating or expediting payment of low value made for the sole purpose of securing the performance of routine government action, provided such payment is permitted by the written laws or regulations of the Republic of Ghana.

If a Party is investigated pursuant to any relevant legislation, guidelines or regulations of any other government having jurisdiction over a Party hereto, which are designed and implemented to deter, prevent and combat bribery or corruption in relation to international business transactions, the other Parties

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agree in good faith to give all reasonable assistance to the Party being investigated in relation to any reasonable requests (whether general or specific) for information or documentation regarding the subject transaction(s).

Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, liabilities, penalties, fines, costs and other expenses (including legal costs and expenses) resulting from any breach of its foregoing warranty. Each Party agrees that it shall incorporate terms similar to those set out above into all or any contract entered into pursuant to this Agreement and the subject matter thereof.

26.8 In construing this Agreement:

- a) no consideration shall be given to the captions of the Articles, Sections, or Subsections which are inserted for convenience in locating the provisions of this Agreement and not as an aid in its construction;
- b) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;
- c) a defined term has its defined meaning throughout this Agreement and each annex, and attachment to this Agreement, regardless of whether it appears before or after the place where it is defined;
- d) the plural shall be deemed to include the singular, and vice versa;
- e) each gender shall be deemed to include the other genders;
- f) each annex and attachment to this Agreement is a part of this Agreement, but if there is any conflict or inconsistency between the main body of this Agreement and any annex or attachment, the provisions of the main body of this Agreement shall prevail;
- g) if any term is held by a court of competent jurisdiction to be invalid or unenforceable, then this Agreement, including all of the remaining terms, will remain in full force and effect as if such invalid or unenforceable term had never been included;
- h) each reference to an Article, Section or Subsection refers to an Article, Section or Subsection of this Agreement unless expressly otherwise provided; and
- i) no reference herein to any law, rule, decree or regulation that contemplates that such law, rule, decree or regulation may be amended, from time to time, shall be construed so as to derogate from the rights of any Party pursuant to Articles 26.2 and 26.3.

26.9 This Agreement comprises the full and complete agreement of the Parties hereto with respect to the subject matter hereof and supersedes and cancels all prior

26.9 This Agreement comprises the full and complete agreement of the Parties hereto with respect to the subject matter hereof and supersedes and cancels all prior communications, understandings and agreements between the Parties hereto, whether written or oral, expressed or implied.

26.10 Without prejudice to the rights, benefits, liabilities and obligations of the Parties in Articles 26.2, 26.3, 26.4 and 26.5, Contractor shall at all times comply, and shall ensure that its agents, Subcontractors and Affiliates while in Ghana carrying out activities contemplated by this Agreement and related documents comply, with the laws of the Republic of Ghana during the term of this Agreement to the extent that the Contractor has notice of or, with the exercise of reasonable inquiry, would have knowledge of, such laws. Nothing in this Agreement or any related document shall require the Contractor or any of its agents, Subcontractors or Affiliates to violate the laws of the Republic of Ghana. To the extent any conflict exists between the terms of this Agreement and the laws of the Republic of Ghana, the Contractor shall not be found to be in breach of this Agreement to the extent the Contractor complies with the terms of this Agreement.

26.11 This Agreement shall not take effect unless and until the date on which (a) it has been ratified by the Parliament of Ghana; and (b) where required, Contractor providing the State and GNPC with security (in form and content acceptable to the State and GNPC) for the performance of the Contractor's obligations under this Agreement (the "Effective Date").

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NOTICE

27.1 Any Notice, application, request, agreement, consent, approval, instruction, delegation, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been properly given when delivered in person to an authorised representative of the Party to whom such notice is directed or when actually received by such Party through registered mail, fax or commercial courier at the following address or at such other address as the Party shall specify in writing fifteen (15) days in advance:

FOR THE STATE:

*MINISTER FOR PETROLEUM
MINISTRY OF PETROLEUM
PRIVATE MAIL BAG
MINISTRY POST OFFICE
ACCRA, GHANA*

*Telephone: 233 (0)302 667151 - 3
Telex: 2436 ENERGY GH
Telefax: 233 (0)302 668262*

FOR GHANA NATIONAL PETROLEUM CORPORATION:

*THE CHIEF EXECUTIVE
GHANA NATIONAL PETROLEUM CORPORATION
PETROLEUM HOUSE
HARBOUR ROAD
PRIVATE MAIL BAG
TEMA
GHANA*

*Telephone: 233-(0)303-204726
Telefax: 233-(0)303-202854*

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FOR CONTRACTOR:

SWISS AFRICAN OIL COMPANY LIMITED
THE CHIEF EXECUTIVE
SWISS AFRICAN OIL COMPANY LIMITED
#10 ASAFENA CRESENT
PLATINUM ESTATES, REGIMANNUEL ESTATE
SPINTEX ROAD
P.O. BOX KADTA 5325
AIRPORT, ACCRA, GHANA

Telephone: +233 508 393 432

PETVOLTA INVESTMENTS LIMITED
THE CHIEF EXECUTIVE
PETVOLTA INVESTMENTS LIMITED
#H11, MANET COURT
SPINTEX ROAD
P.O. BOX 17162
ACCRA, GHANA

Telephone: +233 249 050 950

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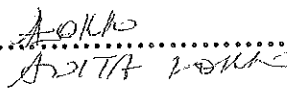
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IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

**FOR THE GOVERNMENT OF THE
REPUBLIC OF GHANA**

Witnessed:

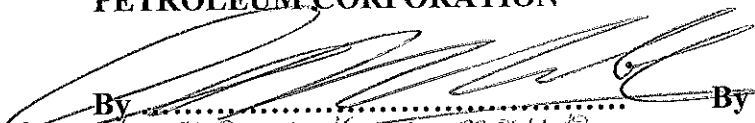
By 
EMMANUEL AMAH-KUSI

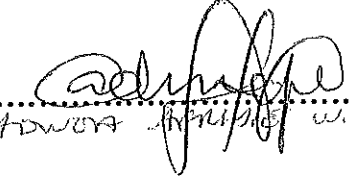
By 
ANITA KUSI

Its MINISTER FOR PETROLEUM Its SENIOR LEGAL COUNSEL

**FOR GHANA NATIONAL
PETROLEUM CORPORATION**

Witnessed:

By 
HERBERT K.M. MOULD

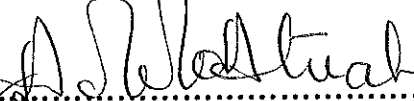
By 
ADWOA AMPOFO WIRE


Its Ag CEO

Its MANAGER, LEGAL

**FOR SWISS AFRICAN OIL
COMPANY LIMITED**

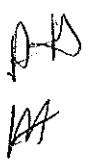
Witnessed:

By 
A. WESTRAL

By 
GILBERT FLAME SAGBEN

Its LAWFUL
ATTORNEY

Its PUBLIC RELATION OFFICER









**FOR PET VOLTA INVESTMENTS
LIMITED**

Witnessed:

By


ROBERT MAWU ASPOLIN

By


Paul Asimenu

Its

AUTHORIZED REP.

Its

Consultant/Admin

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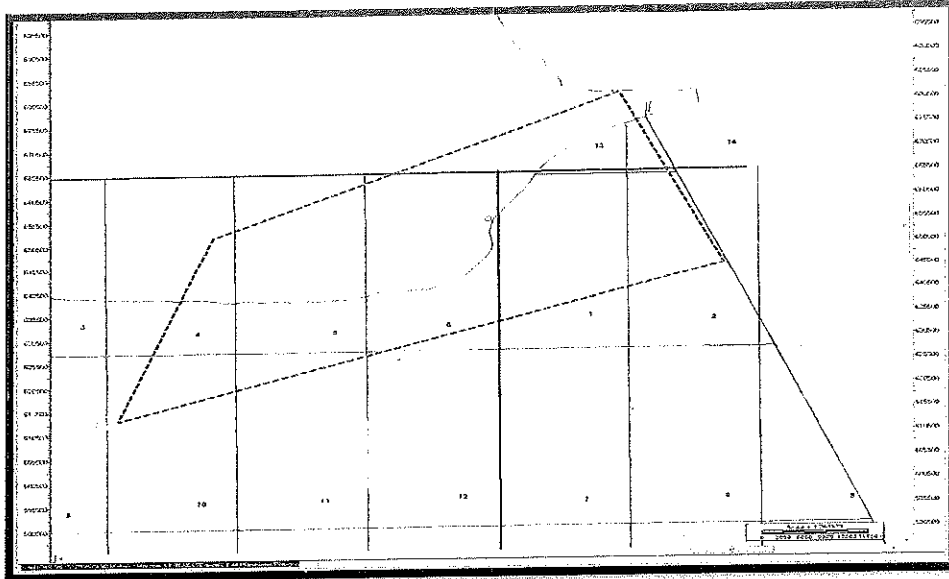
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ANNEX 1

CONTRACT AREA



vertices	X-coordinates	Y-coordinates
B	975335.9187	645806.1446
C	960462.8732	682081.8652
D	903038.4075	660653.8940
A	889435.0123	613557.0290

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ANNEX 2

ACCOUNTING GUIDE

The purpose of this Accounting Guide is to establish equitable methods as between the Parties for determining charges and credits applicable to operations under the Agreement. Principles established by this Accounting Guide shall truly reflect the Contractor's actual cost.

