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**PRODUCTION SHARING CONTRACT
BETWEEN
THE REPUBLIC OF EQUATORIAL GUINEA
AND
NOBLE ENERGY EG LTD
AND
GLENCORE EXPLORATION LTD.
FOR
BLOCK O
OFFSHORE THE ISLAND OF BOKO**

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PRODUCTION SHARING CONTRACT

THIS PRODUCTION SHARING CONTRACT is made and entered into on this ____ day of March 2004.

BETWEEN

THE REPUBLIC OF EQUATORIAL GUINEA (hereinafter referred to as the "State"), represented for the purposes of this Contract by **COMPAÑIA NACIONAL DE PETRÓLEOS DE GUINEA ECUATORIAL** (hereinafter referred to as "GEPetrol"), on the one hand,

AND

NOBLE ENERGY EG LTD, a corporation organized and existing under the laws of the Cayman Islands, having its registered office at the offices of Maples and Calder, Attorneys-at-Law, Ugland House, P. O. Box 309, George Town, Grand Cayman, Cayman Islands (hereinafter referred to as "Noble"),

AND

GLENCORE EXPLORATION LIMITED, a corporation organized and existing under the laws of the Bermudas, having its registered office at 22 Queen Street, Hamilton H Bermuda, the Bermudas (hereinafter referred to as "Glencore"), on the other hand.

Noble and Glencore, are jointly and collectively referred to as the "Contractor".

The State and the Contractor are hereinafter referred to either individually as "Party" and/or collectively as "Parties".

THE PARTIES AFFIRM THE FOLLOWING:

WHEREAS all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, including adjacent submerged lands, are national resources owned by the Republic of Equatorial Guinea;

WHEREAS the State wishes to promote the development of Hydrocarbon deposits within the Contract Area and the Contractor desires to associate itself with the State with a view to accelerating the development and production of potential resources within the Contract Area;

WHEREAS the Contractor represents that it has the financial ability, technical competence and professional skills necessary to carry out the Petroleum Operations hereinafter described.

WHEREAS in accordance with Decree-Law No 7/1981 dated 16th June 1981 with respect to Hydrocarbons, which allows for agreements to be entered into between the State and foreign capital investors in the form of Production Sharing Contracts, under the direct contracting system in reserved areas under favorable conditions, and in accordance with Decree No. 78/2002 dated 30th August 2002 which provides that reserved areas are declared to be those deemed to be free areas;

WHEREAS GEPetrol, an entity wholly owned by the State and entering into this Contract on behalf of the State, is vested with the legal authority to enter into this Contract pursuant to Decree No. 78/2002 dated 30th August 2002 and is granted the powers necessary by Decree No. 84/2002 of the 15th of October 2002 to carry out negotiations and conclude this Contract on behalf of the State pursuant to Instrument of Assignment dated 8 November 2002 granted to GEPetrol by the Ministry of Mines and Energy in respect of Block O, the grids of which are Blocks B-14, B-15, C-14 and C-15;

NOW THEREFORE, in consideration of the undertakings and mutual covenants herein contained, the Parties hereby agree as follows:

SECTION I

SCOPE AND DEFINITIONS

Section 1.1 Scope

This Contract is a Production Sharing Contract. In accordance with the provisions stated herein, the Ministry of Mines and Energy is responsible for supervising Petroleum Operations as called for under this Contract.

The State hereby designates and appoints Noble and Glencore as the Contractor, and grants to Contractor the sole and exclusive right and charge of conducting all Petroleum Operations within the Contract Area during the term of this Contract. To this effect, the Contractor shall:

- (a) Be responsible to the State as an independent Contractor, for the execution of the Petroleum Operations in accordance with the provisions of this Contract; and the Contractor is named and designated as the Party exclusively in charge of carrying out the Petroleum Operations in the Contract Area during the term of this Contract.
- (b) Provide all capital, machinery, equipment, technology and personnel necessary to conduct Petroleum Operations

- (c) Perform at its exclusive responsibility and risk all investments and contractual obligations necessary for conducting all Petroleum Operations and shall therefore maintain an economic interest in the development of the Hydrocarbon deposits in the Contract Area. Such Petroleum Operations Costs shall be recoverable as provided in this Contract.

During the term of this Contract the total production achieved as a consequence of conducting the Petroleum Operations shall be shared between the Parties in accordance with the provisions of Section VII of this Contract.

On the Effective Date the participating interest shares of the entities comprising Contractor are as follows:

Noble	64.2857%
Glencore	35.7143%

After giving effect to the transfer contemplated by Section VIII the participating interest shares of the entities comprising Contractor shall be as follows:

Noble	45.00%
GEPetrol	30.00%
Glencore	25.00%

None of the entities comprising Contractor may hold less than a ten percent (10%) participating interest share in this Contract.

Section 1.2 Definitions

In this Contract all expressions importing the singular shall include the plural and vice versa and except where the context otherwise indicates shall have the meanings set forth in this Section. Terms that are not defined in this Contract but are defined in the Hydrocarbon Law and its Petroleum Operations Regulations thereunder shall have the meanings set forth therein.

- (a) **Joint Operating Agreement or JOA** has the meaning ascribed in Section 6.2.
- (b) **Calendar Year or Year** means a period of twelve (12) consecutive months commencing on 1st January and ending on the following December 31st according to the Gregorian Calendar.

- (c) **Contract Year** means a period of twelve (12) consecutive months according to the Gregorian Calendar, counted from the Effective Date of this Contract through the anniversary of such Effective Date.
- (d) **Contract Area** means the geographic area within the territory of the Republic of Equatorial Guinea which is the subject of this Contract. Such Contract Area is described in Annex A and illustrated in Annex B attached hereto and incorporated herein.
- (e) **Development and Production Area** means an area within the Contract Area encompassing the geographical extension of a Commercial Field subject to a development and production plan as determined in accordance with the provisions of Section 5.5.
- (f) **Appraisal Area** means an area within the Contract Area encompassing the geographical extension of a Discovery (or an aggregation of Discoveries) subject to an appraisal work program and corresponding budget as determined in accordance with the provisions of Section 5.2, and in relation to Natural Gas in accordance with the provisions of Section XIII.
- (g) **Barrel** means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of 15.56 degrees centigrade (sixty (60) degrees Fahrenheit) under one (1) atmosphere of pressure.
- (h) **Commercial Field** or **Field** means a Discovery (or an aggregation of Discoveries) that, in the judgment of the Contractor, can be developed commercially after consideration of all pertinent operational, economic and financial data collected during the performance of the appraisal work program and otherwise, including, but not limited to, Crude Oil or Natural Gas recoverable reserves, sustainable production levels and other relevant technical and economic factors, according to generally accepted international petroleum industry practice. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs (opposed, superimposed, adjacent or underlying) all grouped on or related to the same individual geological structure fault or stratigraphic conditions.
- (i) **CIF** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2000.
- (j) **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common control of such specified Person.

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- (k) **Contractor** shall have the meaning ascribed in the preamble.
- (l) **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an Ordinary Shareholders Meeting and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing.
- (m) **Contract** means this Production Sharing Contract and its Annexes as well as all amendments hereto.
- (n) **Exploration Costs** means Petroleum Operations Costs incurred in Exploration Operations plus overhead and administration costs incurred in exploration of the Contract Area. These costs shall be determined in accordance with the Accounting Procedure attached hereto as Annex C.
- (o) **Development and Production Costs** means Petroleum Operations Costs plus overhead and administration costs incurred in connection with Development and Production Operations in a Development and Production Area, excluding all Exploration Costs incurred in the Development and Production Area prior to the declaration of any Commercial Field, all as determined in accordance with the Accounting Procedure attached hereto as Annex C.
- (p) **Petroleum Operations Costs** means all costs, overhead and administration costs and all obligations and liabilities incurred by the Contractor in carrying out the Petroleum Operations hereunder, including abandonment costs, all as determined in accordance with the Accounting Procedure attached hereto as Annex C.
- (q) **Discovery** means the finding by the Contractor of a deposit of Hydrocarbons whose existence in the Contract Area was not known prior to the Effective Date, and whose Hydrocarbons are measurable by generally accepted international petroleum industry practice.
- (r) **Foreign Exchange** means any currency acceptable to both Parties, other than that of the Republic of Equatorial Guinea.
- (s) **Dollar** means the dollar of the United States of America.
- (t) **State** shall have the meaning ascribed in the preamble.
- (u) **Effective Date** means the date this Contract is ratified by the State.

- (v) **FOB** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2000.
- (w) **Force Majeure** shall have the meaning ascribed in Section XXIV.
- (x) **Natural Gas** means those Hydrocarbons that at atmospheric conditions of temperature and pressure are in a gaseous state including wet mineral gas, and dry mineral gas, wet gas and residual gas remaining after extraction, treatment, processing, or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons.
- (y) **Associated Natural Gas** means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but shall exclude any liquid Hydrocarbon extracted from such gas either by normal field separation, dehydration or in a gas plant.
- (z) **Non-Associated Natural Gas** means all gaseous Hydrocarbons produced from gas reservoirs, and includes wet gas, dry gas and residue gas remaining after the extraction of liquid Hydrocarbons from wet gas.
- (aa) **GEPetrol** shall mean Compañía Nacional de Petróleos de la República de Guinea Ecuatorial.
- (bb) **Glencore** shall have the meaning ascribed in the preamble.
- (cc) **Hydrocarbons** means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas, and all other mineral substances, products, sub-products and derived materials which may be found in association therewith.
- (dd) **Gross Revenues** means the total income from sales of Total Available Production plus the equivalent monetary value of any other disposal of Total Available Production from the Contract Area during any Calendar Year.
- (ee) **Income Tax** means that tax levied on Contractor's net income pursuant to the Tax Law of the Republic of Equatorial Guinea.
- (ff) **Hydrocarbons Law** means Decree-Law No. 7/1981 dated 16th June, 1981, covering Hydrocarbons, as amended.

