



**Соглашение о разделе продукции
между Правительством Республики X, государственной корпорацией и
зарубежной нефтяной компанией**

**Production Sharing Agreement
between the government of X Republic, state petroleum corporation and foreign
oil company**

(на английском языке)

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Резюме, Upstream, Раздел продукции, Нефтегазовые контракты

This Agreement is made on the XX day of XX and constitutes the agreement between:

The Government of the XXX Republic (hereinafter referred to as the "**Government of XXX**"), represented by <>, [Minister for xxx]

and

The XXX (Petroleum) Corporation (hereinafter referred to as "**XXX Corporation**") represented by <> its [Managing Director],

and

ZZZ Oil Company, a Company incorporated and existing under the laws of <Republic of Cyprus>, hereinafter referred to as "**Contractor**", represented by <> its [Managing Director].

WITNESSETH

WHEREAS, Petroleum in or under any land in XXX is vested in the XXX Republic; and

WHEREAS the **XXX Corporation** has been established by law for the purpose (inter alia) of promoting the development of the petroleum industry and the production of petroleum; and

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WHEREAS, **XXX Corporation** intends to apply for an Exploration License over the area described in Annex "A" and shown on the map in Annex "B" hereof and the Minister intends to grant the said license; and

WHEREAS, the XXX Republic Petroleum Act ("the Act") makes provision with respect to exploring for and producing petroleum and for that purpose subject to certain limitations and conditions authorizes the Minister to grant Exploration Licenses, and

WHEREAS, **XXX Corporation** with the approval of the Minister wishes to engage **Contractor** to carry out on its behalf Petroleum Operations in the area of the said license and in the area of any Development License(s) granted to **XXX Corporation** hereunder; and

WHEREAS, **Contractor** is willing on certain terms and conditions to undertake the Petroleum Operations aforesaid and has for that purpose the necessary financial capacity, technical competence and professional skill.

NOW, THEREFORE, the parties hereto agree as follows:

Article 1 Definitions

The words and terms used in this Agreement shall have the following meanings unless specified otherwise.

(a) "Development Area", "Development License" "Development Operations" "Exploration Operations" "In Default", "Location", "Minister" and "Petroleum" shall have the meanings assigned to them respectively in Section X of the Act; "Adjoining Block" and "Discovery Block" shall have the meanings assigned to them respectively in Section XX of the Act.

(b) "Affiliated **Contractor**" or "Affiliate" means any company holding directly or indirectly a majority of shares in any company which is controlled directly or indirectly by any such aforesaid company. For the purpose of the foregoing definition:

- (i) a company is directly controlled by another company or companies holding shares carrying in the aggregate the majority of votes exercised at general meetings;
- (ii) a particular company is indirectly controlled by a company or companies (hereafter called "the parent company or companies") if a series of companies can be specified, beginning with the parent company, so related that each company of the series, except the parent company or companies, is directly controlled by one or more of the companies earlier in the series.

(c) "Appraisal Well" means any well drilled following a discovery of Petroleum in the Contract Area for the purpose of ascertaining the quantity of Petroleum in the petroleum reservoir to which that discovery relates.

(d) A "Barrel" means a quantity consisting of forty-two (42) United States gallons, liquid measure, corrected to a temperature of sixty degrees (60 degrees) Fahrenheit.

(e) A "Calendar Month" or "Month" means any of the twelve months of the Calendar Year.

(f) "Calendar Quarter" or "Quarter" means a period of three (3) consecutive months starting with the first day of January, April, July or October.

(g) "Calendar Year" or "Year" means a period of twelve (12) consecutive months starting with January 1 and ending with December 31.

(h) "Casinghead Gas" means Natural Gas which existed or exists in a reservoir in solution with Crude Oil, or as free gas cap gas, and in or could be produced with Crude Oil from a well the predominant production of which is or would be Crude Oil.

(i) "Contract Area" means the area which in accordance with Article 3(b) hereof constitutes the contract area for the purpose of this Agreement.

(j) "Contract Expenses" means Exploration Expenses, Development Expenses, Operating Expenses, Service Costs and General and Administrative Costs.

(k) "Crude Oil" means any hydrocarbon which:

(i) is in a liquid state at the well head or gas/oil separator or which is extracted from the gas or casinghead gas in a plant including distillate and condensate, and

(ii) except where in Article 15 hereof the context requires otherwise, has been produced from the Contract Area.

(l) "Delivery Point" means the point FOB of the XXX loading facility at which Crude Oil reaches the inlet flange of the lifting tankship's intake pipe or such other point which may be agreed between **XXX Corporation** and the **Contractor**.

(m) "Development Expenses" means those expenses as so categorized in Annex "D", the Accounting Procedure.

(n) "Effective Date" means the date on which this Agreement is signed by the **Government of XXX**, **XXX Corporation** and **Contractor**.

(o) "Exploration Expenses" means those expenses as so categorized in Annex "D", the Accounting Procedure.

(p) "Exploration Period" means a period of exploration referred to in Article 4(b).

- (q) "Exploration Well" means a well drilled in the course of Exploration Operations conducted hereunder but does not include an Appraisal Well.
- (r) "General and Administrative Costs" means those costs as so categorized in Annex "D", the Accounting Procedure.
- (s) "Natural Gas" means natural gas both associated and non-associated and all its constituent elements produced from any well in the Contract Area and all non-hydrocarbon substances therein.
- (t) "Non-Associated Gas" means all gaseous hydrocarbons produced from gas reservoirs, and includes wet gas, dry gas and residue gas remaining Natural Gas other than Casinghead Gas.
- (u) "Operating Expenses" means those expenses as so categorized in Annex "D", the Accounting Procedure after the extraction and liquid hydrocarbons therefrom.
- (v) "Operator" means the person designated as the operator under an operating agreement executed by the persons constituting the **Contractor** or the operating agreement executed by **XXX Corporation** and the **Contractor** pursuant to Article 7.
- (w) "Service Costs" means those costs as so categorized in Annex "D", the Accounting Procedure.

Article 2 Agreement

This Agreement constitutes an agreement made under Section XX of the Act.

Article 3 Responsibilities and Grant of Rights

(a) As soon as possible, but in any event not later than 30 days after the Effective Date, **XXX Corporation** will apply for and **Government of XXX**, under and in accordance with the Act, will grant to **XXX Corporation** an Exploration License over the area described in Annex "A" and shown on the map in Annex "B" hereof. The said license shall be substantially in the form of the draft set out in Annex "C" hereof.

(b) Subject as hereinafter provided in sub-article (g) (ii) of this Article and sub-article (d) of Article 6, the areas which at any particular time are subject to the said Exploration License or subject to any Development License granted to **XXX Corporation** for which application was made by **XXX Corporation** at the request of the **Contractor** hereunder constitute for the purpose of this Agreement the Contract Area.

(c) Save where Joint Operations have been established pursuant to Article 7, the **Contractor**, on the terms and conditions set out herein, shall have the exclusive right to conduct, on behalf of **XXX Corporation** as license holder, Petroleum Operations in the Contract Area. Where the **Contractor** is constituted by more than one person **Contractor** shall be the operator and the duties and obligation under this Agreement shall be joint and several except where the parties specifically have agreed otherwise in this Agreement. No change in Operatorship shall take effect unless it has been approved blocks to be relinquished by **XXX Corporation** in accordance with the requirements by the Minister.

(d) The **Contractor** will:

(i) carry out the Petroleum Operations in the Contract Area diligently, with due regard to good oil field practices and in such manner as to ensure that in respect of matters which are the responsibility of the **Contractor** hereunder **XXX Corporation** is not in default;

(ii) furnish **XXX Corporation** with such information, reports, records and accounts relating to the Petroleum Operations in the Contract Area as may be necessary to enable **XXX Corporation** to meet its obligations under the Act and in particular, but without prejudice to the generality of the foregoing, to meet the requirement of First Schedule thereof;

(iii) if the **Contractor** has requested **XXX Corporation** to apply for any extension of the said Exploration License, select the of this Agreement and the Act;

(iv) pay **XXX Corporation** within 30 days of the Effective Date the sum of 000.000.000 US \$ [in respect of geological and geophysical data relating to the Contract Area];

(v) subject to Article 8, reimburse **XXX Corporation** within 30 days from the date of payment thereof, for the annual charges in respect of the said Exploration License or any Development License granted to **XXX Corporation** at the request of the **Contractor** hereunder, payable by **XXX Corporation** pursuant to section XX of the Act; and

(vi) notify **XXX Corporation** promptly of any change in its circumstances, or those of any affiliate upon whom it is dependent for efficient execution of its petroleum operations, which has or is likely to have an adverse impact upon its ability to meet its obligations under this Agreement.

(e) **XXX Corporation** :

will, as license holder, take such steps as may be necessary from time to time to ensure that in respect of the Contract Area it is not in default under the Act and will not in the Contract Area, without the prior consent in writing of the **Contractor**, surrender any block or blocks, make any request that any block or blocks be declared a Location, or apply for Development License;

if the **Contractor** so requests will:

(a) apply for such extensions of the said Exploration License as the Act may permit;

(b) When any application is made for an extension of the said Exploration License, relinquish to meet the requirements of the Act only blocks selected for that purpose by the **Contractor**,

(c) pursuant to Section 33(1) (a) of the Act, request that a Discovery Block within the Contract Area and such adjoining blocks not exceeding eight selected by the **Contractor** be declared by the Minister to be a Location;

(d) apply for a Development License or Licenses over such block or blocks within the Contract Area as the **Contractor** may specify for that purpose;

(e) make such other applications, requests, or representations in respect of the Contract Area which the Act may require or permit to be made by a license holder.