SECTION 1.

1.1 GENERAL PROVISIONS

- 1.1.1 Words and terms appearing in this Annex shall have the same meaning as in the Agreement and to that end shall be defined in accordance with Article 1 of the Agreement.
- 1.1.2 This Annex may be amended by unanimous decision of the JMC.
- 1.1.3 In the event of a conflict between the provisions of the Accounting Guide and the provisions of the Agreement, the provisions of the Agreement shall prevail.

1.2 STATEMENTS REQUIRED TO BE SUBMITTED BY CONTRACTOR

- 1.2.1 Within sixty (60) days from the Effective Date, Contractor shall propose to GNPC an outline of the chart of accounts, operating records and reports to be prepared and maintained, which shall describe the basis of the accounting principles and procedures to be used during the term of the Agreement, and shall be consistent with applicable law as in effect and with accepted accounting principles generally used in the international petroleum industry.
- 1.2.2 Within sixty (60) days of the receipt of such proposal GNPC shall either accept it or request such revisions as GNPC deems necessary. Failure to notify Contractor of any requested revisions within a sixty (60) day period shall be deemed acceptance of such proposal.
- 1.2.3 Within one hundred and eighty (180) days from the Effective Date, the Parties shall either agree on such outline or submit any outstanding issue for determination by a Sole Expert pursuant to the provisions of Article 24 of the Agreement.
- 1.2.4 Following agreement over the outline Contractor shall prepare and submit to GNPC formal copies of the chart of accounts relating to the accounting, recording and reporting functions listed in such outline. Contractor shall also permit GNPC to inspect its manuals and to review all procedures which are to be followed under the Agreement. GNPC shall be permitted to audit on site of all of the Contractor's records that evidence any of the reports issued by the Contractor under the Agreement in accordance with the procedures set forth in Article 18 of the Agreement.
- 1.2.5 Without prejudice to the generality of the foregoing, Contractor shall make separate statements relating to Petroleum Operations for each Development and Production Area as follows:
 - (a) Cash Call Statement (see Section 5)
 - (b) Production Statement (see Section 6)
 - (c) Value of Production Statement (see Section 7)
 - (d) Allowable Cost Statement (see Section 8)

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- (e) Statement of Expenditures and Receipts (see Section 9)
- (f) Final End-of-Year Statement (see Section 10)
- (g) Budget Statement (see Section 11)
- (h) Long Range Plan and Forecast (see Section 12)

1.3 LANGUAGE, MEASUREMENT, AND UNITS OF ACCOUNTS


- 1.3.1 The U.S. Dollar being the currency unit for investments and compensation hereunder shall therefore be the unit of currency for all bookkeeping and reporting under the Agreement. When transactions for an asset or liability are in Ghana Cedis or currency other than the U.S. Dollar, the respective accounts shall be kept in such other currency as well as the U.S. Dollar.
- 1.3.2 Measurement required under this Annex shall be in the metric system and Barrels.
- 1.3.3 The English language shall be employed.
- 1.3.4 Where necessary for purposes of clarification, Contractor may also prepare financial reports in other languages, units of measurement and currencies.
- 1.3.5 It is the intent of the Parties that no Party shall experience any gain or loss at the expense of or to the benefit of the other as a result of exchange of currency. Where any such gain or loss arises it shall be charged or credited to the accounts under the Agreement.
- 1.3.6 The rate of exchange for the conversion of currency shall be the rate actually incurred (which shall be at the prevailing rate at the date of acquisition). Where actual rates are not known, the arithmetic average of buying and selling rates quoted by the Bank of Ghana at a close of business on the date of such currency conversion shall be used.
- 1.3.7 Current Assets and Liabilities shall be converted at the rate prevailing on the date of settlement of the account.
- 1.3.8 To translate transactions in Ghana cedis into dollars or vice versa at the year-end for revenue and expenditure the rates of the transactions or average monthly rates where reasonable will be used.
- 1.3.9 To translate transactions in Ghana cedis into dollars or vice versa at the year-end for assets, liabilities and capital items the year end rate will be used.

SECTION 2.

CLASSIFICATION AND ALLOCATION OF COSTS AND EXPENDITURE

- 2.1.1 All expenditure relating to Petroleum Operations shall be classified, as follows:
 - (a) Exploration Expenditure;
 - (b) Development Expenditure;
 - (c) Production Expenditure;
 - (d) Service Costs; and

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- (e) General and Administrative expenses

and shall be defined and allocated as herein below provided.

2.2 EXPLORATION EXPENDITURE

2.2.1 **Exploration** Expenditure shall consist of all direct, indirect and allocated costs incurred in the search for Petroleum in the Contract Area, including but not limited to expenditure on or in relation to:

- (a) aerial, geographical, geophysical, geochemical, paleontological, geological, topographical and seismic surveys, and studies and their interpretation, and purchased geological and geophysical information;
- (b) borehole drilling, testing, appraising and water well drilling;
- (c) labour, materials and services used in drilling wells with the objective of finding new Petroleum reservoirs or for the purpose of appraising of Petroleum reservoirs already discovered, provided such wells are not completed as producing wells;
- (d) facilities used solely for Exploration Operations, including access roads, where applicable;
- (e) all service costs allocated to Exploration Operations on the basis of procedures proposed by the Contractor on an equitable basis ;
- (f) all General and Administrative Expenses directly attributable to Exploration Operations or allocated thereto on a consistent and equitable basis; and
- (g) any other expenditures incurred in the search for and appraisal of Petroleum in the Contract Area after the Effective Date and not otherwise covered under this paragraph 2.2.1.

2.2.2 Exploration cost shall be tied to resultant commercial discoveries. Where exploration activity is undertaken after a commercial discovery that exploration cost shall be regarded as capital work-in-progress. If the exploratory activity results in commercial discovery it shall be regarded as cost of the new discovery and resulting field. Where there is no commercial discovery it shall be charged to the previous discovery field.

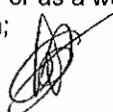
2.3 DEVELOPMENT EXPENDITURE

2.3.1 Development Expenditure shall consist of all direct and allocated indirect costs and expenditure incurred in Development Operations, including but not limited to expenditure on:

- (a) drilling wells which are completed as producing wells and drilling wells for purposes of producing a Petroleum reservoir already discovered, whether these wells are dry or producing and drilling wells for the injection of water or gas to enhance recovery of Petroleum;
- (b) tangible drilling costs for completing wells by way of installation of casing or equipment or otherwise after a well has been drilled for the purpose of bringing such well into use as a producing well or as a well for the injection of water or gas to enhance recovery of Petroleum;

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- (c) intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of wells for producing purposes;
- (d) field facilities such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, Petroleum storage facilities and access roads for production activities;
- (e) engineering and design studies for the wells and field facilities;
- (f) all service costs allocated to Development Operations on equitable basis;
- (g) all General and Administrative Expenses directly attributable to Development Operations or allocated thereto on a consistent and equitable basis;

2.3.2 Capital allowance for development expenses shall be granted under the following conditions:

- (a) Development activity has been approved by the Minister;
- (b) Development activity has been completed; and
- (c) Production activity has started after the completion of the development activity.

2.4 PRODUCTION EXPENDITURE

Production Expenditure shall consist of but not limited to all direct and allocated indirect costs and expenditure incurred in Petroleum Operations including appropriate abandonment charges, after the Date of Commencement of Commercial Production, such expenditure being other than Exploration Expenditure, Development Expenditure, General and Administrative Expenses and Service Costs. The balance of General and Administrative Expenses and Service Costs not allocated to Exploration Operations or to Development Operations under Section 2.2 and 2.3 shall be allocated to Production Expenditure.

2.5 SERVICE COSTS

2.5.1 Service Costs shall consist of but not be limited to all direct and indirect expenditure incurred in support of Petroleum Operations, including the construction or installation of Warehouses, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewerage plants, power plants, housing community and recreational facilities and furniture, tools land, equipment used in these activities.