- (gg) **Tax Law** means Decree-Law No. 1/1986 dated 10th February, 1986 of the Republic of Equatorial Guinea and its subsequent amendments.
- (hh) **LIBOR** means the rate at which Dollar deposits of six months duration are offered in the London Inter Bank Market, as published in the Financial Times. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the rate published in the Financial Times on the last business day of the immediately preceding calendar month. If no such rate is quoted in the Financial Times during a period of seven (7) consecutive business days, some other rate (for example, the rate quoted in the Wall Street Journal) chosen by mutual agreement between the Parties shall apply.
- (ii) **Ministry** means the Ministry of Mines and Energy of the Republic of Equatorial Guinea, the entity responsible for supervising Petroleum Operations.
- (jj) **Gross Negligence** means any act or failure to act (whether sole or joint) by one of the Parties, which was in reckless disregard of or wanton indifference to the harmful consequences such Party knew, or should have known, such act or failure would have caused to the safety or property of another person or entity.
- (kk) **Maximum Efficient Production Rate** means the production rate of Hydrocarbons from a Field that does not damage the reservoir formations and does not cause excessive decline nor loss of reservoir pressure in accordance with good oilfield practice as generally accepted by the international petroleum industry and in accordance with Section 6.4 of this Contract.
- (ll) **Noble** shall have the meaning ascribed in the preamble.
- (mm) **Exploration Operations** include, without limitation, geological studies, geophysical studies, aerial mapping, investigations relating to subsurface geology, stratigraphic test drilling, Exploration Wells and Appraisal Wells and related activities such as drill site preparation, surveying and all work connected therewith that is conducted in relation to exploration for Crude Oil and/or Natural Gas.
- (nn) **Development and Production Operations** means all operations, other than Exploration Operations, conducted to facilitate design, fabrication, installation and testing of facilities, extraction, production, transportation, and local storage of Crude Oil and/or Natural Gas from the Contract Area to the Delivery Point, including the injection of fluids into underground formations, the separation

and extraction of liquid Hydrocarbons, and the treatment of Natural Gas, but not to include the refining nor distribution of Hydrocarbon products.

- (oo) **Petroleum Operations** are those operations and activities related to exploration, development, extraction, production, field separation, injection, transportation, sales, storage or disposal of Hydrocarbons to the point of export or ingress in a Natural Gas liquefaction or processing plant or refinery. Such Operations shall not include transport outside the Republic of Equatorial Guinea nor any process of refining or handling Hydrocarbons that were already in a Natural Gas liquefaction or processing plant or refinery.
- (pp) **Administrative Operator** shall be one of the entities comprising the Contractor that is designated as such in the JOA.
- (qq) **Technical Operator** shall be one of the entities comprising Contractor that is designated as such in the JOA.
- (rr) **Party** and **Parties** shall have the meaning ascribed in the preamble.
- (ss) **GEPetrol's Carried Participation** shall have the meaning ascribed in Section 8.1(b).
- (tt) **Initial Exploration Period** shall have the meaning ascribed in Section 2.1.
- (uu) **Extension Period** shall have the meaning ascribed in Section 2.2.
- (vv) **Person** means any individual, corporation, partnership, joint venture, association, trust, estate, autonomous governmental organization, or any agency or political subdivision of a government.
- (ww) **Crude Oil** means Hydrocarbons which are produced at the wellhead in liquid state at atmospheric pressure including crude mineral oil, asphalt and ozokerites and the liquid Hydrocarbons known as condensate and/or natural gas liquids obtained from Natural Gas by condensation or extraction through field separation units.
- (xx) **Net Crude Oil** shall have the meaning ascribed in Section 7.3.
- (yy) **Cost Recovery Oil** shall have the meaning ascribed in Section 7.2.

- (zz) **Well** means any opening in the ground or seabed made by drilling or boring or in any other manner for the purpose of exploring, evaluating or producing Crude Oil or Natural Gas or for the injection of any fluid or gas into an underground formation other than a seismic hole.
- (aaa) **Exploration Well** means any Well, whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Hydrocarbon Discovery.
- (bbb) **Development Well** means a Well drilled with the purpose of producing, improving or enhancing the production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as producing or injection Wells, but excluding any other Exploration Well or Appraisal Well.
- (ccc) **Appraisal Well** means a Well drilled following a Discovery of Hydrocarbons with the objective of delimiting and mapping the reservoir and also to estimate the quantity of recoverable Hydrocarbons.
- (ddd) **Market Price** means the average FOB price weighted by volume (in Barrels) sold by any of the Parties or their agents for all Crude Oil produced and sold pursuant to Section X of this Contract.
- (eee) **Annual Budget** means the estimate of the Petroleum Operations Costs attributable to the items included in an Annual Work Program.
- (fff) **First Extension Period** shall have the meaning ascribed in Section 2.2.
- (ggg) **First Initial Exploration Sub-Period** shall have the meaning ascribed in Section 2.1.
- (hhh) **Annual Work Program** means an itemized statement of the Petroleum Operations to be carried out during a Calendar Year in the Contract Area as set forth in Section IV.
- (iii) **Total Available Production** signifies all Hydrocarbons produced from the Contract Area less the quantities used for Petroleum Operations and any losses which cannot be avoided through the application of generally accepted international petroleum industry practice.
- (jjj) **Delivery Point** means that point located within the jurisdiction of the Republic of Equatorial Guinea at which Hydrocarbons reach (i) the inlet flange at the F.O.B. export vessel or (ii) the loading facility

metering station of a pipeline or (iii) such other point within the jurisdiction of the Republic of Equatorial Guinea as may be agreed by the Parties in writing.

- (kkk) **Royalties** means an entitlement of the State over Crude Oil and Natural Gas produced and saved from the Contract Area, not utilized in any way in Petroleum Operations and sold, based on percentages calculated as a function of the average daily rate of the Total Available Production as determined in accordance with Section 7.1.
- (lll) **Petroleum Operations Rules** means the rules as to the application of the Hydrocarbon Law.
- (mmm) **Abandonment Reserve** shall have the meaning ascribed in Section 6.24.
- (nnn) **Semester** means a period of six (6) consecutive months commencing on the first of January and the first of July of each Calendar Year.
- (ooo) **Second Extension Period** shall have the meaning ascribed in Section 2.2.
- (ppp) **Second Initial Exploration Sub-Period** shall have the meaning ascribed in Section 2.1.
- (qqq) **Third Parties** means any entity other than a Party.
- (rrr) **Quarter** means a period of three (3) consecutive months beginning on January 1st, April 1st, July 1st or October 1st and ending on March 31st, June 30th, September 30th or December 31st, respectively.

SECTION II

EXPLORATION PERIOD AND RELINQUISHMENTS

Section 2.1 As of the Effective Date, Contractor is authorized under this Contract to conduct exclusively Exploration Operations in the Contract Area during an initial term of the exploration period of three (3) Contract Years (hereinafter referred to as "**Initial Exploration Period**"), divided into two sub-periods of two (2) and one (1) years respectively, (hereinafter referred to respectively as the "**First Initial Exploration Sub-Period**", and the "**Second Initial Exploration Sub-Period**").

Section 2.2 Once the Contractor has fulfilled its exploration obligations established in Sections 3.2 and 3.3 as regards the Initial

Exploration Period, Contractor shall have the right to be granted two (2) extensions of one (1) Contract Year each (hereinafter referred to as the "**First Extension Period**" and the "**Second Extension Period**" or collectively the "**Extension Periods**").

For each Extension Period Contractor shall file an application with the Ministry no later than two (2) months prior to the expiry of the then current exploration period. The granting of such renewal on the part of the Ministry may not be unreasonably withheld.

The application for the extension shall be accompanied by a map specifying the Contract Area to be kept by Contractor, along with a report specifying any work performed in the relinquished areas since the Effective Date and the results obtained therefrom.

Section 2.3 If upon expiry of the Initial Exploration Period, or any of the Extension Periods provided for in Section 2.2, any appraisal work program with respect to a Discovery as set forth in Section V of this Contract is actually under progress, then the Contractor shall be entitled to an additional extension of the exploration period (provided it has fulfilled all of its exploration work obligations for such period as set forth in Section III) to complete the appraisal process set out in Section V, and the relinquishment contemplated by Section 2.7 shall not prejudice Contractor's rights to complete the appraisal process set out in Section V with respect to any Appraisal Area or area for which an application for Appraisal Area is pending. The portion of any such additional extension period requested to complete the appraisal work shall not exceed six (6) months, or such longer period approved by the Ministry, which approval shall not be unreasonably withheld.

In such a case Contractor shall file an application to the Ministry at least two (2) months prior to the expiry of the current applicable exploration period.

Should the Contractor decide not to extend the Initial Exploration Period as outlined and has not declared any Discovery to be a Commercial Field by the end of said Initial Exploration Period, nor any of the subsequent Extension Periods, and any extensions thereof, then this Contract will terminate automatically.