(f) The Government of XXX:

(i) will take such actions (if any) as may be necessary from time to time to ensure that **XXX Corporation** carries out its obligations hereunder and will not without the consent of the **Contractor** seek or acquiesce in any waiver by **XXX Corporation** in respect of the Contract Area of its rights as license holder under the Act;

(ii) undertakes that, where in the case of discovery of petroleum referred to in Section 29(1) of the Act, **XXX Corporation** makes an application for further extension of the said Exploration License the Minister will, in respect of any block to which paragraph (b) of subsection (1) of that Section applies, grant an extension for such period not exceeding three years as may be required to appraise the discovery;

(iii) subject to sub-article d(iv) of this Article, will at the **Contractor's** expense make available to the **Contractor** geological and geophysical data referred to in the said sub-article d(iv) in the possession

or under the control of **Government of XXX** resulting from petroleum exploration by any other **Contractor** in the Contract Area and the **Contractor** shall treat data as confidential;

(iv) subject to any requirement in the laws of XXX and subject to respect by the **Contractor** for the rights of the others, will permit the **Contractor**, its servants and agents to have at all times access to the Contract Area for the purpose of carrying on the Petroleum Operations hereunder and for such purpose to move freely therein; and

(g) (i) The **Contractor**, on giving to **XXX Corporation** not less than 90 days notice in writing:

(a) may, if its obligations in respect of any Exploration Period have been fulfilled at any time thereafter during that period, surrender its rights and be relieved of its obligations in respect of the whole of the Contract Area;

(b) may, at any time after the grant of the said Exploration License, surrender its rights and be relieved of its obligations in respect of any block or blocks forming part of the Contract Area; provided however that no surrender by the **Contractor** of its rights over any part of the Contract Area shall relieve the **Contractor** of its obligations to spend the sums and carry out the work described in Article 4 hereof.

(ii) where pursuant to this sub-paragraph the **Contractor** has surrendered its rights and been relieved of its obligations in respect of any block or blocks forming part of the Contract Area notwithstanding that the said block or blocks continue to be subject to any Exploration or Development License referred to in sub-article (b) of this Article the said blocks shall not for the purpose of this Agreement constitute part of the Contract Area.

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Article 4 Exploration Programme

(a) Subject to the provisions of this Article in discharge of its obligation to carry out Exploration Operations in the Contract Area the **Contractor** shall during the several periods into which Exploration Operations are divided hereunder carry out the work described and spend not less than the sums specified in sub-article (b).

(b) Initial Exploration Period Commencing on the day on which the Exploration License is granted to **XXX Corporation** pursuant to Article 3 and terminating on the fourth anniversary of that date:

Description of Work: Undertake geological and Geophysical surveys and related activities as deemed necessary by the **Contractor**; shoot [XX] kms of seismic; and Drill of [XX] Exploration Wells.

Minimum Expenditure for this period : US \$ 000.000 million.

First Extension Period Commencing on the day on which a first extension of the license granted is issued to **XXX Corporation** pursuant to Article 3 takes effect and terminating on the fourth anniversary of that date:

Description of Work: Drill [XX] Exploration Wells; and undertake any additional geological and geophysical surveys and related activities as deemed necessary by the **Contractor**.

Minimum Expenditure for this period : US \$ 000.000 million.

Second Extension Period

Commencing on the day on which a second extension of the license granted to XXX Corporation pursuant to Article 3 takes effect and terminating on the third anniversary of that dated:

Description of Work: Drill XX Exploration Wells; and undertake any additional geological and geophysical surveys and related activities as deemed necessary by the **Contractor**.

Minimum Expenditure For this period : US \$ 000.000 million.

No exploration Well drilled by the **Contractor** shall be treated as discharging any obligation of the **Contractor** to drill Exploration Wells hereunder unless it has been drilled to the depth or stratigraphic level agreed with the Minister, or before reaching such depth or stratigraphic level:

(i) the economic basement is encountered or

(ii) insurmountable technical problems are encountered which, in accordance with good oilfield practice, makes further drilling unsafe or impractical; provided that if the said well is abandoned owing to the said problems before reaching the economic basement, the **Contractor** shall drill a substitute Exploration Well in the Contract Area to the same minimum depth as aforesaid unless otherwise agreed with the Minister.

For the purpose of this sub-article "economic basement" means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected.

(d) Where in any Exploration Period the **Contractor** has spent more than the minimum expenditure specified in sub-article (b) for that period the excess shall be credited against the minimum expenditure specified in that sub-article for the next succeeding Exploration Period; provided

however that nothing in this sub-article shall be construed as extinguishing or modifying any obligation of the **Contractor** to drill Exploration Wells pursuant to this Article.

(e) The Exploration License issued to **XXX Corporation** pursuant to Article 3 and any extension thereof shall be on terms and conditions relating to Work Programmes, and Minimum Expenditure which correspond to the obligation of the **Contractor** under this Article and it is accordingly understood and agreed that discharge by the **Contractor** of its obligations under this Article in respect of any Exploration (d) Period will discharge for that period the obligations of **XXX Corporation** relating to the Work Programme and minimum expenditure in respect of the license issued pursuant to Article 3 and the terms and conditions of the license aforesaid and any extension thereof shall be drawn up accordingly.

(f) The minimum expenditure for each period specified in sub-article (b) shall not have been satisfied unless the total expenditure attributable to the work described in sub-article (b) equals or exceeds the same mentioned in the said sub-article; provided that for this purpose all such attributable expenditures shall be adjusted, commencing from the Effective Date, by dividing each of them by the following factor 1, where:

$1 = A/B$ and where:

A is the United States Industrial Goods Producer Price Index (USIGPPI) as Reported for the first time in the monthly Publication "International Financial Statistics" Of the International Monetary Fund (IMF) in the section "Prices, Production, Employment" for the Month of the Effective Date.

B is the USIGPPI as reported for the first time in the aforesaid IMF publication for the month of the expenditure in question.

(g) For the purpose of this Article expenditure by the **Contractor** on an appraisal programme required to discharge the obligations of **XXX Corporation** under Section 32(2) of the Act shall not treated as expenditure for the purpose of satisfying the minimum expenditure obligations set out in sub-article (b).

Article 5 Work Programmes and Advisory Committee

(a) Within 30 days of the Effective Date, the **Contractor** shall prepare and submit to **XXX Corporation** a detailed Work Programme and Budget setting forth the Exploration Operations which the **Contractor** propose to carry out in the Calendar Year in which the Exploration License is first issued to **XXX Corporation** hereunder and the estimated cost thereof.

(b) So long as the Exploration License issued to **XXX Corporation** hereunder remains in force, at least three months prior to the beginning of each subsequent Calendar Year, the **Contractor** shall prepare and submit to **XXX Corporation** a detailed Work Programme and Budget setting forth the Exploration Operations which the **Contractor** propose to carry out in that Calendar Year and the estimated cost thereof.

(c) Every Work Programme and Budget submitted to **XXX Corporation** pursuant to this Article and every revision or amendment thereof shall be consistent with the requirements set out in Article 4 relating to work and expenditure for the Exploration Period within which the Work Programme and Budget will fall.

(d) Every Work Programme and budget and, as the case may be, the appraisal programme referred to in Article 6(e), submitted by the **Contractor** to **XXX Corporation** shall be reviewed by a joint committee to be established by **XXX Corporation** and the **Contractor**. This committee, hereinafter referred to as the "Advisory Committee", shall consist of four (4) members, two(2) of whom shall be appointed by **XXX Corporation** and two(2) by the **Contractor**. The Chairman of the Advisory Committee shall be selected by **XXX Corporation** from among the members appointed by it. Should **XXX Corporation** wish to propose a revision of the proposed Work Programme and Budget, or appraisal programme, as the case may be, shall within three(3) weeks after receipt thereof so notify the **Contractor** specifying in reasonable detail its reasons.

Promptly thereafter, the parties will meet and endeavor to agree upon the revisions proposed by **XXX Corporation** Following review by the Advisory Committee the **Contractor** shall make such revisions as it deems appropriate and submit the work Programme and Budget or, without prejudice to Article 6(f), appraisal programme, as appropriate, to **XXX Corporation**

(e) Subject to Article 4, on giving notice to **XXX Corporation** the **Contractor** may amend any Work Programme or Budget or any revised Work Programme or Budget submitted to **XXX Corporation** but subject to any such amendment the **Contractor** shall carry out the Exploration Operations set

forth in the Work Programme or revised Work Programme and spend not less than the sum provided for in the Budget or revised Budget.

In the case of an appraisal programme, any amendments thereto proposed to **XXX Corporation** by the **Contractor** will be subject to section 32(2) of the Act; where an appraisal programme has been agreed by the Advisory Committee as referred to in Article 6(f), no amendment shall be made without the approval of the Advisory Committee. A notice under this sub-article shall state the reasons why in the opinion of the **Contractor** an amendment is necessary or desirable.