Service Costs in any Calendar Year shall include the total costs incurred in such year to purchase and construct or install such facilities as well as the annual costs of maintaining and operating such facilities.

2.5.2 All Service Costs will be regularly allocated on an equitable basis to Exploration Expenditure, Development Expenditure and Production Expenditure.

2.6 GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses shall consist of:

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
- 2.6.1 All main office, field and general administrative costs, in the Republic of Ghana, including but not limited to supervisory, accounting, procurement and employee relations services;
- 2.6.2 An overhead charge for the actual cost of services rendered outside the Republic of Ghana by Contractor and its Affiliates for managing Petroleum Operations and for staff advice and assistance, including but not limited to financial, legal, accounting and employee relations services in the following amounts:
- (a) For the Exploration Phase: US Dollars 0-20million- One point two five percent (1.25%) to a cap of US\$200,000.00 per annum
 - (b) For Development Phase: US Dollars 0-50million- One point two five percent ((1.25%) to a cap of US\$500,000.00 per annum
 - (c) For Production Phase: US Dollars 0 – 10million – 1 percent (1%) to a cap of US\$200,000.00 per annum
- 2.6.3 All General and administrative Expenses will be regularly allocated as specified in subsections 2.2.1(f), 2.3.1(g) and 2.4 to Exploration Expenditure, Development Expenditure and Production Expenditure.

SECTION 3.

3.1 COSTS, EXPENSES, EXPENDITURES AND CREDITS OF CONTRACTOR

- 3.1.1 Contractor for the purpose of this Agreement shall charge the following allowable costs to the accounts:
- (a) costs of acquiring surface, exploration, development and production rights;
 - (b) labour and associated costs;
 - (c) transportation costs;
 - (d) charges for services;
 - (e) material and equipment costs;
 - (f) rentals, duties and other assessments;
 - (g) insurance and losses (including deductibles/excesses);
 - (h) legal expenses;
 - (i) training expenses;
 - (j) technology transfer expenses
 - (k) general and administrative expenses;
 - (l) utility costs;
 - (m) office, physical plant, facility charges;

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- (n) communication charges;
- (o) ecological and environmental charges;
- (p) abandonment and site restoration costs; and
- (q) such other costs necessary for the Petroleum Operations

3.2 COST OF ACQUIRING SURFACE RIGHTS AND RELINQUISHMENT

Cost of acquiring surface rights shall consist of all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force over the Contract Area.

3.3 LABOUR AND ASSOCIATED LABOUR COSTS

3.3.1 Labour and associated labour costs shall include but not be limited to:

- (a) gross salaries and wages including bonuses of those employees of Contractor and of its Affiliates engaged in Petroleum Operations who are permanently or temporarily assigned to Ghana;
- (b) costs regarding holidays, vacation, sickness and disability payments applicable to the salaries and wages chargeable under (a);
- (c) expenses or contributions made pursuant to assessments or obligations imposed under the laws of the Republic of Ghana which are applicable to cost of salaries and wages chargeable under (a);
- (d) cost of established plans for employees' life insurance, hospitalisation, pensions and other benefits of a like nature customarily granted to employees; and
- (e) reasonable travel and personal expenses of employees and families, including those made for travel and relocation of the personnel.

TRANSPORTATION COSTS


Transportation costs and other related costs of transportation of employees or secondees of the Contractor or its affiliates, equipment, materials and supplies necessary for the conduct of Petroleum Operations.

3.4 CHARGES FOR SERVICES

3.4.1 Charges for services shall include:

- (a) the costs of third party contracts which are the actual costs of contracts for technical and other services entered into by Contractor or its Affiliates for Petroleum Operations made with third parties other than Contractor or Affiliates of Contractor, provided that the prices paid by Contractor are no higher than the prevailing rates for such services in the regional market;
- (b) cost of technical and other services of personnel assigned by the Contractor and its Affiliates when performing management, engineering, geological, geophysical, administrative, legal, accounting, treasury, tax, employee relations, computer services; purchasing, and all other functions for the direct benefit of Petroleum Operations. Provided that charges for such services shall be at actual cost. All Services furnished by Contractor and its Affiliates (other

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than the Operator) shall be performed based on and pursuant to a form services agreement to be approved, a copy of which shall be provided to the JMC after the Effective Date.

- (c) cost of general services, including, but not without limitation, professional consultants and others who perform services for the direct benefits of Petroleum Operations.
- (d) costs associated with the use of equipment and facilities owned and furnished by the Contractor's Affiliates, at rates commensurate with the cost of ownership and operation; provided, however, that such rates shall not exceed those currently prevailing for the supply of like equipment and facilities on comparable terms in the area where the Petroleum Operations are being conducted and shall be on an arm's length basis. On the request of the GNPC, the Contractor shall provide the GNPC with evidence of such rates being on an arm's length basis. (If the GNPC considers that any such rate is not on an arm's length basis, then the GNPC has the right to refer the matter to an expert pursuant to Article 24.9 of the Agreement). The equipment and facilities referred to herein shall exclude major investment items such as (but not limited to) drilling rigs, producing platforms, oil treating facilities, oil and gas loading and transportation systems, storage and terminal facilities and other major facilities, rates for which shall be subject to separate agreement with the GNPC.

3.5 RENTALS, DUTIES AND OTHER ASSESSMENTS

All rentals, taxes, duties, levies, charges, fees, contributions and any other assessments and charges levied by the State in connection with Petroleum Operations or paid for the benefit of Petroleum Operations, with the exception of the income tax specified in the Article 12 of the Agreement.

If the Contractor or any of its Affiliates is subject to income or withholding tax as a result of services performed at cost for the Petroleum Operations under the Agreement, its charges for such services may be increased by the amount required to cover such taxes (grossed up) including taxes on such gross up.

3.6 INSURANCE AND LOSSES

- (a) Insurance premium and costs incurred for insurance, provided that if such insurance is wholly or partly placed with an Affiliate of Contractor, such premium and costs shall be recoverable only to the extent not in excess of those generally charged by competitive insurance companies other than Affiliate; and;
- (b) costs and losses incurred as a consequence of events, which are, insofar as not made good by insurance, allowable under Article 17 of the Agreement.
- (c) Costs or expenses necessary for the repair or replacement of property resulting from damage or losses incurred.

3.7 LEGAL EXPENSES

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retaining and protecting the rights hereunder and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of the joint interest of GNPC and Contractor, provided that where legal services are rendered in such matters by salaried or regularly retained lawyers of Contractor or an Affiliate of Contractor, such compensation will be included instead under either Section 3.3 or 3.4, as

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applicable. The preceding costs and expenses shall not include costs of any nature (including attorneys' fees and the fees of the ICC, arbitrators, the Sole Expert, other experts, professionals and translators) incurred in connection with any consultation, arbitration or Sole Expert process under **Error! Reference source not found.** of the Agreement which shall be borne in accordance with Article 24.10 of the Agreement.

3.8 TRAINING COSTS

All costs and expenses incurred by Contractor in training of its employees and nominees of GNPC to the extent that such training is attributable to Petroleum Operations under the Agreement.

3.9 GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses shall consist of the costs described in Subsection 2.6.1 and the charge described in Subsection 2.6.2.

3.10 UTILITY COSTS

Any water, electricity, heating, fuel or other energy and utility costs used and consumed for the Petroleum Operations.

3.11 OFFICE FACILITY CHARGES

The cost and expenses of constructing, establishing, maintaining and operating offices, camps, housing and any other facilities in Ghana necessary to the conduct of Petroleum Operations. The cost of constructing or otherwise establishing any operating facility which may be used at any time in operations of more than one field shall be charged initially to the field or fields for which the facility is first used. Costs incurred, thereafter shall be allocated in a reasonable manner, consistent with international accounting practice, to the fields for which the facility is used.

3.12 COMMUNICATION CHARGES

The costs of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities.

3.13 ECOLOGICAL AND ENVIRONMENTAL CHARGES

All charges for environmental protection and safety measures conducted in the Contract Area in accordance with Article 17 of the Agreement.