Section 2.4 Contractor undertakes to relinquish to the State at least fifty percent (50%) of the initial area of the Contract Area by the end of the third (3rd) year of the Initial Exploration Period, excluding areas designated as Appraisal Areas, Development and Production Areas, the areas for which a request for Appraisal or Development and Production is pending, the area of any Field which may be subject to unitization pursuant to Section XXII, and/or any area for a possible Non Associated

Gas appraisal in relation to which Contractor is engaged in discussions with the Ministry in accordance with Section XIII.

Section 2.5 For the purposes of Section 2.4 above:

- (a) the area to be relinquished shall be deducted from the original Contract Area; and
- (b) Contractor shall have the right, according to generally accepted technical principles in the international petroleum industry, to define the geographic location of the portion of the Contract Area, which it intends to keep, and such area shall have a continuous geometric shape going from North to South and East to West or by natural boundaries, unless otherwise agreed by the Parties.

Section 2.6 Subject to the provisions of Section 5.12 with respect to Development and Production Areas, the Contractor may at any time notify the Ministry with at least three (3) months prior notice that it relinquishes its rights over all or part of the Contract Area.

In no event shall any voluntary relinquishment of rights over part of the Contract Area during any exploration period reduce the exploration work obligations set forth in Section III for such exploration period.

Section 2.7 Upon expiry of the applicable final extension periods pursuant to Section 2.2 and 2.3, Contractor shall be bound to relinquish the remaining area of the Contract Area, except for the areas designated as Development and Production Areas, or those areas for which an application is pending for Development and Production Areas, or the area of any Field which may be subject to unitization pursuant to Section XXII, and/or any area for a possible Non Associated Gas appraisal in relation to which Contractor is engaged in discussions with the Ministry in accordance with Section XIII.

Section 2.8 No relinquishment made in accordance with Section 2.4 shall relieve Contractor of the obligation to pay surface rentals accrued or make payments due and payable as a result of Petroleum Operations conducted up to the date of relinquishment.

SECTION III

EXPLORATION WORK OBLIGATIONS

Section 3.1 During the Initial Exploration Period of three (3) Contract Years the Contractor undertakes to carry out the following minimum work program:

Section 3.2 During the First Initial Exploration Sub-Period of two (2) Contract Years, Contractor must:

- (a) Acquire all the relevant technical data available in the Contract Area and undertake an interpretation of this data;
- (b) Acquire, process and interpret eight hundred (800) square km of 3D seismic data. Contractor's purchase of the Terra Energy speculative 3D data shall be deemed as fulfilling this commitment in its entirety; and
- (c) Drill one (1) Exploration Well which reaches the depth required to access the geological objectives in accordance with the results of the Contractor's interpretation of the seismic data. If the well reaches a minimum depth of 2,500 meters below seabed such obligation will, in any event, be deemed fulfilled.

Section 3.3 During the Second Initial Exploration Sub-Period of one (1) Contract Year Contractor must drill one (1) Exploration Well which reaches the geological objectives in accordance with the results of the Contractor's interpretation of the seismic data. If the well reaches a minimum depth of 2,500 meters below seabed such obligation will be deemed fulfilled.

Section 3.4 During the First Extension Period, Contractor shall be obliged to drill one Exploration Well in accordance with the results of the Contractor's interpretation of the seismic data. If the well reaches a minimum depth of 2,500 meters below seabed such obligation will be deemed accomplished.

Section 3.5 During the Second Extension Period, Contractor shall be obliged to drill one (1) Exploration Well in accordance with the results of the Contractor's interpretation of the seismic data. If the well reaches a minimum depth of 2,500 meters below seabed such obligation will be deemed accomplished.

Section 3.6 Each Well set forth above shall be drilled to a depth necessary to fulfill the objectives defined by prior surveys and by the drilling itself, or to a lesser depth if authorized by the Ministry or if discontinuing drilling according to generally accepted international petroleum industry practice is justified by one of the following reasons:

- (a) basement is encountered at a depth less than the stipulated minimum contractual depth;
- (b) continued drilling is clearly dangerous or unsafe such that a prudent operator would decide to stop drilling operations immediately and contact the Ministry as soon as possible;

- (c) rock formations are encountered the hardness of which makes it impractical to continue drilling with appropriate equipment; or
- (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which prevent reaching the minimum contractual depth.

In any of the above cases Contractor shall obtain the approval of the Ministry in writing, prior to discontinuing drilling, which approval shall be obtained within two (2) working days counted from the date of receipt of such request. Said approval shall not be unreasonably withheld and by this approval the Well in question shall be deemed to have reached the minimum contractual depth. Nevertheless, all costs incurred by Contractor in carrying out the drilling of the Wells pursuant to this Section III shall be considered as recoverable Petroleum Operations Costs.

Section 3.7 Prior to the Effective Date each of the entities comprising the Contractor shall submit a guarantee, in the form stipulated in Annex D hereto, which warrants each such entity's participating interest share of the Contractor's minimum exploration obligations during the Initial Exploration Period established in Section 3.2 and 3.3.

SECTION IV

PREPARATION AND APPROVAL OF ANNUAL WORK PROGRAMS AND BUDGETS

Section 4.1 No later than forty-five (45) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date, Contractor shall prepare and submit for approval by the Ministry a detailed itemized Annual Work Program by Quarters, along with the corresponding Annual Budget for the Contract Area setting forth the Petroleum Operations Contractor proposes to carry out during said Calendar Year.

Each Annual Work Program and corresponding Annual Budget shall be broken down into the various Exploration Operations and, as applicable, the Appraisal Operations for each Appraisal Area and the Development and Production Operations for each Development and Production Area.

Section 4.2 The Ministry may propose amendments or modifications to the Annual Work Program and corresponding Annual Budget by giving notice to Contractor, including all justifications deemed necessary, within thirty (30) days following receipt of said Annual Work Program and Budget. In such a case the Ministry and Contractor shall meet as soon as possible to review the requested amendments or modifications and establish by mutual agreement, taking into account the

work obligations and assumed costs of Contractor, the Annual Work Program and corresponding Annual Budget in accordance with generally accepted international petroleum industry practice. The parts of the Annual Work Program for which the Ministry does not require modification will be deemed approved and must be completed by Contractor within the stated time, provided they can be undertaken on an individual basis. With respect to the parts of the Annual Work Program for which the Ministry proposes amendments or modifications the date of approval of the Annual Work Program and corresponding Annual Budget shall be the date of the afore-mentioned mutual agreement.

Failing notice by the Ministry to Contractor of its wish to amend or modify the Annual Work Program and corresponding Annual Budget within the above-mentioned period of thirty (30) days, the said Annual Work Program and Annual Budget shall be deemed approved by the Ministry upon the expiry of said period.

Each operation included in the approved Annual Work Program shall be diligently performed by Contractor.

Section 4.3

The results resulting as the work progresses or certain changes in
 circumstances may justify modifications to the Annual Work Program. In
 such cases, Contractor shall submit a written request for modification
 to the Ministry to Contractor of its wish to change such modification to the
 Annual Work Program and corresponding Annual Budget within the
 period of 60 days from the date of the receipt of the said request.
 The request for modification shall be deemed approved by the Ministry
 upon the expiry of said period. On receipt of approval or deemed approval
 Contractor may make pertinent modifications provided the basic
 objectives of said Annual Work Program are not deviated.

[REDACTED]

[REDACTED] five per cent (5%) of Development and [REDACTED]

[REDACTED] under written approval of the Ministry [REDACTED]

[REDACTED] and shall provide the Ministry with full details of such over expenditures [REDACTED]

[REDACTED] and in this paragraph shall be without prejudice to [REDACTED]

[REDACTED] extraordinary circumstances requiring urgent action as set out in Section [REDACTED]

4.4.

Section 4.4 The Parties further recognize that in the event of an emergency or extraordinary circumstances requiring urgent action,

Contractor may take such steps and actions reasonably considered necessary by Contractor for the protection of its interests, the life, health and property of its employees, the environment, and the safety of Petroleum Operations. All of the corresponding costs incurred by the Contractor shall be considered as Petroleum Operations Costs, subject to the costs related to repairing the damaged facilities and cleaning up pollution or damage to the environment (set out below) being disallowed as Petroleum Operations Costs, if the cause of such emergency or extraordinary circumstance is verified as being caused by Contractor's Gross Negligence or willful misconduct.

Any costs incurred by Contractor related to repairing the damaged facilities, and cleaning up of pollution or damage to the environment caused by the Gross Negligence or willful misconduct of Contractor or its subcontractors shall not be included in the Petroleum Operations Costs.

Section 4.5 The Contractor and the Ministry will mutually agree on a reasonable social program to be included in the Annual Work Program and the Annual Budget. Expenses related thereto will be recoverable as Petroleum Operations Costs.

If Contractor decides to fund any other social projects outside those approved in the Annual Budget such costs will not be recoverable as Petroleum Operations Costs.

SECTION V

APPRAISAL OF A DISCOVERY AND PRODUCTION PERIOD

Section 5.1 If Contractor discovers Hydrocarbons within the Contract Area it shall notify the Ministry in writing thereof as soon as possible but not later than sixty (60) days after such Discovery. This notice shall include all relevant information selected in accordance with generally accepted practice of the international petroleum industry and particulars of any production testing program which Contractor proposes to carry out which contribute to the evaluation of indications of Hydrocarbons encountered during drilling operations.