(f) Where the **Contractor** has discharged its obligations under this Article, the Minister will not suspend or cancel any Exploration License granted to **XXX Corporation** hereunder by reason only that **XXX Corporation** has failed to comply strictly with the requirements of paragraph (a) of subsection (1) of Section 30 of the Act or has failed to meet the requirements deemed to be included in an Exploration License by reasons of that provision.

Article 6 Discovery and Development

(a) If Petroleum is discovered in the Contract Area, the **Contractor** will, within thirty days from the date on which evaluated test results relating to the discovery are submitted to **XXX Corporation**, inform **XXX Corporation** by notice in writing whether or not the discovery is in the opinion of the **Contractor**, of potential commercial interest.

(b) If the **Contractor** informs **XXX Corporation** that in its opinion the discovery is not of potential commercial interest then **XXX Corporation** will have the option to require the **Contractor** surrender its rights and be relieved of its obligations in respect of the block or blocks comprising the geological feature (as outlined by the relevant seismic data) in which the discovery is located.

(c) The option aforesaid will lapse if not exercised by **XXX Corporation** within twelve months from the date on which notice was given to **XXX Corporation** by the **Contractor** pursuant to sub-article (a) of this Article and during the said period of twelve months, and any subsequent period if the option lapses without being exercised, the Minister will in respect of the discovery to which that notice relates exempt **XXX Corporation** from the requirements of Section 32(2) of the Act.

(d) Where pursuant to sub-article (b) of Article, the **Contractor** has surrendered its rights and been relieved of its obligations in respect of any block or blocks in which the discovery is located, notwithstanding that the said block or blocks continue to be subject to the Exploration License referred to in sub-article (b) of Article 3, the said block or blocks shall not for the purpose of this Agreement, constitute part of the Contract Area.

(e) Where the **Contractor**, pursuant to sub-article (a) of this Article, has informed **XXX Corporation** that, in its opinion the discovery of potential commercial interest, the **Contractor** will, as soon as practicable thereafter, submit, for the consideration of the Advisory Committee, its proposals for an appraisal programme to meet the requirements of Section XX of the Act.

(f) Where:

(i) the Advisory Committee has agreed on an appraisal programme submitted by the **Contractor** as aforesaid or on a revision thereof; and

(ii) a Location has been declared; the Minister will, to the extent necessary, extend the period within which application may be made by **XXX Corporation** for a Development License so as to ensure that the appraisal programme can be carried out and the results thereof assessed before the said period expires.

(g) Where the **Contractor** has requested **XXX Corporation** to make application for a Development License, the proposals accompanying such application pursuant to paragraph (a) of Section 36 of the Act shall:

(i) be drawn up by the **Contractor** after consultation with **XXX Corporation**;

(ii) be designed to ensure the recovery from the Development Area of the maximum quantity of Petroleum which the economics of the development shall justify; and

(iii) accord with good oilfield practices.

(h) Where a Location has been declared, the Minister will not, without the prior agreement of the **Contractor**, give any direction to **XXX Corporation** pursuant to Section 34(1) of the Act; provided however that if application is made for a Development License in respect of any block or blocks within that Location, nothing in this sub-article shall be construed as limiting the scope of any notice which the Minister may give to **XXX Corporation** pursuant to Section 37(2) of the Act.

Article 7 Joint Operations

(a) Save as provided in sub-article (b) and sub-article (c) (iii) of this Article, the **Contractor** shall bear and pay all Contract Expenses incurred in carrying out Petroleum Operations hereunder and the **Contractor** shall recover such expenses only from the Petroleum to which it is entitled at hereinafter provided in Article 9.

(b)

(i) **XXX Corporation** may at any time, by notice in writing to the **Contractor**, elect to contribute in the Specified Proportion to Contract Expenses other than Exploration Expenses (such Exploration Expenses to include expenses in respect of an appraisal programme) incurred in the first and every subsequent Development Area from the date such notice is rendered, providing that in the case of a second and each subsequent development **XXX Corporation** has the option, exercisable separately at or before the time the Development Plan is approved, not to participate in Joint Operations in respect of which **XXX Corporation** has elected to contribute expenses as aforesaid. Any election in respect of any Development Area shall be irrevocable. The Specified Proportion shall remain as indicated in such notice unless and until such time that **XXX Corporation** renders a further notice in writing to the **Contractor** indicating a specified proportion in excess of the Specified Proportion indicated in the previous notice.

(ii) For the purpose of this Agreement the "Specified Proportion "means a proportion specified in a notice given by **XXX Corporation** pursuant to sub-paragraph (i) of this sub-article, which does not exceed the maximum indicated below with respect to the daily total production rate in the entire Contract Area:

Daily total production rates Maximum Specified in the Contract Area Proportion Up to

<пропущено/omitted>

(c) Joint operations shall be conducted hereunder in accordance with the terms and conditions of an Operating Agreement to be concluded between **XXX Corporation** and the **Contractor** immediately following the first notice given to the **Contractor** by **XXX Corporation** pursuant to sub-paragraph (of sub-article (b) of this Article. The operating Agreement aforesaid will include provisions to give effect to the following principles:

(i) **Contractor** shall be the sole Operator of the Joint Operations under properly defined rights and obligations and will carry out all operations pursuant to work programmes and budgets approved by a Joint Operating Committee. The parties may review at any time the Operatorship of the Joint Operations.

(ii) A joint Operating Committee shall be established on which **XXX Corporation** and the **Contractor** shall be equally represented. The representatives aforesaid shall have equal voting rights on the Joint Operating Committee on all matters. In case of disagreement a third party expert, who shall be mutually agreed upon and selected will resolve the disagreement and his decision shall be final and binding on the parties to the disagreement;

(iii) **XXX Corporation** shall be liable to contribute fee Specified Proportion of the Contract Expenses other than Exploration Expenses (such Exploration Expenses to include expenses in respect of an appraisal programme) of Joint Operations in all Development Areas in respect of which **XXX Corporation** has elected to participate.

The balance of such expenses shall be contributed by the **Contractor**. The contributions aforesaid shall be in such currencies as may be required from time to time by the Operator for the Joint Operations approved by the Joint Operating Committee but **XXX Corporation** shall have the right to finance in XXX Shillings and such amounts will count towards the total contribution which **XXX Corporation** is obliged to make in respect of its share in Joint Operations. Failure by any party to meet calls for funds within the time limits agreed shall result in liability for interest on the unpaid amounts for the period that such amounts remain unpaid at rates substantially higher than international commercial bank rates.

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Article 8 Annual Charges

(a) The annual charge in respect of which the **Contractor** is obliged to reimburse **XXX Corporation** pursuant to Article 3(d) (v) hereof in respect of the said Exploration License shall be an equivalent amount in 000000 US \$ calculated subject to paragraph (b) below by charging the following amounts for every square kilometre of the Contract Area retained:

0000 US\$

Initial Exploration Period

First Extension Period

Second Extension Period

The annual charge in respect of a Development License granted to **XXX Corporation**, for which application was made at the request of the **Contractor**, shall be established as part of the development plan, but shall be consistent with international industry practice regarding rentals for Development Licenses;

(b)

<пропущено/omitted>

Article 9 Recovery of Costs and Expenses and Production Sharing

(a) There shall be no "ring fencing" of exploration blocks in XXX. The petroleum exploration expenses in one license area shall be carried over to the next license area. The resulting cumulative expenses shall be recovered from the "Cost Oil" from the subsequent license area in case of discovery.

(b) Subject to sub-article (c) below and sub-article (a) of Article 11, all Contract Expenses incurred by the **Contractor** and, where Joint Operations have been established, by **XXX Corporation** shall be recovered from a volume of Crude Oil (hereinafter referred to as "Cost Oil") produced and saved from the Contract Area and limited in any Calendar Year to an amount not exceeding:

(i) Sixty percent (60%) of total Crude Oil production from the Contract Area when the total cumulative production in the Contract Area after the Effective Date is equal to or less than 25 million barrels of Crude Oil, and

(ii) Fifty percent (50%) of the next 25 million barrels of total Crude Oil production from the Contract Area (i.e., from when the total cumulative production in the Contract Area after the Effective Date exceeds 25 million barrels but is equals to or less than 50 million barrels), and

(iii) Forty percent (40%) of all Crude Oil produced and saved from the Contract Area when the total cumulative production in the Contract Area after the Effective Date Exceeds 50 million barrels, provided that where the applicable percentage changes in the course of any Calendar Year the applicable percentage shall be applied pro rata to the portion of annual Crude Oil production occurring in each band of cumulative production.

(c) Contract Expenses which pursuant to the provision of Annex D, may recovered from Cost Oil are hereinafter referred to as "Recoverable Contract Expenses". Such expenses may be recovered as from the date they have been incurred. To the extent that in any Calendar Year the Recoverable Contract Expenses exceed the Cost Oil available under Article 9 (b), the unrecovered excess shall be carried forward for recovery in the next succeeding Calendar Year and, to the extent not then recovered in the subsequent Year or Years.