3.14 ABANDONMENT COST

Cost relating to the decommissioning and abandonment of operations and facilities, site restoration and other associated operations accrued from a reasonable date in advance based on estimate of such cost (with subsequent adjustments to actuals) as provided in Article 12.9 of the Agreement

3.15 OTHER COSTS

Any other costs not covered or dealt with in the foregoing provisions which are incurred and not mentioned in this Section 3.15 for the necessary and proper conduct of Petroleum Operations

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3.16 COSTS NOT ALLOWABLE UNDER THE AGREEMENT

3.16.1 The following costs shall not be allowable under the Agreement:

- (a) commission paid to intermediaries by Contractor;
- (b) charitable donations and contributions, except where a cost line item in an annual Petroleum Operations budget as approved by the JMC;
- (c) costs (including duties) arising from the marketing or processing of Petroleum or transportation of Petroleum beyond the Delivery Point;
- (d) the costs of any Bank Guarantee under the Agreement and any other amounts spent on indemnities with regard to non-fulfilment of contractual obligations;
- (e) premium paid as a result of GNPC exercising a Sole Risk option under Article 9 of this Agreement;
- (f) costs of any nature (including attorneys' fees and the fees of the ICC, arbitrators, the Sole Expert, other experts, professionals and translators) incurred in connection with any consultation, arbitration or Sole Expert process under Article 24 of the Agreement;
- (g) fines, penalties and interest due pursuant to any applicable law or regulation and/or imposed by a competent administrative or judicial body;
- (h) costs, damages and other liabilities incurred as a result of (1) a breach of any provision of the Agreement other than a contractual standard of care as decided by an arbitration panel or Sole Expert or acknowledged by Contractor, (2) Gross Negligence with respect to any contractual standard of care set forth in this Agreement, and/or (3) wilful misconduct, in each case by the Contractor, the Operator, their respective Affiliates and/or subcontractor, and/or any other entities or persons for whom the Contractor is responsible under the Agreement;
- (i) (1) income taxes (including any taxes on the net income of permanent establishments in Ghana and any capital gains taxes or taxes on assignment of interest), withholding taxes and/or royalty shares or other Petroleum entitlements, in each case paid to authorities in Ghana in connection with or related to the Agreement, (2) any taxes paid to authorities outside Ghana, except any foreign value added taxes or other foreign taxes paid with respect to products or services imported into Ghana, (3) any taxes subject to reimbursement or refund and; (4) any other taxes that should be deemed non-allowable costs by the relevant authority;
- (j) costs incurred by the Contractor under contracts or amendments thereto that were subject to approval by the JMC or GNPC and were not so approved;
- (k) costs that are not documented in accordance with applicable law or this Agreement; and
- (l) any bonus payments payable by the Contractor under the Agreement to the State, any other governmental body in Ghana, GNPC or any Affiliates of GNPC.

3.17 ALLOWABLE AND DEDUCTIBILITY

The costs and expenses set forth herein shall be for the purpose of determining allowable or non-allowable costs and expenses only and shall have no bearing on Contractor's eligibility or

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otherwise for deductions in computing Contractor's net income from Petroleum Operations for income tax purposes under the Agreement.

3.18 CREDITS UNDER THE AGREEMENT

3.18.1 The net proceeds of the following transactions will be credited to the accounts under the Agreement:

- (a) the net proceeds of any insurance or claim in connection with Petroleum Operations or any assets charged to the accounts under the Agreements when such operations or assets were insured and the premium charged to the accounts under the Agreement;
- (b) revenue received from third parties for the use of property or assets charged to the accounts under this Agreement;
- (c) any adjustment from the suppliers or manufacturers or their agents in connection with a defective equipment or material the cost of which was previously charged to the account under the Agreement;
- (d) the proceeds received for inventory materials previously charged to the account under the Agreement and subsequently exported from the Republic of Ghana or transferred or sold to third parties;
- (e) rentals, refunds or other credits received which apply to any charge which has been made to the account under the Agreement but excluding any award granted under arbitration or Sole Expert proceedings.;
- (f) the proceeds from the sale or exchange of plant or facilities from the Development and Production Area or plant or facilities the acquisition costs and the cost of sale
- (g) the proceeds derived from the sale or issue of any intellectual property the development costs of which were incurred pursuant to this Agreement;
- (h) the proceeds from the sale of any petroleum information derived from Petroleum Operations under this Agreement; and
- (i) any General and Administrative Expenses or Service Expenses that benefit any operation or activity other than Petroleum Operations.

3.19 DUPLICATION OF CHARGES AND CREDITS

Notwithstanding any provision to the contrary in this Annex, it is the intention that there shall be no duplication of charges or credits in the accounts under the Agreement.

SECTION 4.

4.1 VALUE OF MATERIAL AND EQUIPMENT CHARGED TO THE ACCOUNTS UNDER THE AGREEMENT

Material and equipment purchased, leased or rented by Contractor for use in Petroleum Operations shall be valued at the actual net cost incurred by Contractor. The net cost shall include invoice price less trade and cash discounts, if any, purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material, and any other related costs actually paid.

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4.2 VALUE OF MATERIAL PURCHASED FROM AN AFFILIATE

- 4.2.1 Contractor shall notify GNPC of any goods supplied by an Affiliate of Contractor. Materials purchased from Affiliate of Contractor shall be charged at the prices specified in Sections, 4.2.2, 4.2.3 and 4.2.14 below.
- 4.2.2 **New Material (Condition "A")** New material shall be classified as Condition "A". Such material shall be valued at the prevailing market price, plus expenses incurred in procuring such new materials, and in moving such materials to the locations where the material shall be used.
- 4.2.3 **Used Material (Condition "B")** Used material shall be classified as Condition "B" provided that it is in sound and serviceable condition and is suitable for reuse without reconditioning. Such material shall be valued at not more than seventy five percent (75%) of the current price of new material valued according to Section 4.2.1 above.
- 4.2.4 **Used Material (Condition "C")** Used material which is serviceable for original function as good second hand material after reconditioning and cannot be classified as Condition "B" shall be classified as Condition "C". Such material shall be valued at not more than fifty percent (50%) of the current price of new material valued according to Section 4.2.1 above. The cost of reconditioning shall be charged to the reconditioned material provided that that the value of such Condition "C" material plus the cost of reconditioning does not exceed the value of Condition "B" material.

4.3 CLASSIFICATION OF MATERIALS

Material and equipment costs shall be charged to the respective Exploration Expenditure, Development Expenditure, Operating Expenditure accounts at the time the material and equipment is acquired and on the basis of the intended use of the material and equipment. Should such material and equipment subsequently be used other than as intended, the relevant charge will be transferred to the appropriate account.

4.4 DISPOSAL OF MATERIALS

Sales of property shall be recorded at the net amount collected by the Contractor from the purchaser.

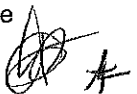
4.5 WARRANTY OF MATERIALS

In the case of defective material or equipment, any adjustment received by Contractor from the suppliers or manufacturers of such materials or their agents will be credited to the accounts under the Agreement.

4.6 CONTROLLABLE MATERIALS

- 4.6.1 The Contractor shall control the acquisition, location, storage and disposition of materials which are subject to accounting record control, physical inventory and adjustment for averages and shortages (hereinafter referred to as Controllable Material).
- 4.6.2 Unless additional inventories are scheduled by the JMC, Contractor shall conduct one physical inventory of the Controllable Material each Calendar Year which shall be completed prior to the end of the year. The Contractor shall conduct said inventory on a date to be approved by the JMC. Failure on the part of GNPC to participate in a JMC schedule or approved physical inventory shall be regarded as approval of the results of the physical inventory as conducted by the Contractor.
- 4.6.3 The gain or loss resulting from the physical inventory shall be reflected in the stock records of Controllable Materials. The Contractor shall compile a reconciliation of the

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inventory with a reasonable explanation for such gains or losses. Failure on the part of GNPC to object to Contractor's reconciliation within thirty (30) days of compilation of said reconciliation shall be regarded as approval by GNPC.

SECTION 5.

5.1 CASH CALL STATEMENT

5.1.1 In respect of any Exploration Costs to which GNPC is contributing or any Development and Production Area in which GNPC elects to take a participating interest, and in any case where Contractor conducts Sole Risk Operations for GNPC's account, Contractor shall at least fifteen (15) days prior to the commencement of any Month submit a Cash Call Statement to GNPC. Such Cash Call Statement shall include the following information:

- (a) Due Date;
- (b) Payment Instructions;
- (c) The balance prior to the Cash Call being issued;
- (d) The cash call being issued
- (e) Amount of US Dollars due; and
- (f) An estimation of the amounts of US Dollars required from GNPC for the following month.

5.1.2 Following a Cash Call GNPC shall make payments to the appropriate bank account maintained by the Operator for the Joint Account as specified on the Cash Call. All such payments shall be made in sufficient time to ensure that they will each be credited to the appropriate bank account on the due date specified in the Cash Call and without the deduction of any bank charges.

5.2 Not later than the thirtieth (30th) day of each Month, Contractor will furnish GNPC a statement reflecting for the previous month:

- (a) Payments;
- (b) The nature of such payments by appropriate classifications; and
- (c) The balance due to or from GNPC.