Within thirty (30) days following the date of suspension or abandonment of the Discovery Well Contractor shall submit to the Ministry a report giving all the information associated with said Discovery, and shall include Contractor's preliminary estimation of the need for appraisal of said Discovery.

Section 5.2 If Contractor considers that the above-mentioned Discovery merits appraisal it shall diligently submit to the Ministry a detailed appraisal work program and the estimated corresponding budget

no later than six (6) months following the date on which the Discovery has been notified as set forth in Section 5.1.

This appraisal work program shall specify the estimated area encompassing the reserves of said Discovery, and this area shall be designated as an Appraisal Area. Such work program shall include all seismic, drilling, testing and appraisal operations necessary to carry out an appropriate evaluation of the Discovery. Contractor shall then diligently undertake the appraisal work in compliance with said program, it being understood that the provisions of Section 4.3 shall apply to said program.

The duration of the appraisal work program shall not exceed twenty-four (24) months for Crude Oil, and in the case of Natural Gas the duration of the appraisal work program shall be determined in accordance with the provisions of Section XIII, unless as otherwise agreed in writing by the Ministry on the application of the Contractor. Approval of such an application is not to be unreasonably withheld.

Section 5.3 Within three (3) months following conclusion of the appraisal work program and no later than thirty (30) days prior to the expiry of the Initial Exploration Period, or the First Extension Period or the Second Extension Period defined in Section II, including any extension thereof in accordance with the provisions of Section 2.3, Contractor shall submit to the Ministry a detailed report giving all the technical and economic information associated with the Discovery so appraised and which shall confirm, in Contractor's opinion, whether said Discovery is a Commercial Field.

Such report shall include, inter alia, the following information: geological and petrophysical characteristics of the Discovery; estimated geographical extent of the Discovery; results of the production tests yielded by the formation; and the preliminary economic study with respect to the exploitation of the Discovery.

Section 5.4 For the purposes of Section 5.3 Contractor shall make a determination as to whether a Discovery (or aggregation of Discoveries) is a Commercial Field on the basis of whether that Discovery (or aggregation of Discoveries) can be produced commercially after consideration of all pertinent operating, economic and financial data collected during the performance of the appraisal work program and otherwise including, but not limited to, Crude Oil and Natural Gas recoverable reserves, sustainable production levels and all other relevant economic factors, according to generally accepted international petroleum industry practice.

Section 5.5 If Contractor deems the Discovery (or aggregation of Discoveries) to be a Commercial Field it shall submit for approval to the

Ministry a Development and Production plan for said Discovery within five (5) months following the remittance of the report referred to in Section 5.3.

The Ministry may propose amendments or modifications to the aforementioned development and production plan, and also to the development and production Area applied for, by notice to Contractor including all the justifications deemed necessary within ninety (90) days following receipt of said plan. The provisions of Section 4.2 shall be applicable to said plan as regards the approval thereof.

When the results obtained during development work require certain modifications to the development and production plan, said plan may be modified using the same procedure as that provided for above as regards the initial approval thereof.

Section 5.6 If Contractor discovers more than one Commercial Field in the Contract Area each of them shall be the subject of a separate development and production plan.

Section 5.7 If during work performed after approval of a development and production plan it appears that the geographical extent of the Field is larger than the Development and Production Area designated pursuant to Section 5.5, the Ministry shall grant Contractor the additional area, on condition that it be an integral part of the Contract Area in effect at that time, provided that Contractor provides technical evidence of the existence of the additional area.

Section 5.8 In the event that a Field extends beyond the boundaries of the Contract Area as delimited pursuant to Section II, the Ministry may demand Contractor to exploit said Field in association with the contractor of the adjacent area in accordance with Section XXII herein according to generally accepted international petroleum industry practice.

When this applies to a free area, the State may award to Contractor an extension of the Contract Area to cover the limits of the Field, provided that such extension is in accordance with the Hydrocarbon Law and reflects the new contractual obligations of Contractor relative to such extension. The payments for surface rentals provided for in Section 11.4 shall be adjusted as a consequence of the new extension of the Contract Area.

Section 5.9 Contractor shall commence Development and Production Operations within six (6) months from the date of approval of the development and production plan and shall pursue said operations diligently.

Contractor undertakes to perform the Development and Production Operations in accordance with generally accepted international petroleum industry practice.

Section 5.10 The duration of the development and production period during which Contractor is authorized to exploit a Field is set at twenty five (25) years from the date of approval of the development and production plan related to said Field.

The development and production period defined above may be extended for an additional period of five (5) years with prior approval of the Ministry (which approval shall not be unreasonably withheld), if Contractor submits a request to this effect to the Ministry at least one (1) year prior to its expiry and on condition that Contractor has fulfilled all its contractual obligations during the development and production period and that it can demonstrate that commercial production from the corresponding Field is still possible after the initial development and production period.

Section 5.11 Contractor undertakes to perform at its own expense and financial risk all the Petroleum Operations useful and necessary for placing the Field in production in accordance with the development and production plan so approved.

Section 5.12 Contractor may at any time abandon any Development and Production Area subject to having given six (6) months prior notice to the Ministry as long as Contractor has fulfilled its contractual obligations set forth in this Contract and that it has provided the Ministry with full details of the installations in said Area, and any plans for the removal of said installations, as applicable.

Section 5.13 For the duration of the Initial Exploration Period and any Extension Period, the Ministry may, provided that it gives at least six (6) months notice to the Contractor, require Contractor to relinquish immediately without any compensation all its rights over the area encompassing a Discovery, including all its rights over Hydrocarbons which may be produced from said Discovery, if Contractor:

- (a) has not submitted, in accordance with Section 5.2, an appraisal work program with respect to said Discovery within six (6) months following the date on which said Discovery has been notified to the Ministry; or
- (b) subject to Section 13.1, does not declare the Discovery as a Commercial Field within two (2) years after completion of appraisal work with respect to said Discovery.

The Ministry may then perform or cause to be performed any appraisal, development, production, treatment, transportation and marketing work

with respect to said Discovery without any compensation to Contractor; provided however, that it shall not cause prejudice to the continued performance of the Petroleum Operations by Contractor in the part of the Contract Area it retains.

Section 5.14 If upon expiry of the appraisal periods stipulated in Section 5.2, Contractor determines that executing the exploitation of the appraised Discovery would be marginally profitable given the economic circumstances at the time, that it is probable that further Discoveries may be made in other parts of the Contract Area, and that the aggregation of said Discoveries may be commercially viable, Contractor has the right to retain all rights to the area covered by the Discovery for a duration not to exceed in any case, the total of the Initial Exploration Period, plus the corresponding Extension Periods, plus any extension under Section 2.3 or Section XIII.

SECTION VI

CONTRACTOR'S RIGHTS AND OBLIGATIONS RELATING TO THE CONDUCT OF PETROLEUM OPERATIONS

Section 6.1 In accordance with generally accepted international petroleum industry practice, Contractor shall supply all the necessary funds for the purchase or rent of the equipment and materials required for the performance of Petroleum Operations. It shall also supply all the technical expertise, including the use of foreign and national personnel, required for implementing the Annual Work Programs. Contractor shall be responsible for the preparation and implementation of the Annual Work Programs which shall be performed in the most appropriate way in accordance with generally accepted international petroleum industry practice.

Section 6.2 Contractor shall on or before the Effective Date provide the Ministry with a copy of the "Joint Operating Agreement" ("JOA") which binds the entities constituting the Contractor and which designates the name of the entities appointed as "Administrative Operator" and as the "Technical Operator", the latter of which shall be responsible for conducting Petroleum Operations.

Section 6.3 Within six (6) months following the Effective Date Contractor shall open a branch office in the Republic of Equatorial Guinea and keep it in existence during the term of this Contract. Said office shall be manned by at least one (1) representative with sufficient authority to make decisions on behalf of the Contractor.

Contractor shall not break down said contracts into smaller contracts without the written approval of the undersigned. Contractor shall not unduly break down said contracts into smaller contracts without the written approval of the undersigned. The terms and conditions shall be the exclusive responsibility of the Contractor.

Section 6.11 [REDACTED]
[REDACTED] of Engineers who are not
employees of Contractor.

_____,
the term of the exploration phase Contractor shall make available to the
_____, \$7,000,000 (\$7,000,000) B.U.
Calendar Year _____

Dollars per Calendar Year

The above costs will be recoverable as Petroleum Operations Costs and shall be prorated over the first and last Contract Year.

Section 6.12 Petroleum Operations shall be subject to monitoring by the Ministry. The duly commissioned representatives of the Ministry shall have the right, inter alia, to monitor Petroleum Operations and at reasonable intervals to inspect the facilities, equipment and material relating to Petroleum Operations, provided that such inspection shall not unduly delay or impede said Operations. The reasonable costs incurred in such monitoring and inspections, inside and outside Equatorial Guinea, will be charged to the Contractor, and are recoverable as Petroleum Operations Costs. The representatives of the Ministry inspecting and monitoring the aforementioned Operations shall conform to the safety standards required by generally accepted international petroleum industry practice.

For the purposes of permitting the exercise of the above-mentioned rights Contractor shall provide the representatives of the Ministry with all reasonable assistance regarding transportation and accommodation, supervision fees and transportation and accommodation costs directly related to the technical inspection, monitoring and audit, which shall be borne by Contractor. These costs are recoverable as Petroleum Operations Costs.

Section 6.13 Contractor shall inform the Ministry at regular intervals of the performance of Petroleum Operations and of any accidents that may have occurred during such operations.