(d) Where, additionally, Joint Operations have been established:

(i) No Contract Expenses incurred by **XXX Corporation** shall be recovered from the Cost Oil unless there is production from a Development Area in respect of which there are Joint Operations;

(ii) The available Cost Oil shall be applied first to recover Operating Expenses, and the **Contractor** and **XXX Corporation** shall be entitled to recover such Expenses in proportion to their individual cumulative unrecovered Opening Expenses. After recovery of Operating Expenses any excess Cost Oil available for distribution shall be applied to recover Exploration Expenses. After recovery of Operating Expenses and Exploration Expenses any excess Cost Oil available for distribution shall be applied to recover Development Expenses, and the **Contractor** and **XXX Corporation** shall be entitled to recover such expenses in proportion to their individual cumulative unrecovered Development Expenses. Any unrecovered Contract Expenses shall be recovered out of the Cost Oil available in the next succeeding Calendar Year or Years in the same manner as set out herein.

(e) Subject to the limitations set out in sub-article (b) above, the quantity of Cost Oil which the **Contractor** and, if Joint Operations have been established, **XXX Corporation** actually require and shall be entitled to in any Calendar Year will be established on the basis of the average fair market price per barrel determined in accordance with Article 10 herein (f) (i) For the purpose of sharing incrementally between the parties the balance of Crude Oil available in any Year after Recoverable Contract Expenses have been recovered to the extent and in the manner aforesaid (hereinafter referred

to as ("Profit Oil"), total Crude Oil production from the Contract Area shall be divided into the following increments:

Increments of daily total production rates in the Contract Area

<пропущено/omitted>

(ii) The increments of production referred to this Article 9 and also in Article 7 herein shall be specified in terms of average daily production rates (barrels of oil per day, BOPD). The average daily production rates shall be determined for each Calendar Quarter and shall be calculated by dividing the total quantity of Crude Oil produced and saved from the

Contract Area during any Quarter by the total number of days during which Crude Oil was produced in such Quarter.

(iii) The quantity of Cost Oil required to satisfy Recoverable Contract Expenses in any Year shall be allocated to each of the applicable increments of production in the same proportion as the total production in each increment of production bears to total production from the Contract Area.

(g) If there are no Joint Operations, after allocation of Recoverable Contract Expenses in accordance with sub-article (f)(iii) above, the resulting Profit Oil in each increment of production shall be shared as follows:

Increments of daily total **XXX Corporation** Share **Contractor** Production rates in the of Profit Oil
Share of Contract Area Profit Oil

<пропущено/omitted>

(h) If there are Joint Operations in all Development Areas, **XXX Corporation's** share of Profit Oil indicated in sub-article (g) above relative to each increment of production shall be increased by the number of percentage points obtained by multiplying the percentage of the Specified Proportion determined in accordance with article 7(b) (ii) by the share of **Contractor's** Profit Oil indicated in sub-article (g) above relative to such increment of Profit Oil, and the **Contractor's** share shall be reduced accordingly. However, where **XXX Corporation** has elected pursuant to Article 7(b) (i) not to participate in Joint Operations in all Development Areas, the increase in **XXX Corporation's** share

of Profit Oil shall be the result of the above calculation multiplied by the ratio of total production from Joint Operations total production in the Contract Area during each Year.

(i) With respect to this Article, Cost Oil and Profit Oil calculations shall be done for each Calendar Quarter and the Crude Oil provisionally shared accordingly. To the extent that actual quantities, expenses and prices are not known, provisional estimates of such data based on the approved Work Programme, budget and any other relevant documentation or information shall be used. Within 60 days of the end of each Calendar Year a final calculation of Cost Oil and Profit Oil based on actual Crude Oil quantities, prices and recoverable costs and expenses in respect of that Calendar Year shall be prepared and any necessary adjustments to the Crude Oil sharing shall be agreed upon between the **Contractor** and **XXX Corporation** and made as soon as is practicable.

Subject to Article 15(d), the **Contractor** will be free to export any Petroleum received by the **Contractor** pursuant to Article 9 and 11 of this Agreement and to retain the proceeds of the sale of such Petroleum outside XXX; the **Contractor** shall be exempt from any duty, tax or any other financial impost in respect of the export of Petroleum hereunder.

Article 10 Valuation of Crude Oil

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(a) The parties hereby agree that XXX Crude Oil produced and saved from the Contract Area shall be sold or otherwise disposed of at competitive international market prices. The average fair market price of XXX Crude Oil marketed in any Calendar Quarter shall, for the purpose of giving effect to this Agreement, be determined as follows:

(1) as soon as possible after the end of each Calendar Quarter in which Crude Oil has been produced from any Development Area pursuant to this Agreement an average price (in terms of US\$ per barrel, FOB the **Contractor's** actual loading point for export from XXX) for each separate volume of Crude Oil of the same gravity, sulphur and metal content, pour point, product yield and other relevant characteristics ("quality") shall be determined in respect of production during that Calendar Quarter. It is understood that production from different Development Areas may be of differing quality and that separate average prices may accordingly be appropriate for any Calendar Quarter in respect of production for each Area, in which event the overall price applicable to production from the Contract Area shall be determined by taking the arithmetic weighted average (weighted by volume) of all such prices separately determined.

(2) The prices aforesaid shall be determined on the basis of international fair market value as follows:

(i) in the event that 50% or more of the total volume of sales made by the **Contractor** during the Calendar Quarter of Crude Oil of a given quality produced and saved hereunder have been third party arms length sales transacted in foreign exchange (hereinafter referred to as "Third Party Sales"), the fair market valuation for all Crude Oil of that quality will be taken to be the simple arithmetic average price actually realised in such Third Party Sales. This will be calculated by dividing the total receipts from all Third Party Sales by the total number of Barrels of Crude Oil sold in such sales;

(ii) subject to sub-paragraph (3) below, in the event that less than 50% of the total volume of sales made by the **Contractor** during the Calendar Quarter of Crude Oil of a given quality produced and saved hereunder have been Third Party Sales, the fair market valuation for all Crude Oil of that quality will be determined by the arithmetic weighted average of:

(A) the simple arithmetic average price actually realised in the Third Party Sales during the Calendar Quarter of such Crude Oil produced and saved hereunder, if any, calculated by dividing the total receipts from all Third Party Sales by the total number of Barrels of Crude Oil sold in such sales; and

(B) the simple arithmetic average price per Barrel at which a selection of major competitive crude oils of generally similar quality to that of XXX Crude Oil produced hereunder were sold in international markets during the same period; the prices of the crude oils used for reference will be adjusted for differences in quality, quantity, transportation costs, delivery time, payment and other contract terms.

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The selected crude oils will be agreed between the **Contractor** and **Government of XXX**, in consultation with **XXX Corporation**, in advance for each Calendar year and in making the selection preference will be given to those crude oils of similar quality to XXX Crude Oil which are produced in Africa or the Middle East and are regularly sold in the same markets as XXX Crude Oil is normally sold.

The arithmetic weighted average aforesaid will be determined by the percentage volume of sales of XXX Crude Oil by the **Contractor** that are, (A), and that are not, (B), as the case may be, Third Party Sales during the Calendar Quarter in question.

(iii) all such prices will adjusted to FOB the **Contractor's** actual loading point for export from XXX;

(iv) for the purposes of this Article, Third Party Sales of Crude Oil made by the **Contractor** shall include any third party arms length sales made by the **Contractor** on **Government of XXX**'s behalf pursuant to Article 15 herein but shall exclude:

(A) Sales, whether direct or indirect through brokers or otherwise, of any seller to any Affiliate of such seller.

(B) Crude Oil exchanges, barter deals or restricted or distress transactions, and more generally any Crude Oil transaction which is motivated in whole or in part by considerations

(B) other than the usual economic incentives for commercial arms length crude oil sales.

(3) In the event that less than 50% of the total volume of sales by the **Contractor** during the Calendar Quarter of Crude Oil of a given quality produced and saved hereunder have been Third Party Sales, the **Contractor** shall promptly notify **Government of XXX** and **XXX Corporation** of the applicable percentage and respective volumes and prices realised. **Government of XXX** and **XXX Corporation** shall have the right to elect for the fair market valuation for all Crude Oil of that quality to be determined for that Quarter in accordance with sub-article 10 (a) (2) (1) above. If **Government of XXX** and **XXX Corporation**, so elect they will notify the **Contractor** in writing within 14 days of receipt of the original notification from the **Contractor**, and the fair market valuation of the aforesaid Crude Oil shall be determined accordingly. If **Government of XXX** and **XXX Corporation** do not so elect then the fair market valuation shall be determined in accordance with sub-article 10 (a) (2) (ii) above.

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(b) The **Contractor** shall be responsible for establishing the relevant average prices for Crude Oil in accordance with this Article and such prices shall be subject to agreement by **XXX Corporation** before they shall be accepted as having been finally determined. The **Contractor** shall provide **XXX Corporation** with all relevant material in order that it can satisfy itself that the average price determined by the **Contractor** is fair. If the parties fail to agree on the average price for any Calendar Quarter within 30 days following the end of such Quarter then the calculation of the relevant average price shall be referred to a sole expert appointed pursuant to sub-article (d) below. The sole expert's determination shall be final and binding.

(c) During the Calendar year in which production from the Contract Area commences the parties will meet in order to establish a provisional selection of the major competitive crude oils and an appropriate mechanism for the purposes of giving effect to sub-article 10(a) (2)(ii) (B) above. The selection of crude oils will be reviewed annually and modified if necessary.