5.3 Contractor may in the case where a large unforeseen expenditure becomes necessary issue a special Cash Call Statement requiring GNPC to meet such Cash Call within ten (10) days of receipt of such Statement.


SECTION 6.

6.1 PRODUCTION STATEMENT

6.1.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall submit a monthly Production Statement to GNPC showing the following information for each Development and Production Area as appropriate:

- (a) the quantity of Crude Oil produced and saved;
- (b) the quantity of Natural Gas produced and saved;

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- (c) the quantities of Petroleum used for the purpose of conducting drilling and Production Operations, pumping to field storage and re-injections;
- (d) the quantities of Natural Gas flared;
- (e) the size of Petroleum stocks held at the beginning of the Month; and
- (f) the size of Petroleum stocks held at the end of the Month.

6.2 The Production Statement of each Calendar Month shall be submitted to GNPC not later than ten (10) days after the end of such month.

SECTION 7.

7.1 VALUE OF PRODUCTION STATEMENT

During each Quarter Contractor shall prepare a statement providing calculations of the value of Crude Oil produced and saved based on the Market Price established under 10.8 of this Agreement, the amounts of Crude Oil allocated to each of the Parties during that Quarter, the buyer of the cargo, sales basis with respect to Benchmark crude oil, the pricing basis, the differential, and any deductions. Each Production Statement shall be submitted to the Minister and GNPC not later than thirty (30) days following the determination, notification and acceptance of the World Market Price to GNPC according to 10.8 of this Agreement.

SECTION 8.

8.1 ALLOWABLE COST STATEMENT

8.1.1 Contractor shall prepare with respect to each Quarter, an Allowable Cost Statement containing the following information with respect to costs that are allowable under Section 3.1.1 of this Accounting Guide:

- (a) Total Petroleum Costs in previous Quarters, if any;
- (b) Petroleum Costs for the Quarter in question;
- (c) Total Petroleum Costs as of the end of the Quarter in question (subsection 8.1.1(a) plus subsection 8.1.1(b) above);
- (d) Petroleum Costs for Development Operations advanced in the Quarter in respect of GNPC's Participating Interest pursuant to Article 2.5; and
- (e) Costs as specified in (d) above which have been recovered during the Quarter pursuant to Article 10.1(e) of the Agreement and the balance, if any, of such costs unrecovered and carried forward for recovery in a later period.

8.1.2 Petroleum Costs for Exploration, Development and Production Operations as detailed above shall be separately identified for each Development and Production Area. Petroleum Costs for Exploration Operations not directly attributable to a specific Development Area shall be shown separately.

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8.2 The Allowable Cost Statement of each Quarter shall be submitted to GNPC no later than forty-five (45) days after the end of such Quarter.

SECTION 9.

9.1 STATEMENT OF EXPENDITURES AND RECEIPTS

9.1.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall prepare with respect to each Quarter a Statement of Expenditures and Receipts. The Statement will distinguish between Exploration Expenditure and Development Expenditure and Production Expenditure and will identify major items of expenditure within these categories. The statement will show the following:

- (a) actual expenditures and receipts for the Quarter in question;
- (b) cumulative expenditure and receipts for the budget year in question;
- (c) latest forecast of cumulative expenditures at the year end;
- (d) variations between budget forecast and latest forecast and explanations therefore;
- (e) Price per barrel of crude oil sold; and
- (f) Price per barrel of oil equivalent of Gas sold.

9.2 The Statement of Expenditures and Receipts of each Calendar Quarter shall be submitted to GNPC not later than forty-five (45) days after the end of such Quarter for provisional approval by GNPC.

SECTION 10.

10.1 FINAL END-OF-YEAR STATEMENT/AUDITED FINANCIAL STATEMENT

The Contractor will prepare a Final End-of-Year Statement. The Statement will contain information as provided in the Production Statement, Value of Production Statements, Allowable Cost Statement and Statements of Expenditures and Receipts, as appropriate. The Final End-of-year Statement of each Calendar Year shall be submitted to GNPC within one hundred and twenty (120) days of the end of such Calendar Year. Any necessary subsequent adjustments shall be reported promptly to GNPC.

In addition to the Final End-of-Year Statement, an audited financial statement of each Contractor Party shall be submitted to GNPC and Petroleum Commission by 30th April of the year following.


SECTION 11.

11.1 BUDGET STATEMENT

11.1.1 The Contractor shall prepare an annual budget statement. This will distinguish between Exploration Expenditures, Development Expenditures and Production Expenditures and will show the following;

- (a) forecast Expenditures and Receipts for the budget year under the Agreement;
- (b) cumulative Expenditures and Receipts to the end of said budget year; and

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- (c) the most important individual items of Exploration, Development and Production Expenditures for said budget year.

11.1.2 The budget may include a budget line or lines for unforeseen expenditures which, however, shall not exceed ten percent (10%) of the total budgetary expenditure.

- 11.2 The Budget Statement shall be submitted to GNPC and JMC with respect to each budget year no less than ninety (90) days before the start of such year except in the case of the first year of the Agreement when the Budget Statement shall be submitted within sixty (60) days of the Effective Date.
- 11.3 Where Contractor foresees that during the budget period expenditures have to be made in excess of the ten percent (10%) pursuant to Section 1.1.2 hereof, contractor shall submit a revision of the budget to GNPC.

SECTION 12.

12.1 LONG RANGE PLAN AND FORECAST

12.1.1 Contractor shall prepare and submit to GNPC the following:

- (a) During Exploration Period, an Exploration Plan for each year commencing as of the Effective Date which shall contain the following information:
- (i) Estimated Exploration Costs showing outlays for each of the years or the number of years agreed and covered by the Plan;
 - (ii) Details of seismic operations for each such year;
 - (iii) Details of drilling activities planned for each such year; and
 - (iv) Details of infrastructure utilisation and requirements.

The Exploration Plan shall be revised on each anniversary of the Effective Date. Contractor shall prepare and submit to GNPC the first Exploration Plan for the Initial Exploration Period of two (2) years within sixty (60) days of the Effective Date and thereafter shall prepare and submit to GNPC no later than forty five (45) days before each anniversary of the Effective Date a revised Exploration Plan.

- (b) In the event of a Development Plan being approved, the Contractor shall prepare a Development Forecast for each calendar year of the Development Period, which shall contain the following information:
- (i) forecast of capital expenditure portions of Development and Production expenditures for each Calendar Year of the Development Period;
 - (ii) forecast of operating costs for each Calendar Year;
 - (iii) forecast of Petroleum production for each Calendar year;
 - (iv) forecast of number and types of personnel employed in the Petroleum Operations in the Republic of Ghana;
 - (v) description of proposed Petroleum marketing arrangements;
 - (vi) description of main technologies employed; and

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- (vii) description of the working relationship of Contractor to GNPC.
- (c) The Development forecast shall be revised at the beginning of each Calendar Year commencing as of the second year of the first Development forecast Contractor shall prepare and submit to GNPC the first Development forecast within one hundred and twenty (120) days of the date when the first Development Plan is approved by the Minister and Contractor commences the implementation of such plan and thereafter shall prepare and submit a revised Development Forecast to GNPC no later than forty five (45) days before each Calendar Year commencing as of the second year of the first Development forecast.

12.2 CHANGES OF PLAN AND FORECAST

It is recognised by Contractor and GNPC that the details of the Exploration Plan and Development forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the said Plan and Forecast may be revised annually.



ANNEX 3

FORM OF CONFIDENTIALITY AGREEMENT

Keta Delta Contract Area

THIS AGREEMENT is entered into this day of, (the "Effective Date") by and between [.....], a company organized and existing under the laws of [.....] (hereinafter referred to as the "Disclosing Party"); and a company organized and existing under the laws of (hereinafter referred to as the "Receiving Party").

The companies named above may collectively be referred to as the "Parties" or individually as "Party".

WHEREAS in connection with the Possible Transaction (as defined below) by the Receiving Party, the Disclosing Party is willing, in accordance with the terms and conditions of this Agreement, to disclose certain Confidential Information (as defined below) relating to the Keta Delta Contract Area (the "Area") shown in Exhibits A to D attached hereto; and

WHEREAS the Petroleum Agreement covering the said Contract Area requires that the Disclosing Party require the execution of a confidentiality agreement by Receiving Party prior to the disclosure of Confidential Information in order to govern such disclosure and that a copy of all such signed confidentiality agreements be provided to GNPC.

NOW THEREFORE, in consideration for the mutual undertakings of the Disclosing Party and the Receiving Party under this Agreement, the Parties agree as follows:

1. Definitions

As used in this Agreement the following words and terms shall have the meaning ascribed to them below:

1.1 "Affiliated Company" means any Person which:

- a. Controls directly or indirectly a Party, or
- b. Is Controlled directly or indirectly by such Party, or
- c. Is directly or indirectly Controlled by a Person which directly or indirectly Controls such a Party.