Section 6.14 Contractor shall forthwith notify the Ministry of any discovery of mineral substances made during the performance of Petroleum Operations.

Section 6.15 Contractor shall not produce energy for its own use unless national production is insufficient for the demands of Contractor. In such event, the energy produced may not be sold to Third Parties. However, Contractor may utilize Crude Oil and/or Natural Gas in the necessary amounts for the production of power for use in its offshore facilities.

Section 6.16 Contractor shall carry out Petroleum Operations diligently and according to the generally accepted standards of the international petroleum industry designed to allow the production of Hydrocarbons at the rate established pursuant to Section 6.4. Contractor shall ensure that all equipment, plant and installations used by Contractor conform to generally accepted engineering standards and that they are well constructed and maintained.

Section 6.17 Contractor will take, in particular, all necessary steps in accordance with generally accepted international petroleum industry practice, to:

- (a) prevent spills or releases in any other manner of any Crude Oil or Natural Gas discovered or produced within the Contract Area, subject to the provisions of Section 6.18;
- (b) avoid causing damage to overlying, subordinate, adjacent and/or underlying formations trapping Crude Oil or Natural Gas reserves;
- (c) prevent the unintentional ingress of water via Wells into strata containing Crude Oil or Natural Gas reservoirs;
- (d) avoid causing damage to overlying, subordinate, adjacent and/or underlying aquifers;
- (e) ensure that Petroleum Operations are carried out as agreed in this Contract and in accordance with the applicable laws and regulations of the Republic of Equatorial Guinea;
- (f) undertake necessary precautions for the protection of shipping and fishing and to avoid contamination of the sea and rivers; and
- (g) drill and exploit each Field in such manner as to protect the interests of the Republic of Equatorial Guinea in accordance with the provisions of this Contract.

Section 6.18 Such Natural Gas as the Contractor does not sell or use in its own operations within the Contract Area will be re-injected into the structure of the subsoil, and all costs of such re-injection shall be recoverable as Petroleum Operations Costs. Notwithstanding the foregoing, the Ministry may authorize the combustion of Natural Gas for short periods of time during production tests as well as in cases where the combustion of relatively small amounts of Natural Gas may be necessary for the production of Crude Oil in accordance with generally accepted international petroleum industry practice or when technical circumstances at a given time require the combustion of Natural Gas for the rational exploitation of the Field or in the event of an emergency. All said Natural Gas not used in Petroleum Operations by Contractor or sold, and which would otherwise be flared will be the property of the State.

Section 6.19 If the Ministry should determine that any works or installations built by Contractor or any activity undertaken by the latter threatens the safety of Persons or Third Party property or causes pollution or harm to marine life to an unacceptable level in accordance with generally accepted international petroleum industry practice the Ministry shall advise the Contractor immediately, and will require the Contractor to

take appropriate mitigating measures consistent with generally accepted international petroleum industry practice to repair any damage to the environment within a reasonable length of time. Likewise, if the Ministry judges it necessary, it will demand that Contractor suspends totally or partially the Petroleum Operations affected by the incident until Contractor has taken the said mitigating measures or repaired any damage.

Section 6.20 Contractor shall conform to the practices generally accepted in the international petroleum industry in the design and drilling of Wells including, but not limited to, their casing, cementation and drilling programs.

Section 6.21 Each Well will be identified by a name or number indicated on the maps, plans and other similar records which Contractor will be obliged to maintain. Any change in the number or name of a Well will be notified immediately to the Ministry.

Section 6.22 Except as set out in this Section 6.22, no Well will be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area. Controlled directional Wells drilled within the Contract Area from adjacent terrain not covered by this Contract will be considered for all purposes of this Contract as wells drilled from territory included in the Contract Area. In such circumstances, for the purposes of this Contract, the production of Crude Oil and Natural Gas obtained from the Contract Area by means of a controlled directionally drilled Well on adjacent terrain or the drilling or redrilling of such a controlled directionally drilled Well shall constitute production, drilling or workover operations (whichever may be the case) carried out within the Contract Area. Nothing in this paragraph has the intention or should be interpreted as if the Ministry grants Contractor any right of lease, license, servitude or any other right that Contractor should obtain legally according to the Hydrocarbons Law from the Ministry or Third Parties.

Section 6.23 Contractor will notify the Ministry in writing seven (7) days in advance of the commencement of any drilling of any Well set out in an approved Annual Work Program and corresponding Annual Budget or before the resumption of works on any Well whose works have been suspended for more than six (6) months.

Section 6.24 Plan of abandonment:

- (a) Subject to Section 5.14, before abandoning a portion of the Contract Area that includes a Discovery, Contractor shall notify the Ministry ninety (90) days in advance of the proposed abandonment. Upon receipt of said notice the Ministry will make an election whether to take charge of the Discovery proposed to be abandoned by the Contractor. If the Ministry does not communicate in writing its wish to take charge of operations within

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ninety (90) days, the proposed abandonment of the Discovery by Contractor shall be deemed approved.

- (b) On the abandonment of a Field in production Contractor will likewise notify the Ministry at least one (1) year in advance of the proposed date of abandonment including with the notification the abandonment program and the corresponding budget. The estimated costs related to such abandonment shall be duly allowed for and deemed Petroleum Operations Costs.
- (c) With a view to implementing the abandonment plan of a Field as prescribed herein, Contractor is authorized starting six (6) years prior to the estimated commencement of abandonment works or when 50% or more of the recoverable Hydrocarbons from a Development and Production Area have been produced:
 - (i) to estimate the costs of such abandonment,
 - (ii) to include such estimated costs in each pertinent Annual Budget,
 - (iii) to obtain the funds for such costs, which funds will be deposited in an escrow account ("**Abandonment Reserve**"), and
 - (iv) to begin recovering such estimated abandonment costs as Petroleum Operations Costs in accordance with Section 7.2.

The escrow account shall be established to that effect in a bank acceptable to the Parties.

Section 6.25 In order to carry out Petroleum Operations, the Contractor shall have the right to:

- (a) occupy the necessary land for the performance of Petroleum Operations and associated activities as set out in paragraphs (b) and (c) below including lodging for personnel assigned to the operation;
- (b) undertake or effect the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Petroleum Operations and associated activities such as transport, storage of equipment and materials, drilling products and tailings, establishment of telecommunications equipment and communication lines necessary for the conduct of Petroleum Operations in installations located both off-shore and on land;

- (c) undertake or effect the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and
- (d) extract and use or effect the extraction and utilization of resources (other than Hydrocarbons) from the sub-soil necessary for the activities stipulated in paragraphs (a), (b) and (c) above mentioned in accordance with relevant regulations.

Section 6.26 Occupation of land as mentioned in Section 6.27 above shall become effective after the Ministry approves the request submitted by Contractor indicating and detailing the location of said land as well as how it plans to use it, taking the following into consideration:

- (a) if the land belongs to the State, the latter shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of the Contract. In this case the Contractor shall be exempt from paying any dues or consideration;
- (b) if the land is private property by traditional or local right according to the Property Registry, the State shall proceed with the prior publication of a decree of compulsory expropriation followed by a valuation on a fair and reasonable basis of the land concerned by an expert valuator. In such case Contractor shall compensate the expropriated property owner in accordance with such valuation if the State had not done so and such amounts shall be considered recoverable Petroleum Operations Costs;
- (c) when private property occupation is merely temporary, transitory or for right of way the Contractor shall reach an agreement with the property owner, and the property owner shall reach an agreement with any occupant with regard to the rental to be paid, and the resulting amounts will be deemed recoverable Petroleum Operations Costs;
- (d) if the occupation of private property is permanent, matters related to its acquisition shall also be agreed between the owner and Contractor;
- (e) if no agreement is reached between Contractor and the property owner or occupant regarding the transfer of the temporary, transitory or servitude occupation mentioned above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the Ordinary Courts; and
- (f) The relinquishment of the Contract Area, in whole or in part, will not apply to the Contractor's rights under Section 6.27 to carry out

building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the rest of the Contract Area, as applicable, and covered by other production sharing contracts.

Section 6.27 There will be no restrictions on the entry, residence, free circulation, employment and repatriation of the personnel, families and goods of employees of the Contractor and of its subcontractors provided that Contractor and its subcontractors comply with the law and employment legislation as well as social legislation in force in the Republic of Equatorial Guinea as applied in the industrial sector. The State agrees that the personnel of the Contractor or the Technical Operator appointed by the Contractor or by any agent or subcontractor thereof shall be granted such entry, work permits, residence permits or other authorizations or the like as may be required from time to time by the laws of Equatorial Guinea.

Section 6.28 The Ministry will facilitate obtaining for the Contractor and his subcontractors all administrative authorizations as necessary to execute the Petroleum Operations.

SECTION VII

ROYALTIES, RECOVERY OF PETROLEUM OPERATIONS COSTS, AND DISTRIBUTION OF PRODUCTION

Section 7.1 Royalties shall be payable to the State according to the daily Total Available Production. The procedure for payment shall be agreed at the time of approval of the first development and production plan in the Contract Area. The calculation shall be according to the following table applicable for each tranche.

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
(Barrels per day)	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Section 7.2

[REDACTED]
to up to [REDACTED]
remaining [REDACTED]
[REDACTED] "Cost Recovery Oil")

The value of the portion of Total Available Production assigned to Contractor's Petroleum Operations Costs recovery as defined in the

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paragraph above will be determined according to the provisions of Section X.