(d) In the event of any difference or dispute between the **Contractor** and **Government of XXX** or **XXX Corporation** concerning selection of the major competitive crude oils, or more generally about the manner in which the prices are determined according to the provisions of this Article 10, the matter or matters in issue shall finally be resolved by a sole expert appointed by agreement between the parties or, in the absence of such agreement, by the British Institute of Petroleum. The costs of the expert shall be shared equally between the **Contractor** on the one hand and the **Government of XXX** and **XXX Corporation** on the other hand.

Article 11 Natural Gas

(a)

(1) Where the **Contractor** has informed **XXX Corporation** that Non-Associated Natural Gas discovered in the Contract Area is of potential commercial interest, the parties will, as soon as possible after completion by the **Contractor** of an appraisal programme, meet together with a view to reaching an agreement on the development, production, processing and sale of such gas.

(2) For the purpose of the aforesaid, the parties undertake to negotiate in good faith and in doing so will seek to give effect to the following principles:

(i) all Contract Expenses directly attributed to the discovery and production of such gas shall be recovered from part thereof and the remainder of the gas shared between the **Contractor** and **XXX Corporation** as far as possible in accordance with the scheme for cost recovery and sharing of Profit Oil set out in Article 9;

(ii) to the extent that market conditions permit, gas will be valued for cost recovery and sold for processing or export at prices which will give to the **Contractor** a fair return on its investment.

(b) Where :

(i) Non-Associated Natural Gas has been discovered in the Contract Area, and

(ii) a Location has been declared in respect of a Block or Blocks in which such discovery is located, and

(iii) the parties agree that the Non-Associated Gas discovered by the **Contractor** exists in the Contract Area in quantities sufficient to justify consideration of an export scheme,

the Minister will, if **XXX Corporation** at the request of the **Contractor** applies in that behalf, extend for a reasonable time, not to exceed five (5) years, the period within which **XXX Corporation** may apply for a Development License over a Block or Blocks within that Location.

(c) Subject to the provisions of the Act, Natural Gas associated with Crude Oil and not used in Petroleum Operations may be flared only if the use thereof is uneconomic. However, **XXX Corporation** may elect to offtake, free of charge, at the wellhead or gas oil separator and use for domestic requirements such Natural Gas that would otherwise be flared, provided that all costs associated with **XXX Corporation's** utilisation of the Natural Gas be borne by **XXX Corporation** It is understood that such offtake should not be detrimental to the prompt conduct of oil field operations according to good oil field practice.

Article 12 Taxation and Royalty

(a) Subject to sub-article (b) below [option (2)], to tax, duty, fee or other impost shall be imposed on the **Contractor** or its shareholders in respect of income derived from Petroleum Operations hereunder or in respect of any property held or thing done for any purpose authorised or contemplated hereunder other than:

- (i) Additional Profits Tax at the rates and calculated in the manner herein provided;
 - (ii) Subject to the provision of Article 19, import duties at the rates specified from time to time in the Customs Tariff Act.
 - (iii) Taxes, duties, fees or other imposts for specific services rendered on request or to the public or commercial enterprises generally and rent due to the **Government of XXX** in respect of any land rights granted or assigned to the **Contractor**;
 - (iv) Local **Government of XXX** rates or taxes not in excess of those generally applicable in XXX;
 - (v) Stamp duties, registration fees, license fees and any other tax, duty, fee or other impost of a minor nature.
- (b)

[вариант 1/option (1)]

The **Contractor** shall not be subject to taxes on income derived from Petroleum Operations hereunder and **Government of XXX** shall pursuant to applicable law grant any exemption necessary to give effect to this accordingly.

[вариант 2/option (2)]

In addition to the taxes, duties, fees and imposts listed in sub-article (a) above, the **Contractor** shall be subject to XXX taxes on income derived from Petroleum Operations hereunder and **XXX Corporation** shall pay such tax on behalf of the **Contractor** in accordance with the provisions of applicable law as amended from time to time. Provided, however, that where in any tax year the value of **XXX Corporation's** share of Profit Oil, net of the royalty payable pursuant to sub-article (d) below, is less than such income taxes to which the **Contractor** is subject in respect of that tax year pursuant to Section 15 of the Income Tax Act exempt the **Contractor** from payment of income taxes of such amount as represents the difference between the taxes payable by the **Contractor** and the value of the aforesaid **XXX Corporation's** share of Profit Oil net of the royalty payable in the aforesaid tax year. The **Contractor** will be responsible for submitting returns to the Income Tax Department and the Commissioner of Income Tax will issue the **Contractor** with a receipt evidencing payment of the income tax determined in accordance with this sub-article. Such receipt shall detail the tax year in respect of which the tax is paid, the amount of tax paid and the effective tax rate applied as a result of the exemption granted by the **Government of XXX** pursuant to applicable tax law.

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For the purpose of this sub-article (b):

"gross income" means the fair market value of the **Contractor's** share of Cost Oil and Profit Oil as determined in accordance with Article 10, the proceeds (if any) from the sale of Natural Gas to which the **Contractor** was entitled, any other income related to the Petroleum Operations and a sum equal to XXX income tax paid for the preceding tax year,

"recoverable costs" means the **Contractor's** share of all costs deductible under the applicable tax law, and includes the values of oil delivered as royalty pursuant to sub-article (d) below as well as any Additional Profits Tax paid pursuant to Article 13 herein.

(c) [With option (b)(2)]

Where the **Contractor** is more than one person:

- (i) each such person separately shall be subject to XXX taxes his income derived from Petroleum Operations and **XXX Corporation** shall pay such taxes on behalf of each such person;
- (ii) each such person shall separately calculate, prepare and file his XXX tax return;
- (iii) without prejudice to the generality of the foregoing, income from Petroleum Operations for the purposes of the applicable tax law shall be separately ascertained for each such person.
- (d) **XXX Corporation** shall discharge its obligation to pay royalty under Section XX of the Act in respect of petroleum obtained from the Contract Area by delivery to the **Government of XXX** of the minimum share of Profit Oil received by **XXX Corporation** pursuant to Article 9 of this Agreement (and being equivalent at all times to 12.5% of total Crude Oil production from the Contract Area) at such location as the Minister may direct, and the **Government of XXX** may require **XXX Corporation** to dispose of such royalty otherwise to be delivered to the **Government of XXX** in such manner as the Minister may direct.

Article 13 Additional Profits Tax

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- (a) The **Contractor** shall be subject to an Additional Profits Tax (hereinafter referred to as "APT") that shall be calculated on a Development Area basis in accordance with the provisions of this Article 13. APT will be calculated for each Calendar Year and will vary with the real rate of return earned by the **Contractor** on the net cash flow from the Development Area in question. If, for any Development Area, either:
- (i) the "first accumulated net cash position" (as calculated in the manner set out hereafter and hereinafter referred to as the "FANCP");
- (ii) each of the FANCP and the "second accumulated net cash position" (as calculated in the manner set out hereafter and hereinafter referred to as the "SANCP")
- is a positive amount, then the APT from the Development Area in question for any Calendar Year shall be either, in case (i): twenty five percent (25%) of the FANCP for that Year, or in case (ii): the aggregate of twenty five percent (25%) of the FANCP for that Year and thirty five percent (35%) of the SANCP for that Year. If in any Year the FANCP or the SANCP is a negative amount then no APT shall be due with reference to that FANCP or SANCP.
- b) The FANCP on any Development Area for any Calendar Year shall be calculated according to the following formula:

FANCP = A(100%+B)+C where:

"A" equals the FANCP denominated in US dollars at the end of the Calendar Year preceding the Calendar Year for which the calculation is being made.

"B" equals twenty percent (20%) plus the percentage change, for the Calendar Year for which the calculation is being made, in the annual average level of the United States Industrial Goods Producer Price Index (USIGPPI) as reported for the first time in the monthly publication "International Financial Statistics" of the International Monetary Fund (IMF) in the section "Prices, Production, Employment".

"C" equals the net cash position denominated in US dollars (which may be a positive or negative amount) for the Calendar Year for which the calculation is being made, calculated as follows:

the **Contractor's** share of Cost Oil and Profit Oil for that Calendar Year valued in accordance with Article 10 hereof and allocated to the Development Area in question in accordance with the provisions of Annex " D" to this Agreement plus the **Contractor's** share of all credits to the accounts under this Agreement in respect of the Calendar Year, calculated and allocated to the Development Area in question in accordance with the provisions of Annex " D" to this Agreement

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(iii) the **Contractor's** share of all charges to the accounts under this Agreement in respect of that Calendar Year, calculated and allocated to the Development Area in question in accordance with the provisions of Annex D to this Agreement, except that for this purpose the **Contractor's** share of charges shall not include any amounts in respect of interest on loans obtained for the purpose of carrying out Petroleum Operations.

(c) The SANCP on any Development Area for any Calendar Year shall be calculated according to the same formula given under sub-article (b) above except that:

"A" equals the SANCP denominated in US dollars at the end of the Calendar Year preceding change, for the Calendar Year for which the calculation is being made, in the annual average level of the USIGPPI as reported for the first time in the monthly publication "International Financial Statistics" of the IMF in the section "Prices, Production, Employment".

"B" equals thirty percent (30%) plus the percentage change, for the Calendar Year for which the calculation is being made, in the annual average level the USIGPPI as reported for the first time in

the monthly publication "International Financial Statistics" of the IMF in the section "Prices, Production, Employment".