1.2 "Confidential Information"¹ means individually or collectively:

- 1.2.1 any and all data and information obtained as a result of petroleum operations in the Area, including without limitation well data and seismic information together with all other data and information obtained by or on behalf of the Disclosing Party in connection with the Disclosing Party's petroleum operations in the Area, as well as geological and economic reports, studies, interpretations and analyses prepared by or on behalf of the Disclosing Party in connection with its petroleum operations in the Area. Confidential Information includes certain proprietary data and information that is

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the property of GNPC (hereinafter "GNPC Information") as described in Exhibit B attached hereto.

Provided that, the following shall not constitute Confidential Information:

- 1.2.2 information that can be reasonably demonstrated by the Receiving Party as being already lawfully known to Receiving Party as of the Effective Date;
 - 1.2.3 information that is or becomes available to the public other than through the act or omission of Receiving Party or of any other Person to whom Confidential Information is disclosed by the Receiving Party pursuant to Article 4.2 unless public disclosure was made pursuant to Article 4.1;
 - 1.2.4 information that is acquired independently from a third party that has a right to disseminate such information at the time it is acquired by the Receiving Party; or
 - 1.2.5 information that can be reasonably demonstrated by the Receiving Party to have been developed by Receiving Party independently of the Confidential Information received from Disclosing Party.
- 1.3 "Control" means the ownership directly or indirectly of 50% or more of the voting rights in a Person or the ability to direct, directly or indirectly, the management or policies of a Person, whether through the appointment of the directors, the ownership of voting shares or other voting rights, pursuant to written contract or otherwise. "Controls", "Controlled by" and other derivatives shall be construed accordingly.
- 1.4 "Evaluation Material" means information derived in whole or in part from Confidential Information, and generated by or on behalf of the Receiving Party. For purposes of this Agreement, Evaluation Material may include without limitation models, technical, financial and economic reports, studies, interpretations, analyses, estimates of reserves, and evaluations and notes of documents or meetings.
- 1.5 "GNPC" means Ghana National Petroleum Corporation, a Statutory Corporation established by Provisional National Defence Council Law 64 of 1984 with its Head Office at Petroleum House, Harbour Road, Tema.
- 1.6 "Person" means an individual, joint venture, corporation, company, firm, partnership, limited partnership, limited liability company, trust, estate, government agency or any other entity, including unincorporated business associations.
- 1.7 "Petroleum Agreement" means the Petroleum Agreement dated [] between the Government of the Republic of Ghana, Ghana National Petroleum Corporation, [Swiss African Oil Company Limited, and Pet Volta Investments Limited] in respect of the Keta Delta Contract Area On- and Offshore Ghana (and all amendments and supplements thereto).
- 1.8 "Possible Transaction" means any possible business arrangement with the Disclosing Party under which Receiving Party would acquire directly or indirectly all or part of the rights and interests owned by Disclosing Party and/or

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Disclosing Party Affiliates in one or more offshore hydrocarbon exploration, development or production assets located within the Area.

2. Disclosure

In connection with the Possible Transaction, Disclosing Party is willing to disclose to Receiving Party certain Confidential Information. The Parties agree that the disclosure by the Disclosing Party and the receipt by the Receiving Party of the Confidential Information is subject to the terms of this Agreement.

3. Undertaking of Confidentiality, Restriction on Use and Damages

- 3.1 In consideration of the disclosure referred to in Article 2 above, the Receiving Party agrees that the Confidential Information and the Evaluation Material shall be held and treated strictly in confidence and may not be disclosed, licensed, traded, published or otherwise revealed in any manner whatsoever, without the prior written consent of the Disclosing Party except as provided in Article 4 below.
- 3.2 The Receiving Party shall (and shall procure that any Affiliated Company shall) not use or permit the use of the Confidential Information and/or the Evaluation Material other than for the purpose of evaluating the Area and determining whether to enter into negotiations in connection with the Possible Transaction with the Receiving Party.
- 3.3 The Receiving Party shall (and shall procure that any Person that receives Confidential Information and/or Evaluation Material pursuant to and in accordance with Article 4.2 hereof shall) keep any Confidential Information it receives and any copies thereof and any Evaluation Material secure and confidential (in a manner no less secure and confidential than Receiving Party and such Persons keep their respective confidential information) and to prevent the Confidential Information and any Evaluation Material from being disclosed in breach of this Agreement.
- 3.4 The Receiving Party agrees not to disclose to anyone, except as provided for by Article 4 below, the fact that the Confidential Information has been made available or that discussions or negotiations are taking place or have taken place between Disclosing Party and Receiving Party or any Party's Affiliated Companies.
- 3.5 The obligations of the Receiving Party for confidentiality and non-use as set forth in this Agreement shall commence from receipt of the Confidential Information by the Receiving Party. Further, the obligation not to disclose shall not be affected by bankruptcy, receivership, assignment, attachment or seizure procedures, whether initiated by or against the Receiving Party, nor by the rejection of any agreement between GNPC and Disclosing Party and/or Receiving Party, by a trustee of Receiving Party in bankruptcy, or by the Receiving Party as a debtor-in-possession or the equivalent of any of the foregoing.
- 3.6 The Receiving Party agrees to indemnify Disclosing Party against direct damages (including, losses, damages, claims, expenses and reasonable attorney's fees) incurred or suffered as a result of a breach of this Agreement by Receiving Party or its Affiliated Companies. Such direct damages shall be the sole exclusive remedy, and all other remedies or damages at law or in

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equity are waived except such equitable relief as may be granted under Article 11. In no event shall the Parties be liable to each other for any other damages, including incidental, consequential, special, or punitive damages, regardless of negligence or fault.

4. Permitted Disclosure and Obligation of Receiving Party for Permitted Disclosures

The Receiving Party may disclose Confidential Information and/or Evaluation Material without the prior written consent of the Disclosing Party:

- 4.1 To the extent the Confidential Information and/or Evaluation Material is required to be disclosed under applicable law, order, decree, regulation or rule of any governmental entity having jurisdiction over the Receiving Party, or any regulatory entity, securities commission or stock exchange on which the securities of the Receiving Party or any of its Affiliated Companies are listed or are to be listed, provided that the Receiving Party shall make all reasonable efforts to give written notice to the Disclosing Party prior to such disclosure (including full details of the circumstances of such disclosure); or
- 4.2 To the following persons on a need to know basis and only for the purpose described in Article 3.2:
 - 4.2.1 employees, officers and directors of the Receiving Party;
 - 4.2.2 employees, officers and directors of an Affiliated Company of the Receiving Party;
 - 4.2.3 any professional consultant or agent retained by the Receiving Party or its Affiliated Company; or
 - 4.2.4 any bank, financial institution or entity financing or proposing to finance the Possible Transaction, including any professional consultant retained by such bank, financial institution or entity for the purpose of evaluating the Confidential Information and/or Evaluation Material.

Prior to making any such disclosure to Persons under Articles 4.2.3 and 4.2.4 above, however, the Receiving Party shall obtain an undertaking of confidentiality, on terms no less stringent than contained in this Agreement, from each such Person; provided, however, that in the case of outside legal counsel, the Receiving Party shall only be required to procure that such legal counsel is bound by an obligation of confidentiality.


- 4.3 The Receiving Party shall be responsible to the Disclosing Party for any act or omission of the entities and Persons described in Article 4.2 that would constitute breach of this Agreement as if the action or omission had been perpetrated by the Receiving Party and shall immediately notify the Disclosing Party upon becoming aware that Confidential Information has been disclosed in breach of this Agreement.

5. Ownership of Confidential Information

- 5.1 Receiving Party acknowledges the Confidential Information, excluding the GNPC Information, remains the property of the Disclosing Party and the

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Disclosing Party may use such Confidential Information for any purpose without obligation to the Receiving Party.

5.2 Receiving Party acknowledges that the GNPC Information is and remains the property of GNPC and GNPC may use such GNPC Information for any purpose without obligation to the Disclosing Party or Receiving Party. In addition, Receiving Party acknowledges that in the event that it acquires, directly or indirectly an interest in the Area, that it may be required to enter into a data licensing agreement with GNPC with respect to the GNPC Information on terms to be agreed between GNPC and the Receiving Party.

5.3 The Receiving Party shall acquire no proprietary interest in or title or right to the Confidential Information.

6. Return of Confidential Information

6.1 Disclosing Party may demand the return of the Confidential Information at any time upon giving written notice to Receiving Party.