If during any Calendar Year the Petroleum Operations Costs not yet recovered by the Contractor as called for in this Section exceed the value of the maximum amount of available Cost Recovery Oil, the portion of Petroleum Operations Costs not recovered in the said Year will be carried forward to the following Calendar Year for recovery purposes.

Section 7.3 The quantity of Total Available Production remaining every Year after the deduction of Royalty, and after the deduction of the Cost Recovery Oil assigned to the Recovery of Petroleum Operation Costs pursuant to Article 7.2 will hereafter be referred to as “**Net Crude Oil**”, which will be shared between the State and Contractor as set out in the following table:

[illegible]

Section 7.4 The State's share of Total Available Production, to which it is entitled to pursuant to Sections 7.1 and 7.3 shall be delivered to and accepted by GEPetrol at the Delivery Point, freeing Contractor from all responsibility regarding such Crude Oil. However, Contractor, should the State so require it, shall be obligated to purchase all or part of the State's share of Total Available Production, subject to the provisions of Section 7.8, and subject to any mutually agreed to terms and conditions of the purchase.

Section 7.5 The Ministry shall be entitled to compare the price obtained by the Contractor for each of its shipments with similar market quotations as of the date of sale of such shipment. In the event that it is shown that the price obtained by the Contractor differs substantially from the quotations in similar markets, the Ministry shall have the right to evaluate the Contractor's marketing operations and, if necessary, cancel any marketing agreement between the State and Contractor.

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Section 7.6 With the exception of the provisions in Section XII Contractor will have the right to take, receive and freely export its share of Net Crude Oil and Cost Recovery Oil.

Section 7.7 The title of Contractor's portion of Net Crude Oil according to Section 7.3 as well as that of the portion of Cost Recovery Oil exported and sold for the recovery of Petroleum Operations Costs in accordance with Section 7.2 will pass to Contractor at the Delivery Point.

Section 7.8 If, pursuant to Section 7.4, the State wishes to sell its share of Total Available Production from the Contract Area to the Contractor, the Ministry will be required to advise Contractor in writing at least ninety (90) days before the Contractor's next scheduled shipment, and the Parties shall come to a mutual agreement as to the terms and conditions of this purchase. In the case that ninety (90) days advanced notice was not given, or the Parties do not reach an agreement as to the terms and conditions of the purchase, Contractor shall not be obligated to purchase the said Crude Oil.

SECTION VIII

GEPETROL PARTICIPATION

Section 8.1

Section 6.7. [REDACTED] QEPetrol and GEPetrol shall accept a participation
[REDACTED]
[REDACTED] as the Effective Date. This assignment
shall be for a term period of [REDACTED]
[REDACTED] shall be in the form of the attached Annex "E"
[REDACTED] GEPetrol shall become one of the
Contractor under this Contract and a Party to the ICA
[REDACTED] the operating committee under the ICA
[REDACTED] shall be [REDACTED]
[REDACTED] the provisions the following principles:

- (a) GEPetrol shall be appointed the Administrative Operator, whose functions will be specified in the JOA, and Noble shall be appointed the Technical Operator, which will be responsible for the conduct of Petroleum Operations on behalf of the entities comprising Contractor;
- (b) [REDACTED] (10%) will be [REDACTED]
[REDACTED] (excluding GE Petrol)
[REDACTED] Contractor's liabilities and obligations
[REDACTED]
- (c) Subject to Section 8.1(f) the costs attributable to GEPetrol's Carried Participation shall be paid by the entities comprising the

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Section 9.1 Subject to the other provisions of this Contract, the Contractor, its subcontractors and its personnel shall be subject to the tax laws and regulations in force in the Republic of Equatorial Guinea as well

as the UDEAC (Central African Economic and Monetary Union) fiscal and customs laws applicable in Equatorial Guinea.

Section 9.2 Unless otherwise agreed by the Parties the provisions of Section XVI shall apply to Income Tax, Royalty payments and all other obligations established in this Contract.

SECTION X

VALUATION OF CRUDE OIL

Section 10.1 The unit selling price of Crude Oil to be considered under this Contract shall be the FOB Market Price at the Delivery Point within the Republic of Equatorial Guinea, expressed in Dollars per Barrel as calculated in Section 10.2.

A Market Price shall be established for each type of Crude Oil or Crude Oil blend.

Section 10.2 The Market Price applicable to all liftings of Crude Oil during a Quarter shall be calculated at the end of that Quarter and shall be equal to the weighted average of prices obtained by Contractor for Crude Oil sold to Third Parties on an arm's length basis during that Quarter, further adjusted as necessary to reflect differentials in quantity, quality, gravity, delivery conditions and terms of payment, provided that the quantities sold to Third Parties during that Quarter constitute at least thirty per cent (30%) of the total quantities of Crude Oil produced and saved from all the Fields under this Contract and sold during said Quarter.

Section 10.3 In the event that such sales to Third Parties are not made during the Quarter in question or represent less than thirty per cent (30%) of the total quantities of Crude Oil produced and saved from all the Fields under this Contract and sold during said Quarter, the Market Price shall be equal to the weighted average of the prices obtained by Contractor for the quantities of Crude Oil sold to Third Parties on an arms length basis (as established in Section 10.2) and the average of Dated Brent quotations as published in Platts Crude Oil Market Wire ("Platts") during the Quarter in question adjusting the differentials with the quality, gravity, transportation and payment terms for one or several types of Crude Oil produced in West Africa and to be mutually agreed in respect of the quantities of Crude Oil not sold to Third Parties.

- (a) If Platts ceases to be published or the price of Crude Oil used to calculate the purchase price ceases to be quoted in Platts, then the Market Price shall be calculated using the price or prices quoted in such other publication as the Ministry and Contractor agree until

Platts or the Crude Oil has again been published or quoted, as the case may be.

- (b) If the Crude Oil used to calculate the Market Price ceases to be traded, The Ministry and the Contractor shall agree on the Crude Oil which most closely approximates to the Crude Oil which has ceased trading for the purposes of calculating the Market Price.
- (c) If the Ministry and Contractor cannot agree on any matter in this Section within fourteen (14) days from the date either the Ministry or Contractor notify the other that a dispute exists with respect to that matter, the dispute shall be referred to an expert for determination under Section 10.5.

Section 10.4 The following transactions shall be excluded from the calculation of the Market Price:

- (a) sales in which the buyer is an Affiliated Company of the seller (unless such sales are on an arm's length basis), as well as sales between entities constituting Contractor;
- (b) sales between suppliers of Crude Oil and the national market;
- (c) sales for other consideration than payment in freely convertible currencies and sales wholly or partially made for reasons other than the usual economic incentives involved in Crude Oil sales on the international market (such as exchange contracts, sales from government to government or to government agencies).

The evolution of the international market shall be taken into consideration to establish the Market Price of Crude Oil.

Section 10.5 Contractor shall determine the Market Price in accordance with this Section X and the calculation, basis of calculation and the price determined shall be supplied to the Ministry.

In the event of a dispute among the Parties on any matter concerning the Market Price of Crude Oil arrived at by Contractor, either Party may serve on the other Party a dispute notice. Within seven (7) days of the sending of a dispute notice the Ministry shall establish a committee of two persons of which the Minister of Mines and Energy or his deputy will be President. The other committee member will be a representative of the Contractor. The committee must meet and make a decision resolving any dispute under this Section X within thirty (30) days of the date of the dispute notice. The committee's decision must be unanimous.

In the event that, for any reason whatsoever, a unanimous decision has not been made by the committee within the aforementioned thirty (30)

days the dispute shall be determined by a world-wide recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Experts (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. The expert shall determine the Market Price in accordance with the provisions of this Section X within the first twenty (20) days from his appointment. The costs of the expert shall be shared equally by the Parties.

Section 10.6 Pending the determination of the Market Price for a Quarter, the Market Price provisionally applicable to a Quarter shall be the Market Price of the preceding Quarter. Any necessary adjustment shall be made no later than thirty (30) days after the determination of the Market Price for the Quarter in question.

Section 10.7 The Ministry shall be entitled to track and verify the price obtained by Contractor for each shipment of Crude Oil. In the event that it should be shown that the price declared by the Contractor has been determined to be materially less than the price effectively realized, the Contractor will be required to compensate the State for the difference between the realized price and the declared price for the affected quantity.

SECTION XI

BONUSES AND SURFACE RENTALS

Section 11.1

Section 11.2

Section 11.3

Contractor shall pay the State the following sums as production bonuses:

(a)

(b)

- Such payments shall be made within the first thirty (30) calendar days of the corresponding period.

(a) One Dollar (\$1.00) per acre of the Development and Production Area annually for each Calendar Year of payment beginning on January 1, 2010, and ending on December 31, 2019.

(b) One Dollar (\$1.00) per acre of the Contract Area annually for each Calendar Year of payment beginning on January 1, 2010, and ending on December 31, 2019.

(c) One Dollar (\$1.00) per acre of the Development and Production Area annually for each Calendar Year of payment beginning on January 1, 2010, and ending on December 31, 2019.

For succeeding Years the surface rentals set forth in paragraphs (a) and (b) above shall be paid in advance thirty (30) days before the beginning of each Calendar Year.

For succeeding Years the surface rental set forth in paragraph (c) shall be paid in advance thirty (30) calendar days before the beginning of each Calendar Year.

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Production Areas occupied by Contractor on the date of payment of said surface rentals.