To the amount calculated under (iii) in the definition of "C" in sub-article (b) above shall be added any Additional Profits Tax which would be payable from the Development Area if reference were made hereunder only to the FANCP.

(d) If for any Calendar Year the FANCP is positive amount, the FANCP at the end of that Calendar year shall be deemed to be zero for the purpose of calculating the FANCP for the subsequent Calendar Year.

(e) If for any Calendar Year the SANCP is a positive amount, the SANCP at the end of that Calendar Year shall be deemed to be zero for the purpose of calculating the SANCP for the subsequent Calendar Year.

(f) The **Contractor** shall maintain proper records and books of accounts in accordance with the provisions of Annex "D" enabling the calculations described in this Article 13 to be performed. From the Effective Date the **Contractor** shall maintain and submit to the **Government of XXX** annually, or more frequently if so requested, a statement of the FANCP and SANCP.

(g) The APT due, if any, shall be paid in cash at such time and in such manner as the Commissioner of Income Tax may reasonably require.

Article 14 Reporting, Inspection and Confidentiality

(a) The **Contractor** shall prepare and, at all times while this Agreement is in force, maintain accurate and current records of its operations in the Contract Area.

(b) The **Contractor** shall save and keep for a reasonable period of time a representative portion of each sample of cores, cuttings and fluids taken from drilling wells, to be disposed of or forwarded to the **Government of XXX** or its representative in a manner directed by **XXX Corporation**. All samples acquired by the **Contractor** for its own purpose shall be considered available for inspection at any reasonable time by the **Government of XXX** or its representative. Any such samples which the **Contractor** has kept for a period of twelve (12) months with the full knowledge of **XXX**

Corporation without receipt of instruction to forward the same to **XXX Corporation, Government of XXX** or its representative may be disposed of by the **Contractor** at its discretion, provided **XXX Corporation** has been given prior notice of not less than thirty (30) days of the **Contractor's** intention to do so and given the opportunity to take such samples.

(c) Notwithstanding sub-article (b) above, the **Contractor** shall be freely permitted to export samples for purposes of investigation in laboratories abroad. Originals of records may be exported provided at least one copy has been retained in **XXX** (d) (i) **XXX Corporation** through its duly appointed representatives shall be entitled to observe the Petroleum Operations conducted by the **Contractor** hereunder and at all reasonable times to inspect all assets, records and data kept by the **Contractor** relating to such operations. In the exercise of its rights under this sub-article **XXX Corporation** shall not unreasonably interfere with the **Contractor's** operations.

(ii) The **Contractor** shall provide **XXX Corporation** promptly with copies of any and all data (including, but not limited to geological and geophysical reports, logs and well surveys), information and interpretations of such data and information obtained by the **Contractor** in the course of carrying out Petroleum Operations hereunder. All such data, information and interpretations, as well as cores and cuttings taken from drilling wells, shall be the property of **Government of XXX** and, save as provided in sub-articles (b) , (c) and (d) of this Article, the same may not be published reproduced or otherwise dealt with by the **Contractor** without the prior written consent of **Government of XXX** or **XXX Corporation**

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(iii) All data and information and every interpretation thereof provided by the **Contractor** to **XXX Corporation** shall, so long as it relates to an area which is a part of the Contract Area, be treated as confidential and each of the parties hereto undertakes not to disclose the same to any other person without the consent of the other parties.

However, such data, information and interpretations may be disclosed to Affiliated companies or contractors carrying out any part of the Petroleum Operations and to advisers of **XXX Corporation** and **Government of XXX** who will treat as confidential all that is disclosed to them and undertake not to disclose the same to any other person without the consent of the **Contractor** and **XXX Corporation** Notwithstanding what is provided in this sub-clause (d) (iii) of this Article the Minister may, using such data, information and reports supplied by the **Contractor**, publish summaries of

data, information and reports from geophysical surveys and exploration wells, including lithological groups, letter classification boundaries and hydrocarbon zones:

(a) in the case of discovery wells, five years after completion of drilling; and

(b) in any other case, at any time. For purposes of this sub clause a discovery well means a well in which a substantial petroleum accumulation has been encountered.

(iv) The **Contractor** undertakes not to disclose to third parties any data, information or any interpretation thereof which relates to an area which has ceased to be part of the Contract Area for a period of four (4) years from the date on which the area to which such data, information or any interpretation thereof relates ceased to be part of the Contract Area or from the date on which this Agreement expires or is terminated whichever occurs first. However, where during the aforesaid period the **Contractor** carries on Petroleum Operations in the Contract Area, such data, information and interpretations may be disclosed to Affiliated Companies or contractors carrying out any part of the petroleum Operations.

(v) Any public disclosure regarding the interpretation of information acquired in Petroleum Exploration shall not be made without the **Government of XXX's** consent.

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Article 15 Lifting, Marketing and Domestic Supply Obligation

(a) The quantity of production to which **XXX Corporation** is entitled pursuant to Article 9 herein shall be delivered to **XXX Corporation** or its nominee at the Delivery Point, at which title in production will pass to **XXX Corporation** or its nominee subject to the terms of the agreement referred to in sub-article (b) below. **XXX Corporation** shall be responsible for costs associated with its lifting entitlement after the Delivery Point. The **Contractor**, and in the event of Joint Operations, **XXX Corporation** shall be responsible for all costs prior to the Delivery Point.

(b) Within six months after the Minister's approval of a development plan, the **Contractor** shall propose to **XXX Corporation** an offtake procedure to govern the method whereby the parties will nominate and lift their respective shares of Crude Oil. The details of such procedure shall be discussed and agreed upon between **XXX Corporation** and the **Contractor** for the Minister's approval. The major principles of such procedure shall include the following:

(i) Lifting by the parties shall be carried out so as to avoid interference with Petroleum Operations.

(ii) Lifting rights and schedules will be subject to operations tolerances and constraints so that each party shall be entitled to lift full cargo loads.

(iii) Within reasonable limits and subject to future correction of imbalances, each party may lift more or less than its lifting entitlement so as to allow the lifting of full cargo loads.

(iv) In general priority for lifting shall be given to the party having the greatest unlifted lifting entitlement.

(c) The **Contractor** shall, if requested by the Minister with at least three months advance notice, market abroad on competitive terms all or part of **XXX Corporation's** lifting entitlement subject to payment by **XXX Corporation** of direct costs normally borne by a seller in such transactions as may be agreed by **XXX Corporation** but excluding any commission or marketing fee in respect of such service.

(d) **XXX Corporation** shall use its share of production from all Crude Oil production in XXX to meet the requirements of the domestic market of XXX.

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If there is domestic demand in excess of **XXX Corporation's** total entitlement then the **Contractor** may be required to sell Crude Oil in XXX on a pro rata basis with other producers in XXX (except **XXX Corporation**) according to the quantity of Crude Oil of each producer. **XXX Corporation** shall give the **Contractor** at least three months notice in advance of said requirements and the term of the supply will be on an annual basis. The volume of Crude Oil which **XXX Corporation** may require the **Contractor** to sell to meet the requirements of the domestic market shall not exceed the share of Profit Oil.

(e) Crude Oil sold pursuant to sub-article (d) above shall be paid for in foreign exchange at a price determined in accordance with Article 10 of this Agreement.

Article 16 XXX Resources

The **Contractor** shall give preference to the purchase of XXX goods and materials provided such goods and materials are of an acceptable quality and are available on a timely basis in the quantity

required at competitive prices, and terms as well as to the employment of XXX service contractors as far as they are compatible with the **Contractor's** financial and technical requirements. The **Contractor** will establish appropriate tender procedures reflecting the above principles for the acquisition of goods, materials and services.

Article 17 Employment and Training

(a) Subject to the requirement of any law relating to immigration, the **Government of XXX** shall provide the necessary work permits and other approvals required for the employment of expatriate personnel by the **Contractor** in XXX for the purposes of this Agreement. **XXX Corporation** shall assist the **Contractor** in that regard.

(b) In the conduct of the Petroleum Operations, the **Contractor** shall endeavour to employ XXX citizens having appropriate qualifications to the maximum extent possible.

(c) During each year of the term of the Exploration License or any renewal thereof the company shall spend a minimum sum of United States dollars (US\$) adjusted by dividing it by the factor 1 as defined in Article 4(f) herein, for one or more of the following purposes:

(i) to provide a mutually agreed number of **Government of XXX** and **XXX Corporation** personnel with on-the-job training in the **Contractor's** operations in XXX and overseas, and/or practical training at institutions abroad, particularly in the areas of logistical planning for undertaking petroleum operations, economic analysis, petroleum accounting and contract administration;

(ii) to send suitable XXX personnel selected by the **Government of XXX** and by **XXX Corporation** on courses at universities, colleges or other training institutions mutually selected by the **Contractor**, the **Government of XXX** and **XXX Corporation**.

(iii) to send XXX personnel selected by the **Government of XXX** and by **XXX Corporation** to conferences and seminars related to the petroleum industry;

(iv) to purchase for the **Government of XXX** and **XXX Corporation** advanced technical books, professional publications, scientific instruments or other equipment required by the **Government of XXX** and **XXX Corporation**

(d) Not later than six months after the grant of a Development License the **Contractor** shall, in consultation with **XXX Corporation** implement the programme proposed in the development plan as approved by the **Government of XXX** for training and employment of XXX nationals in each phase and level of Petroleum Operations and for the transfer of management and technical skills for the safe and efficient conduct of Petroleum Operations.