6.2 Within thirty (30) days of receipt of the notice referred to in Article 6.1 or upon completion of the Receiving Party's review and/or evaluation of the Confidential Information, the Receiving Party shall retain no copies of the Confidential Information, but shall:

6.2.1 Return all of the original Confidential Information to the Disclosing Party;

6.2.2 Destroy or delete or cause to be destroyed or deleted all copies and reproductions (both written and electronic) of Confidential Information and any Evaluation Material in its possession and/or in the possession of persons to whom it was disclosed by the Receiving Party. Confidential Information or Evaluation Material that is in electronic format (including all electronic back-up files subject to Art 6.3.1) shall also be deleted; and

6.2.3 Provide a written certification, signed by an authorized officer of the Receiving Party, that Receiving Party has fully complied with its obligations under this Clause 6.2.

6.3 The provisions of Article 6.1 and 6.2 do not apply to the following:

6.3.1 Confidential Information or Evaluation Material that is retained in the computer backup system of Receiving Party or a Person to whom it was disclosed under Article 4.2 if the Confidential Information or Evaluation Material will be destroyed in accordance with the regular ongoing records retention process of Receiving Party or such Person and if the Confidential Information is not used prior to its destruction;

6.3.2 Confidential Information or Evaluation material that must be retained under applicable law or regulation, including by stock exchange regulations or by governmental order, decree, regulation or rule; and

6.3.3 any corporate documents or reports of the Receiving Party which contain data derived from the Confidential Information or Evaluation Material which were presented to its executive board (or the

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equivalent thereof) and are required in accordance with applicable law or its document retention policy to be retained;

provided that any Confidential Information and/or Evaluation Material that is so retained shall remain subject to the terms of this Agreement.

7. Remedies

The Receiving Party understands and acknowledges that any breach of the terms of this Agreement may cause the Disclosing Party irreparable harm, and damages may not be an adequate remedy, and therefore agrees that the Disclosing Party, an Affiliated Company of Disclosing Party shall have the right to apply, ex parte without the need to post any type of bond or security, to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any such breach or further disclosure and for such other relief as may be deemed appropriate. Such right is to be in addition to the remedies otherwise available to the Disclosing Party, an Affiliated Company of Disclosing Party at law or in equity.

8. Term

This Agreement shall terminate on the later of five (5) years from the Effective Date or the date on which disclosure by Disclosing Party is no longer restricted by the terms of the Petroleum Agreement(s) currently covering the Area.

9. Representations and Warranties

The Disclosing Party represents and warrants that it has the right and authority to disclose the Confidential Information to the Receiving Party. However the Disclosing Party, its Affiliated Companies and their respective principals, officers, directors and employees make no representation or warranties, express or implied as to the quality, accuracy and completeness of the Confidential Information disclosed hereunder, and the Receiving Party expressly acknowledges the inherent risk of error in the acquisition, processing, and interpretation of geological and geophysical data. The Disclosing Party, its Affiliated Companies and their respective principals, officers, directors and employees shall have no liability whatsoever with respect to the use of or reliance upon the Confidential Information by the Receiving Party or its Affiliated Companies or Persons to whom the Receiving Party discloses Confidential Information under Article 4.2.

10. Assignment

The rights and obligations of the Receiving Party under this Agreement may not be assigned in whole or in part by the Receiving Party without the prior written consent of the Disclosing Party. Any attempted assignment by Receiving Party without the prior written approval of Disclosing Party shall be void. Without limiting the prior provisions of this Article 10, this Agreement shall bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

11. Governing Law and Dispute Resolution

11.1 This Agreement shall be governed by and interpreted in accordance with the laws of England and Wales.

11.2 Subject to Article 7 of this Agreement, any dispute arising out of, relating to, or in connection with this Agreement, including any question regarding its

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existence, validity or termination, shall be settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with said rules. The place of arbitration shall be London, England. The proceedings shall be in the English language.

11.3 The resulting arbitral award shall be final and binding without right of appeal, and judgment upon such award may be entered by any court having jurisdiction thereof. A dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect. Receiving Party understands and acknowledges that any breach of the terms of this Agreement may cause the Disclosing Party irreparable harm for which damages may not be an adequate remedy. Accordingly, the arbitrator may award both monetary and equitable relief, including injunctive relief and specific performance or other such relief as may be deemed appropriate. The Disclosing Party may apply to any competent judicial authority for interim or conservatory relief; an application for such measures or an application for the enforcement of such measures ordered by the arbitrator shall not be deemed an infringement or waiver of the Agreement to arbitrate and shall not affect the powers of the arbitrator. Any monetary award issued by the arbitrator shall be payable in U.S. dollars. Each Party waives any right to damages other than those provided in Article 3.6.

11.4 Unless the Parties expressly agree in writing to the contrary, the Parties undertake as a general principle to keep confidential all awards in their arbitration, together with all materials in the proceedings created for the purpose of the arbitration and all other documents produced by another party in the proceedings not otherwise in the public domain - save and to the extent that disclosure may be required of a Party by legal duty, to protect or pursue a legal right or to enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority.

11.5 Any Party that now or hereafter has a right to claim immunity for itself or any of its assets hereby waives such immunity and agrees not to claim such immunity, in connection with this Agreement, including any dispute hereunder. This waiver includes immunity from (A) legal process of any sort whatsoever, (B) jurisdiction or judgment, award, determination, order or decision of any court, arbitrator, tribunal or Expert, (C) inconvenient forum, and (D) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order, attachment (including pre-judgment attachment) or other remedy that results from an expert determination, arbitration or any judicial or administrative proceedings commenced pursuant to this Agreement.

12. Non-exclusivity

The disclosure of Confidential Information to Receiving Party is non-exclusive, and Disclosing Party may disclose the Confidential Information to others at any time pursuant to the terms and conditions of the Petroleum Agreements.

13. No Rights in the Area

Unless otherwise expressly stated in writing, any prior or future proposals or offers made in the course of the discussions of the Parties are subject to all necessary management and government approvals and may be withdrawn by either Party for any reason or for no reason at any time. Nothing contained herein is intended to confer upon Receiving Party any right whatsoever to the interest of Disclosing Party in the Area.

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[Signature]

14. No Waiver

No waiver by either Party of any one or more breaches of this Agreement by the other Party shall operate or be construed as a waiver of any future breach or breaches by the same or other Party, whether of like or of different character. Except as may be expressly provided in this Agreement no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated in writing, that it does waive, release or modify such right.

15. Modifications

No amendments, changes or modifications to this Agreement shall be valid except if the same are in writing and signed by a duly authorized representative of each of the Parties hereto.

16. Severability

If any term of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then this Agreement, including all of the remaining terms, will remain in full force and effect as if such invalid or unenforceable term had never been included.

17. Interpretation

17.1 Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.

17.2 Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.

17.3 Include. The words "include" and "including" have an inclusive meaning, are used in an illustrative sense and not a limiting sense, and are not intended to limit the generality of the description preceding or following such term.

18. Counterpart Execution

This Agreement may be executed in counterparts and each counterpart shall be deemed an original Agreement for all purposes; provided that neither Party shall be bound to this Agreement until both parties have executed a counterpart. For purposes of assembling the counterparts into one document, Disclosing Party is authorized to detach the signature page from one counterpart and, after signature thereof by Receiving Party, attach each signed signature page to a counterpart.

19. Entirety

This Agreement comprises the full and complete agreement of the Parties hereto with respect to the disclosure of the Confidential Information and supersedes and cancels all prior communications, understandings and agreements among the Parties with respect to disclosure of the Confidential Information to the Receiving Party by the Disclosing Party, whether written or oral, expressed or implied.

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[Signature]

20. No Third Party Beneficiaries

20.1 This Agreement is made for the benefit of the Parties, any Affiliated Company of the Disclosing Party and their respective successors and permitted assigns.

20.2 It is the intention of the Parties that:

- (a) any person who is an Affiliated Company of the Disclosing Party; and
- (b) GNPC in respect of any GNPC Information,

has a right under the U.K. Contract (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement. Except as aforesaid, a person who is not a party to this Agreement has no right under such Act to enforce or enjoy the benefit of any term of this Agreement.

20.3 Notwithstanding any provisions of this Agreement, the Parties to this Agreement do not require the consent of any third party to vary this Agreement at any time provided that the consent of GNPC will be required for any variation which relates to any provision as it applies to GNPC Information.

21. Anti-Bribery/Anti-Corruption

The Parties hereby agree that, in relation to this Agreement and the subject matter hereof, they shall at all times comply with all applicable law, regulations and codes relating to anti-bribery and anti-corruption, including but not limited to ensuring that each of the Parties and their respective representatives shall not engage in any activity, practice or conduct which would constitute an offence under any such laws, regulations or codes (as may be amended from time to time).