In the event of relinquishments made during a Calendar Year or in the event of Force Majeure, Contractor shall have no right to be reimbursed for the surface rentals already paid.

SECTION XII

OBLIGATION TO SUPPLY DOMESTIC MARKET WITH CRUDE OIL

Section 12.1 Contractor shall meet as a priority the needs of domestic Crude Oil consumption in the Republic of Equatorial Guinea in the event the State cannot meet such needs from the share of production to which the State is entitled.

Section 12.2 For this purpose, and in accordance with the provisions of Section 15 of the Hydrocarbons Law, if the State so requests in writing, Contractor shall sell to the State at the Delivery Point a portion of its Net Crude Oil for internal consumption in the country.

Section 12.3 The Ministry shall notify Contractor in writing no later than the first day of October of each Calendar Year of the quantities of Crude Oil which it desires to purchase under this Section for the subsequent Calendar Year. Delivery shall be made as required to the State or to the beneficiary designated by the State during said Calendar Year according to procedures to be agreed by the Parties.

Section 12.4 The price of Crude Oil so sold by Contractor to the State shall be the Market Price established in accordance with the provisions of Section X of this Contract and it shall be payable within 30 days after delivery unless otherwise agreed between the Parties.

SECTION XIII

NATURAL GAS

Section 13.1 Non-Associated Natural Gas

- (a) In the event of a Non-Associated Natural Gas Discovery Contractor shall diligently engage in discussions with the Ministry with a view to determining whether the said Discovery could be commercially viable and within ninety (90) days of the Discovery in question or within any other period of time agreed by the Parties shall determine whether the Discovery could be commercially viable.

- (b) If after the discussions referred to above Contractor considers that the Discovery of Non-Associated Natural Gas deserves to be submitted to appraisal, the Contractor shall furnish the Ministry with an appraisal work program in respect of said Discovery in compliance with the provisions of Section V.

For the purposes of assessing the commercial viability of the Non-Associated Natural Gas Discovery Contractor shall have the right, if the Contractor so requests at least 60 days prior to the expiry of the Initial Exploration Period, any Extension Period or other extension set forth in Section II, to be granted an extension of the exploration period with respect to the Appraisal Area related to said Discovery for a term of four (4) years starting from the expiry of the Initial Exploration Period or any Extension Period. Contractor may apply to the Ministry for a further renewal, the granting of which shall not be unreasonably withheld, of such exploration period for an additional term of four (4) years at least 60 days prior to the expiry of the previous four (4) year extension. In addition, the Parties shall jointly assess the possible outlets for the Natural Gas from the Discovery in question, both on the local market and for export, together with the necessary means for its marketing and they shall consider the possibility of a joint marketing of their shares of production in the event the Non-Associated Natural Gas Discovery would not otherwise be commercially exploitable.

- (c) Following completion of appraisal work, in the event the Parties should jointly decide that the exploitation of that Discovery is justified to supply the local market or in the event Contractor should undertake to develop and produce that Natural Gas for export, Contractor shall submit to the Ministry prior to the expiry of either of the aforementioned four (4) year periods a development and production plan in accordance with the provisions of Section 5.5, provided that the Contractor has entered into a contract for the sale of such Natural Gas.

Contractor shall then proceed with the development and production of such Natural Gas in accordance with the development and production plan submitted and approved by the Ministry, in compliance with the provisions of Section 5.5.

- (d) If Contractor considers that the Non-Associated Natural Gas Discovery does not warrant appraisal the Ministry may with ninety (90) days' prior notice require Contractor to relinquish its rights over the Appraisal Area encompassing said Discovery.

In the same manner, if Contractor after completion of the appraisal work considers that the Non-Associated Natural Gas Discovery is not commercial the Ministry may with ninety (90) days' advance

notice require Contractor to relinquish its rights over the Appraisal Area related to said Discovery.

In both cases Contractor shall forfeit its rights to all Hydrocarbons which could be produced from said Non-Associated Natural Gas Discovery and the State may then carry out, or cause to be carried out, all the appraisal, development, production, treatment, transportation and marketing work relating to that Discovery, without compensation to the Contractor provided, however, that said work shall not prejudice the performance of Petroleum Operations by Contractor.

Notwithstanding the above, the Contractor shall retain its rights to the area that encompasses said Discovery for a time not to exceed the total of the exploration periods and the corresponding extensions under Sections II and XIII.

Section 13.2 Associated Natural Gas

- (a) In the event that a Discovery of Crude Oil is declared to be a Commercial Field, Contractor shall state in the report referred to in Section 5.3 whether it considers that the production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of the Petroleum Operations relating to the production of Crude Oil (including re-injection operations) and whether it considers that such excess is capable of being produced in commercial quantities. In the event Contractor has informed the Ministry of such an excess the Parties shall jointly assess the possible outlets for that excess of Associated Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of production of that excess of Associated Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.

In the event the Parties should decide that the development of the excess of Natural Gas is justified or in the event Contractor should wish to develop and produce that excess, Contractor shall indicate in the development and production plan referred to in Section 5.5 the additional facilities necessary for the development and exploitation of that excess and its estimate of the costs related thereto.

Contractor shall then proceed with the development and exploitation of that excess in accordance with the development and production plan submitted and approved by the Ministry pursuant to the provisions of Section 5.5.

A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is decided during the exploitation of a Field.

- (b) In the event Contractor does not consider the exploitation of the excess of Associated Natural Gas as justified and if the State at any time wishes to utilize it, the Ministry shall notify Contractor thereof, in which event:
 - (i) Contractor shall put at the disposal of the State free of charge at the Crude Oil and Associated Natural Gas separation facilities all or part of such excess that the State wishes to lift;
 - (ii) The State shall be responsible for the gathering, treatment, compression and transportation of that excess of gas at the separation facilities, and shall bear any additional costs and responsibilities related thereto;
 - (iii) the construction of the facilities necessary for the operations referred to in paragraph (ii) above, together with the recovery of that excess by the State, shall be carried out in accordance with generally accepted international petroleum industry practice.

Under no circumstances may the operations carried out by the State in relation to such Associated Natural Gas interfere with Petroleum Operations of Contractor.

- (c) Any excess Associated Natural Gas not utilized according to Sections 13.2(a) and 13.2(b) shall be reinjected by Contractor in accordance with Section 6.18. Contractor will have the right to flare said Associated Natural Gas in accordance with generally accepted international petroleum industry practice, provided that Contractor furnishes the Ministry with a report demonstrating that such Associated Natural Gas cannot be economically re-injected nor utilized to enhance recovery of Crude Oil in accordance with Section 6.16. Flaring is subject to the Ministry approval which shall not be unreasonably withheld. Contractor shall be allowed, however, to flare Associated Natural Gas without the approval of the Ministry in the event of an emergency, provided that every effort is made to diminish and extinguish such flaring of Natural Gas as soon as possible.

Section 13.3 Provisions common to Associated and Non-Associated Natural Gas

- (a) Contractor will also be entitled to dispose of its share of the production of Natural Gas according to the provisions of this Contract. Contractor shall also have the right to separate liquids from all Natural Gas produced and to transport, stock and sell in the local market or export market its portion of Hydrocarbon liquids separated from Natural Gas under the provisions of Section VII.
- (b) For the purposes of this Contract, the Natural Gas Market Price expressed in Dollars per million BTU shall be equal to:
 - (i) with respect to Natural Gas export sales to Third Parties the price realized from purchasers;
 - (ii) with respect to sales of Natural Gas as a fuel in the local market such price as the Ministry (or the national entity that the State will set up for the distribution of Natural Gas in the local market) and Contractor mutually agree upon.
- (c) For the purposes of Sections 7.3 and 11.3, the quantities of available Natural Gas after deduction of the quantities used for the requirements of the Petroleum Operations, reinjected or flared, shall be expressed in a number of Barrels of Crude Oil on a BTU equivalent energy content basis adjusted for a commercially appropriate factor relating the price of Natural Gas with the price of Crude Oil in terms of the provisions of Section 10.3, to be carried out on a monthly basis, unless otherwise agreed upon by the Parties.
- (d) The provisions of Section 7.2 in respect of cost recovery shall apply Mutatis Mutandis to the Production of Natural Gas, provided that any Petroleum Operations Costs shall be recoverable against both Cost Recovery Oil and Cost Recovery Gas. The same rules shall apply to the recovery of Petroleum Operations Costs in respect of Crude Oil.
- (e) The quantity of Natural Gas produced and saved from the Contract Area which remains after Contractor has taken the portion for the recovery of Petroleum Operations Costs pursuant to Section 13.3(d) above shall be referred to as Net Natural Gas.
- (f) The Parties hereby agree that in the case of Natural Gas production separate arrangements and agreements shall be reached between the Parties with respect to sales and marketing, and during the intermediate period during which such arrangements and agreements have not yet been finalized, the Operator shall carry out sales and marketing on behalf of the Parties.

- (g) Notwithstanding other provisions of this Section XIII, in the event of a Discovery of Natural Gas Contractor and the Ministry shall use all reasonable endeavors to conclude terms applicable to this Contract for the development of the Natural Gas Discovery including percentages for Royalties, cost recovery, and participation in the profits, that enable Contractor to develop the Natural Gas Discovery in a commercially reasonable manner. In addition Contractor and the Ministry shall use all reasonable endeavors to conclude long term agreements with Third Parties for the sale and transport of Natural Gas on reasonable commercial terms.