(d) The provisions of the applicable law shall not apply to the employment of any expatriate employee of the **Contractor**, including any expatriate employee of any non-resident contractor, during the several periods into which Exploration Operations hereunder are divided.

Article 18 Title to Assets and Insurance

(a) All fixed assets, owned by the **Contractor** in connection with the Petroleum Operations carried out by the **Contractor** shall become the property of **XXX Corporation** at request after this agreement expires or is terminated. Such fixed assets shall include but not be limited to buildings, piers, harbours, pipelines, wellheads, separators, compressors, pumps, power lines, telephone lines etc.

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(b) All movable assets, in connection with the Petroleum Operations carried out by the **Contractor** shall remain the **Contractor's** property on expiration or termination of this Agreement. **XXX Corporation** shall have the right of first refusal in case the **Contractor** decides to sell the assets.

(c) The **Contractor** shall retain ownership of all assets mentioned in (a) above if it either renews an expired agreement to a particular license or acquires another license in XXX, provided that such renewal or acquisition takes place not more than ninety (90) days from the date of expiration of the previous Agreement.

(d) If **XXX Corporation** elects to participate in Joint Operations, then title to any assets acquired pursuant to a development plan shall be held jointly by the **Contractor** and **XXX Corporation** according to their respective interest in Joint Operations. Any such asset shall become completely owned by **XXX Corporation** as soon as this Agreement expires or is terminated or at the time the portion of the full costs of the asset in question have been recovered by the **Contractor** out of Cost Oil, whichever occurs first.

(e) So long as this Agreement remains in force, the **Contractor** shall have free of any charge, for the purpose of carrying on Petroleum Operations hereunder the exclusive use of assets which have become the property of **XXX Corporation** pursuant to sub-articles (a), (b) or (d) above. The **Contractor** shall keep the same in good repair and working order, fair wear and tear excepted, and any maintenance expenses shall be recovered in accordance with the terms hereof.

(f) Subject to the provisions of Article 18(a) and (b) above the **Contractor** shall give **XXX Corporation** the opportunity to buy, upon such commercially reasonable terms as may be agreed, any item imported duty free under Article 19 (a) which the **Contractor** intends to dispose of or sell.

(g) The **Contractor** shall effect and, at all times during the terms of this Agreement, maintain for Petroleum Operations hereunder insurance of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practice. The said insurance shall, without prejudice to the generally of the foregoing, cover:

(i) any loss or damage to all assets used in Petroleum Operations;

(ii) pollution caused in the course of Petroleum Operations for which the **Contractor** or the Operator may be held responsible;

(iii) property loss or damage or bodily injury suffered by any third party in the of Petroleum Operations for which the **Contractor** may, **Government of XXX** or **XXX Corporation** may be liable or the **Contractor** may be liable to indemnify the **Government of XXX** and **XXX Corporation**

(iv) The cost of removing wrecks and cleaning up operations following an accident in the course of petroleum Operations;

(v) The **Contractor's** and/or Operator's liability to its employees engaged in the Petroleum Operations

(h) The **Contractor** shall require its Contractors to carry insurance of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practices.

(i) In order to discharge its obligations for site cleaning and abandonment of all assets and facilities which are not acquired by **XXX Corporation** in accordance with the provisions of this Article 18, the **Contractor**, the **Government of XXX** and **XXX Corporation** shall, within two years of the commencement of commercial production, enter into an agreement to establish an abandonment cost reserve fund. Such agreement shall address the administration and utilization of funds deducted from Cost Oil in accordance with the following:

(i) **XXX Corporation** and the **Contractor** shall estimate the cost for site cleaning and abandonment in good faith, on the basis of industry average costs in accordance with generally acceptable petroleum industry practice.

(ii) The payments deposited into the fund shall be placed in a U.S. Dollar, long term, interest bearing account in a first class bank located within XXX to be designated by **XXX Corporation** and **Contractor**.

(iii) If, upon expiration or other termination of this Agreement, **XXX Corporation** determines to conduct the site cleanup and abandonment operations, such funds, plus all accrued interest, shall be paid to **XXX Corporation** whereupon the **Contractor** shall be released from any further obligation and liability with respect to such site cleanup and abandonment.

(iv) If, within sixty (60) days prior to the expiration or other termination of this Agreement, **XXX Corporation** has failed to advise the **Contractor** of **XXX Corporation's** election to conduct the site cleanup and abandonment operations, such funds, plus all accrued interest, shall be paid to the **Contractor** and the **Contractor** shall thereupon conduct all such operations in accordance with generally accepted petroleum industry practices. If the reserve fund paid to the **Contractor** is insufficient to pay the costs of cleanup and abandonment, such shortfall shall be paid by the **Contractor**. If, however, the reserve fund paid to the **Contractor** exceeds the costs incurred by the **Contractor** for site cleanup and abandonment, such excess shall be distributed between **XXX Corporation** and the **Contractor** as follows:

XXX Corporation: 50%

Contractor: 50%

Article 19 Import Duties

(a) The **Contractor** and its Contractors engaged in Petroleum Operations hereunder and **XXX Corporation** in respect of Joint Operations established pursuant to Article 7 shall be permitted to import, free of duty or other taxes on imports, machinery, equipment, vehicles, materials, supplies, consumable items (other than foodstuffs and alcoholic beverages) and moveable property, where imports in any of the said categories have been certified by a responsible representatives of **XXX Corporation** to be for use solely in carrying out operations under this Agreement.

(b) Subject to Article 18, any of the items imported into XXX may, if no longer required for the operations hereunder, be freely exported at any time by the importing party without the payment of any export duty or import provided, however, that on the sale or transfer by the importer of any such items to any person in XXX, import duty shall be payable by the importer on the value thereof at the date of such sale or transfer.

(c) The Expatriate Employee of the **Contractor** and of its contractors, shall be permitted, subject to the limitations and conditions set out in the <Customs Tariff Act>, to import into XXX free of import duty and other taxes on first arrival their personal and household effects including one automobile provided, however, that no property imported by the employee shall be resold by him in XXX except in accordance with **Government of XXX** regulations.

(d) "Expatriate Employee" in this Article has the meaning assigned to those words in Article 20(c).

Article 20 Foreign Exchange Control

(a) The **Contractor** shall, during the term of this Agreement, have the right:

(i) to enter into loan agreements outside XXX for the purpose of financing Petroleum Operation hereunder but no payments of principal or interest in respect thereof shall be made from any source in XXX other than the Bank accounts referred to in sub-paragraph (ii);

(ii) to open and maintain Foreign Currency Accounts with a Bank which is an authorized dealer within XXX and freely dispose of the sums deposited therein without any restriction provided the said

accounts are credited only with sums deposited in foreign currency or with the proceeds of the sale of Foreign currency being credits relating to or derived from Petroleum Operations hereunder;

(iii) subject to any conditions or requirements imposed by the Bank of XXX, to open and maintain bank accounts, in addition to those described in sub-paragraph (a)(ii) above, in XXX denominated in XXX currency and freely dispose of the sum deposited therein within XXX provided the said accounts are credited only with XXX currency arising from proper transactions within XXX relating to Petroleum Operations hereunder;

(iv) to open and keep bank accounts in any foreign currency outside XXX which may be credited without restriction and freely dispose of any sums deposited therein without restriction and without any obligation to convert into XXX currency any part of the said amounts save that such accounts shall not be credited with the proceeds of the sale of any XXX currency without the consent of the Bank of XXX;

(v) to purchase XXX currency, through an authorized dealer, without discrimination, at the rate of exchange generally, applicable.

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(i) Expatriate Employees of the **Contractor** and its contractors engaged in Petroleum Operations hereunder shall be entitled to:

(A) export freely from XXX, during each year of their employment their savings on salaries paid in XXX for an amount not exceeding one third of the gross salary for that year and freely to export from XXX upon termination of their contract in XXX any balance of such savings as well as any sums paid to them from any provident or the like fund on termination of their employment in XXX.

(B) export freely from XXX, upon termination of their employment in XXX their personal property previously imported into XXX or purchased with their savings on salaries in XXX.

(ii) Where the **Contractor**, by notice in writing to the Commissioner of Income Tax, has guaranteed the full and proper discharge by an Expatriate Employee engaged in Petroleum Operations of his liability to income tax under the laws of XXX, including the provisions of <Act>, the employee shall be entitled to receive freely the whole or any part of his remuneration in the country in which he is normally resident.

(c) For the purpose of this Article "Expatriate Employee" means any employee not normally resident in XXX who is engaged under contract which provides for the payment of passages to and from XXX.

Article 21 Accounting and Audit

(a) The **Contractor** shall maintain at its business office in XXX accounting records relating to Petroleum Operations under this Agreement in accordance with the Accounting Procedure set out in Annex "D" of this Agreement.

(b) **XXX Corporation** shall have the right to audit **Contractor's** accounting records in accordance with Annex "D", the Accounting Procedure.

(c) Nothing in this Article shall be construed as limiting the right of the **Government of XXX** pursuant to any statutory power to audit or cause to be audited the books of accounts of the **Contractor**.