22. Notices

All notices authorized or required between the Parties by any of the provisions of this Agreement shall be in writing, in English and delivered in person or by courier service or by facsimile which provides written confirmation of complete transmission, and properly addressed to such Parties as shown below. Oral communication and email do not constitute notice for purposes of this Agreement and email addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. "Received" for purposes of this Article 21 shall mean actual delivery of the notice to the address or facsimile address of the Party specified hereunder. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person, by giving written notice thereof to all other Parties.

Disclosing Party Name

Address:

Attention:

Facsimile:

Email:

Telephone

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[Signature]

Receiving Party Name

Address:

Attention:

Facsimile:

Email:

Telephone:

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IN WITNESS WHEREOF the duly authorized representatives of the Parties have caused this Agreement to be executed on the date first written above.

DISCLOSING PARTY

[_____]

Signature: _____

Name: _____

Title: _____

Date: _____

RECEIVING PARTY

[_____]

Signature: _____

Name: _____

Title: _____

Date: _____

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ANNEX 4

SAMPLE AOE CALCULATION

SAMPLE ADDITIONAL OIL ENTITLEMENT CALCULATION

This sample calculation has been prepared to illustrate the Additional Oil Entitlement (AOE) provisions of Article 10 of the Petroleum Agreement to which this Annex 4 is attached and made an integral part thereof. The assumptions used, year-by-year cash flows, inflation rate, and resulting AOE payments are notional only and are neither based upon, nor represent, an actual situation. They are designed to illustrate the mechanics of each of the hypothetical AOE calculations only.

Sample AOE Calculation:

Contractor's Revenues minus Income Taxes minus "Petroleum Costs":

Income Tax Rate: 35%; and

Petroleum Costs: Contractors' Petroleum Costs including costs advanced on GNPC's behalf.

Additional Oil Entitlement (AOE):

Discounted Cash Flow

<u>Real Rate of Return (%*)</u>	<u>AOE Rate (%)</u>
12.5% or less	0%
>12.5% but ≤ 17.5%	10%
>17.5% but ≤ 22.5%	12.5%
>22.5% but ≤ 27.5%	20%
>27.5% but ≤ 32.5%	25%
>32.5%	27.5%

*Rate of Return exclusive of Inflation

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~~27.5%~~

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ANNEX 4

Sample AOE Calculation:

Contractor's Revenues minus Income Tax minus "Petroleum Costs"
 Income Tax Rate : 35%
 Petroleum Costs: Contractor's Petroleum Costs including costs advanced on GNPC's behalf

Additional Oil Entitlement (AOE):

Discounted Cash Flow

Real Rate of Return (%)	AOE
≤12.5%	0.0%
>12.5% ≤17.5%	10.0%
>17.5% ≤22.5%	12.5%
>22.5% ≤27.5%	20.0%
>27.5% ≤32.5%	25.0%
>32.5%	27.5%

*Rate of Return exclusive of Inflation

Sample AOE Calculation (Million US Dollars)

Production Year	Contractors' Hypothetical Net Cash Flow	FAn @ 15.5% (12.5% real + 3.0% Inflation)	AOE 1 10%	SA @ 20.5% (17.5% real + 3.0% Inflation)	AOE 2 12.5%	TA @ 25.5% (22.5% real + 3.0% Inflation)	AOE 3 20%	YA @ 30.5% (27.5% real + 3.0% Inflation)	AOE 4 25%	ZA @ 35.5% (32.5% real + 3.0% Inflation)	AOE 5 27.5%	Total AOE Payments
1	(\$10.0)	(\$10.0)	-	(\$10.0)	-	(\$10.0)	-	(\$10.0)	-	(\$10.0)	-	-
2	(\$20.0)	(\$31.6)	-	(\$32.1)	-	(\$32.6)	-	(\$33.1)	-	(\$33.6)	-	-
3	(\$15.0)	(\$51.4)	-	(\$53.6)	-	(\$55.9)	-	(\$58.1)	-	(\$60.5)	-	-
4	(\$40.0)	(\$99.4)	-	(\$104.6)	-	(\$110.1)	-	(\$115.9)	-	(\$121.9)	-	-
5	(\$25.0)	(\$139.8)	-	(\$151.1)	-	(\$163.2)	-	(\$176.2)	-	(\$190.2)	-	-
6	(\$15.0)	(\$176.5)	-	(\$197.0)	-	(\$219.8)	-	(\$244.9)	-	(\$272.7)	-	-
7	(\$80.0)	(\$283.9)	-	(\$317.4)	-	(\$355.8)	-	(\$399.6)	-	(\$449.5)	-	-
8	\$105.0	(\$222.8)	-	(\$277.5)	-	(\$341.5)	-	(\$416.5)	-	(\$504.1)	-	-
9	\$170.0	(\$87.4)	-	(\$164.4)	-	(\$258.6)	-	(\$373.6)	-	(\$513.1)	-	-
10	\$175.0	\$74.1	\$7.4	(\$30.5)	-	(\$157.0)	-	(\$319.9)	-	(\$527.7)	-	-
11	\$170.0	\$170.0	\$17.0	\$116.3	\$14.5	(\$58.6)	-	(\$279.0)	-	(\$576.5)	-	\$7.4
12	\$165.0	\$165.0	\$16.5	\$148.5	\$18.6	\$56.4	\$11.3	(\$245.5)	-	(\$662.5)	-	\$31.5
13	\$165.0	\$165.0	\$16.5	\$148.5	\$18.6	\$129.9	\$26.0	(\$216.4)	-	(\$793.8)	-	\$46.3
14	\$170.0	\$170.0	\$17.0	\$153.0	\$19.1	\$133.9	\$26.8	(\$175.3)	-	(\$968.5)	-	\$61.1
15	\$215.0	\$215.0	\$21.5	\$193.5	\$24.2	\$169.3	\$33.9	(\$93.3)	-	(\$1,176.9)	-	\$62.9
16	\$185.0	\$185.0	\$18.5	\$166.5	\$20.8	\$145.7	\$29.1	(\$5.3)	-	(\$1,478.1)	-	\$79.6
17	\$125.0	\$125.0	\$12.5	\$112.5	\$14.1	\$98.4	\$19.7	(\$18.0)	\$18.0	(\$1,942.0)	-	\$68.5
18	\$75.0	\$75.0	\$7.5	\$67.5	\$8.4	\$59.1	\$11.8	\$47.3	\$11.8	(\$2,596.0)	-	\$64.2
19	\$25.0	\$25.0	\$2.5	\$22.5	\$2.8	\$19.7	\$3.9	\$15.8	\$3.9	(\$3,505.8)	-	\$39.6
20	\$5.0	\$5.0	\$0.5	\$4.5	\$0.6	\$0.8	\$0.8	\$3.2	\$0.8	(\$4,748.0)	-	\$13.2
Total:	\$1,545.0	\$5.0	\$137.4	\$4.5	\$141.7	\$3.9	\$163.3	\$3.2	\$34.5	\$2.6	-	\$476.8

NOTES

- 1) Rates of Return used above include inflation of 3%
- 2) Year 10: AOE 1 = 0.10 * \$74.1MM (i.e. 0.10 times Cumulative Cash Flows compounded at 15.5% per annum (12.5% real + 3.0% Inflation)) = \$7.4 MM
- 3) Years 11 through 20: AOE 1 in nth year = nth year FA * 0.10
- 4) YEAR 11: SA = (\$30.5 MM) * 1.205 + (\$175.0 MM - \$7.4 MM) = \$116.3 MM
- 5) YEAR 11: AOE 2 = \$116.3 MM * 0.125 (i.e. AOE Rate times Cumulative Cash Flow less AOE 1 payment compounded at 20.5% per annum) = \$14.5 MM
- 6) Year 12: TA = (\$58.6MM) * 1.255 + (\$165.0 MM - \$16.5 MM - \$18.6 MM) = \$56.4 MM
- 7) Year 12: AOE 3 = \$56.4 MM * 0.20 = (i.e. AOE Rate times Cumulative Cash Flow less AOE 1 and less AOE 2 payments compounded at 25.5% per annum) = \$11.3 MM
- 8) Year 17: YA = (\$5.3 MM) * 1.305 + (\$125.0 MM - \$12.5 MM - \$14.1 MM - \$19.7 MM) = \$71.9 MM
- 7) Year 12: AOE 3 = \$71.9 MM * 0.25 = (i.e. AOE Rate times Cumulative Cash Flow less AOE 1 and less AOE 2 and AOE 3 payments compounded at 30.5% per annum) = \$18MM

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Handwritten scribbles and initials.