Article 22 Environment and Safety

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(a) In furtherance of the Registrations made under the Act or as the **Government of XXX** may otherwise require from time to time, the **Contractor** shall take necessary and adequate steps to:

(i) prevent pollution and protect the environment and the living resources of the sea and lakes:

(ii) ensure prompt, fair and adequate compensation for injury to persons or damage to property caused by the effects of Petroleum Operations.

(b) If the **Contractor's** failure to comply with the provisions of sub-article (a)(i) above and the Regulations results in pollution or damage to the environment or marine life or otherwise, the **Contractor** shall take all necessary measures to remedy the failure and effects thereof. If such pollution or damage is the result of gross negligence or willful misconduct of the **Contractor**, the cost of the remedy shall not be a Recoverable Contract Expense for the purpose of Article 9 and Annex "D".

(c) The **Contractor** shall notify the Minister and **XXX Corporation** forthwith in the event of any emergency or accident affecting the environment and shall take such action as may be prudent and necessary in accordance with good international petroleum industry practice in such circumstances.

(d) If the **Contractor** does not act promptly so as to control or clean up any pollution or make good any damage caused, **XXX Corporation** may, after giving the **Contractor** reasonable notice in the circumstances, take any actions which are necessary in accordance with good international petroleum industry practice and the reasonable costs and expenses of such actions shall be borne by the **Contractor**.

(e) The **Contractor** should undertake at its expense (but as a legitimate recoverable cost), one or more comprehensive Environmental Impact Assessment studies prior to, during and after major operations. This requirement is mandatory and the first study shall be before the start of drilling the first well in the Contract Area. However, in areas of particular environmental sensitivity, an Environmental Impact Assessment must also be undertaken prior to seismic acquisition.

Article 23 Force-Majeure

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(a) Any non-performance or delay in performance by **XXX Corporation** or the **Contractor** or both of any obligation in terms of Petroleum Operations under this Agreement shall be excused if and to the extent such non-performance or delay is caused by Force Majeure as defined in this Article 23. The period of any such non-performance or delay together with such period as may be necessary for the restoration of any damage caused during the period of Force Majeure shall be added to the time allowed under this Agreement for the performance of such obligation and for the performance of any obligation or the exercise of any rights dependent thereon.

(b) The term "Force Majeure" means any act of God, perils of navigation, storm, flood, earthquake, lightning, explosion, fire, hostilities, war (declared or undeclared) blockade, insurrection, civil commotion, acts of the public enemy, quarantine restriction, epidemics, strike, accident riot, labour disturbance, any act or failure to act of a **Government of XXXal** agency or local body or any other cause beyond the control of **XXX Corporation** or the **Contractor**, as the case may be provided that any act or failure to act of a **Government of XXXal** agency or local body shall not constitute Force Majeure unless such act or failure to act is the proximate cause of non-performance or delay in

performance of any obligation in terms of Petroleum Operations under this Agreement or the exercise of any right dependent thereon.

(c) The party claiming suspension its obligations under this Agreement on account of Force Majeure shall promptly notify the other in writing of the occurrence thereof. In such event, the Party claiming suspension of its obligations as aforesaid shall take all actions that are reasonable and legal to remove the cause thereof and, upon removal of the cause, promptly notify the other party and shall take all reasonable actions for resumption of its operations as soon as possible after removal of the Force Majeure situation.

Article 24 Assignment

(a) The **Contractor** may not assign or transfer to a person, firm or corporation not party hereto, in whole or in part, any of its rights privileges, duties or obligations under this Agreement without the prior written consent of the government. However, the **Contractor** shall be free to assign or transfer its rights, privileges, duties and obligations under this Agreement to an Affiliated **Contractor**, provided **Government of XXX** and **XXX Corporation** are notified in writing in advance and provided the assignment or transfer will not adversely affect the performance of the obligations under this Agreement.

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(b) In the event that the **Contractor** wishes to assign in whole or in part any of its rights, privileges, duties or obligations hereunder as aforesaid, the written consent thereto of the **Government of XXX** if required under this Article shall not be unreasonably withheld.

(c) Any assignment made pursuant to this Article shall bind the assignee to all the terms and conditions hereof and as a condition to any assignment the **Contractor** shall provide an unconditional undertaking by the assignee to assume all obligations by the company under the Agreement.

(d) Any assignment made pursuant to the provisions of this Article shall be free of any transfer or related taxes, charges or fees.

(e) Where the **Contractor** is more than one person the **Government of XXX** will be provided with copies of all agreements between them with respect to Petroleum Operations.

Article 25 Consultation and Arbitration

(a) **XXX Corporation** and the **Contractor** shall periodically meet to discuss the conduct of the operations envisaged under this Agreement and shall make every effort to settle amicably any problem arising therefrom.

(b) If any dispute or difference in relation to or in connection with or arising out of any of the terms and conditions of this Agreement should arise the same shall be resolved by negotiations between the parties. In the event of no agreement being reached, either party shall except in the case of a dispute or difference as provided in sub-article 7(c) (ii), 10(b) and 10(d), have the right to have such dispute or difference settled through arbitration as provided for herein below.

(c) Any unresolved dispute or difference aforesaid shall be finally settled by arbitration under the Rules of the Convention for the Settlement of Investment Disputes between States and Nationals of other States of 16 March 1965 and to the extent required by the said Convention, the parties hereto will, in that event, consent to the jurisdiction of the Center. It is further agreed that although **Contractor** (as an Investor) is a **Contractor** established under the laws of XXX it is controlled by nationals of [] and shall be treated as a national of that State for the purposes of the said convention.

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Article 26 Applicable Law

This Agreement shall be governed by, interpreted and construed in accordance with the Laws of the Republic of XXX.

Article 27 Modification and Headings

(a) This Agreement shall not be amended or modified in any respect except by the mutual consent in writing of the parties hereto.

(b) The Headings of this Agreement are for convenience only and shall not be taken into account in interpreting the terms of this Agreement.

Article 28 Notices

Any notices required or given by any party to any other party shall be deemed to have been delivered when properly acknowledged for receipt by the receiving party.

All such notices shall be addressed to:

The Government of XXX <>

Telephone: <>

Fax: <>

E-mail: <>

The Managing Director

XXX Corporation <>

Telephone: <>

Fax: <>

E-mail: <>

And

Contractor <>

Telephone: <>

Fax: <>

E-mail: <>

IN WITNESS whereof this Agreement has been duly executed by the parties, the day and year first hereinbefore written.

Signed for and on behalf

Of the Government of XXX of XXX

Minister for Energy and Minerals <>

Signed for and on behalf

Of the XXX Petroleum

Development Corporation

Managing Director <>

Signed for and on behalf

Of ZZZ Oil company

Managing Director <

ANNEX "A" Description of the Exploration License Area

Point XXXXXXXXXXXXX

Latitude XXXXXXXXXXXXX

Longitude XXXXXXXXXXXXX

From A - - Due [North, South, East, West] to B

B (etc)

ANNEX "B" Map

Total Number of Blocks = [XXXXXXXXXX]

Total Area amounts to [XXXXXXXXXX] Square kilometers

ANNEX "C" Draft Exploration License

WHEREAS pursuant to Article 3(a) of the Agreement **XXX Corporation** has applied for an Exploration License in respect of the area described in Annex "A" to the Agreement and shown on the map in Annex "B" thereof respectively:

I, Minister for <Energy and Minerals> pursuant to the powers conferred upon me by Section XX of the <Petroleum Act> hereby grant **XXX Corporation** for a period of four years from the date hereof this Exploration License over the exploration area described in the First Schedule hereto conferring on **XXX Corporation** the exclusive right to explore in the said exploration area for petroleum and to carry out such operations and execute such works as are necessary for that purpose.

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The Exploration License is granted subject to the following conditions:

(a) During the period of four years commencing from the date hereof and terminating on the fourth anniversary of the date **XXX Corporation** shall in the said exploration area:

(i) shoot at least [XX] kilometers of seismic;

(ii) drill at least [XX] exploration Wells; and carry out geological and geophysical surveys and related activities as deemed necessary by **Contractor**; and

(iii) spend a sum which, when adjusted in accordance with the formula set out in sub-article (f) of Article 4 of the Agreement, equals or exceeds [XX] million US dollars.

(b) Subject to any amendment or revision thereof made pursuant to Article 5 of the Agreement, **XXX Corporation** shall conduct exploration operations under this license during the year ending 31

December, 20XX in accordance with the detailed Work Programme and Budget set out in the Second Schedule hereto and will spend the sum specified in the said budget.

2. Where during any period covered by the License the obligations of **XXX Corporation** under this License have been suspended by reason of Force Majeure pursuant to Article 23 of the Agreement , the period for which this license has been granted shall be extended for a period equal to the period during which the obligations of **XXX Corporation** were so suspended.

In this license "the Agreement" means the Agreement made on day of between the **Government of XXX** of the United Republic of XXX, the XXX Petroleum Development Corporation and **Contractor**.

Unless the context otherwise requires words and phrases in this License shall have the same meaning as those used in the Petroleum Act.

IN WITNESS WHEREOF, I have granted the License aforesaid and set out my hand and seal this XX day of 20XX.

ANNEX" D" Accounting Procedure

ANNEX E SAMPLE CALCULATION METHODOLOGY