SECTION XIV

CUSTOMS REGULATIONS AND IMPORT AND EXPORT DOCUMENTS

Section 14.1 In accordance with the stipulations of Section XVII and XVIII of the Hydrocarbons Law Contractor shall have the right to import into the Republic of Equatorial Guinea all the goods, materials, machinery, equipment and consumer goods directly necessary to properly carry out Petroleum Operations in its own name or in the name of its sub-contractors.

For the purpose of this Contract Contractor will benefit from the following advantages:

- (a) under the conditions stipulated in the Customs Code the importation in compliance with the regulations of Temporary Admission (AT) or Temporary Imports (IT), either normal or special, whichever is the case for the same Contractor, for Third Parties acting on its behalf and for its sub-contractors, of all materials, products, machinery, equipment and tools necessary for Petroleum Operations which are not State property, on condition that these goods are exclusively destined and effectively devoted to Petroleum Operations and destined to be re-exported at the end of their use;
- (b) admission with exemption from any tax or duty of all materials, products, machinery, equipment and tools destined exclusively and effectively devoted to Hydrocarbon prospecting and exploration in the specified area and listed in Annex 2 of Act Number 13/65-UDEAC-35 dated December 14th, 1965, as amended.

This exemption applies to imports directly made by Contractor, by Third Parties acting on its behalf and by its sub-contractors on condition that a certificate of end use is issued;

- (c) Under the same aforementioned conditions, the Contractor will be allowed to import at a reduced duty rate of five per cent (5%) of the taxes and / or import duties, materials, products, machinery, tools and equipment which, not falling under the category of any goods specified under paragraphs (a) and (b) above, are necessary and required for production, storage, treatment, transport and shipment of Hydrocarbons from the Contract Area.

The reduced duty rate is granted by the Ministry of Economy and Finance at the request of the Contractor:

- (i) on submission of a general import schedule;
- (ii) or after a particular application for a reduced rate import, made by the Contractor fifteen (15) days before the arrival of the goods.

These requests or applications should specify:

- (i) The commercial nature of the goods and the customs consignment in which they are classified;
 - (ii) The value of the goods in FOB and CIF;
- (d) Goods and household items for personal and domestic use imported by Contractor's foreign personnel devoted to activities concerning Petroleum Operations upon their relocation will be admitted duty-free according to the conditions established in the Customs Code and in particular Articles 17 to 20 of Act 13/65-UDEAC-35, dated December 14, 1965, as amended.

Section 14.2 Contractor, its sub-contractors and Third Parties importing on its behalf will not proceed with imports unnecessary to the implementation of Petroleum Operations unless such goods are not available in Equatorial Guinea under similar conditions of price, quality and delivery time.

Section 14.3 Other goods not mentioned under the above stipulations are subject to taxes and / or import duties, as provided by the Customs Authorities according to general law.

Section 14.4 In compliance with the customs obligations as set out in this Contract and regulations currently in force Contractor, its sub-contractors and Third Parties acting on its behalf may re-export, free of taxes and/or import duties, goods imported within the framework of the Contract when they are no longer necessary for Petroleum Operations.

Section 14.5 All imports, exports and re-exports carried out in terms of the Contract shall be subject to the formalities required by the Customs Authorities.

Section 14.6 Contractor is with respect to the Customs Authorities jointly and severally responsible with its subcontractors, importers and Third Parties acting on its behalf for any infraction detected in the use and enjoyment by them of the advantages set out in this Section. Fines, penalties and payments of any nature incurred by any guilty party shall not constitute Petroleum Operations Costs.

Section 14.7 Apart from taxes and/or import duties, as provided for in this Section XIV, Contractor, its sub-contractors and Third Parties importing on Contractor's behalf will not be subject to any other payment in this respect.

Section 14.8 Subject to the provisions of Section XII Contractor, its clients and transporters will have the right to export freely the quantities of Cost Recovery Oil and Net Crude Oil belonging to Contractor from the Delivery Point selected for this purpose, at any time, free of taxes and / or duties.

SECTION XV

FOREIGN EXCHANGE

Section 15.1 Contractor and its subcontractors shall be subject to complying with applicable exchange control legislation and regulations in effect in the Republic of Equatorial Guinea. Contractor and its subcontractors shall benefit during the term of this Contract from the following rights regarding Petroleum Operations as long as they shall have met their respective payments and tax obligations under this Contract and under the applicable laws of Equatorial Guinea:

- (a) to retain or dispose of any proceeds outside Equatorial Guinea including any proceeds from the sale of their Hydrocarbon production share;
- (b) to pay foreign subcontractors and expatriate employees of the Contractor outside Equatorial Guinea after deduction of the relevant taxes according to the current tax laws of the Republic of Equatorial Guinea.

To that end Contractor may open and use freely bank accounts in United States Dollars or in other currencies in banks of its choice in Equatorial Guinea and abroad and exchange currencies at normal commercial rates.

Notwithstanding the above the Contractor will keep in national banking institutions while the Contract is in force a reasonable balance not less than three hundred percent (300%) of the Contractor's budgeted general and administrative expenses required for timely payments in local currency during the then current month with the aim of being able to cover without delay any urgent eventualities, such as tax liabilities and other contractual obligations. This amount shall be reviewed annually by the Parties and adjusted as agreed;

- (c) to transfer such funds as Contractors or subcontractors shall have imported into Equatorial Guinea or earned from Petroleum Operations or from the proceeds of the sale or lease of goods or performance of services under this Contract;
- (d) the right to obtain abroad under their sole responsibility the loans required for the performance of their activities under this Contract in Equatorial Guinea;
- (e) the right to collect and maintain abroad all the funds acquired or borrowed abroad, and to freely dispose thereof, limited to the amounts that exceed the requirements of funds for their operations in Equatorial Guinea;
- (f) free movement of funds owned by them according to laws and regulations applicable and in effect in Equatorial Guinea and the Sub-Region.

Section 15.2 Contractor and its subcontractors shall submit to the Ministry of Economy and Finance within forty-five (45) days of the end of each Quarter, a report with details of any foreign exchange transactions made under this Contract during the preceding Quarter including any transactions directly related to Petroleum Operations on accounts opened abroad and made in accordance with the provisions of Section 15.1.

Section 15.3 Contractor's expatriate employees shall have the right in accordance with the regulations then in effect in the Republic of Equatorial Guinea to freely exchange and to freely transfer to their country of origin any savings arising from their salaries as well as any retirement and personal benefits paid by or for said employees provided they have met their tax obligations in the Republic of Equatorial Guinea.

SECTION XVI

BOOKS, ACCOUNTS, AUDITS AND PAYMENTS

Section 16.1 Contractor shall maintain in its offices in Equatorial Guinea the original records and books in accordance with any regulations in force and the Accounting Procedure attached hereto as Annex C.

Section 16.2 Records and books shall be maintained in the Spanish and English languages and be denominated in Dollars. They shall be supported by detailed documents demonstrating the expenses and receipts of Contractor under this Contract.

Such records and books shall be used to determine Contractor's Gross Income, Petroleum Operations Costs and net profits and to establish Contractor's Income Tax obligations. They shall include Contractor's accounts showing the sales of Hydrocarbons under this Contract.

For information purposes the profit and loss accounts and balance sheets shall also be kept in Francs CFA.

Section 16.3 Within ninety (90) days after the end of a Calendar Year Contractor shall submit to the Ministry detailed accounts showing the Petroleum Operations Costs which Contractor has incurred during said Calendar Year. Contractor may request the Ministry's approval for an additional extension of ninety (90) days and such approval shall not be unreasonably withheld. The accounts shall be certified by an independent external auditor acceptable to the Parties.

Section 16.4 After notifying Contractor in writing the Ministry may have examined and audited any records and books related to Petroleum Operations by experts of its choice or by its own agents. The Ministry will have a period of three (3) years from the date Contractor submits to the Ministry such records and books to perform such examinations or audits with respect to said Calendar Year and submit its objections to Contractor for any contradictions or errors found during such examinations or audits.

Contractor shall provide any necessary assistance to the persons designated by the Ministry for that purpose and facilitate their performance of their duties within the national territory. The reasonable expenses incurred in such examination or audit shall be charged to Contractor and will be recoverable as Petroleum Operations Costs.

The expenses incurred for the audit and inspection of accounting books and records outside the national territory will be borne by Contractor and will not be recoverable nor deductible.

Section 16.5 All payments between the Parties under this Contract shall unless otherwise agreed be in Dollars. Except for the signature bonus payable according to Section 11.1, when the receiving Party is the State payments shall be made to the General Treasury of the State and when the receiving Party is Contractor payments shall be made through a bank designated by Contractor.

Section 16.6 Unless otherwise agreed any payment under this Contract shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of delay in payment the amount due shall bear interest compounded daily at the LIBOR rate plus two (2) percent.

Section 16.7 In the case of disagreement between the Parties in relation to the results of any audit an independent expert from an internationally recognized organization will be appointed by mutual agreement of the Parties to consider and resolve any such disagreement. The expenses of such Expert shall be met by the Contractor and shall be deemed Petroleum Operations Costs. If these proceedings fail to resolve the disagreement then the case will be submitted to arbitration as outlined in Section XXV.

SECTION XVII

TRANSFER, ASSIGNMENT, CHANGE IN CONTROL AND OPERATORSHIP

Section 17.1 Each of the legal entities of which Contractor consists will, subject to Section 1.1(c), have:

- (a) the right to sell, assign, transfer, freely convey or dispose of in any other way all or part of its rights and interests in the Contract to any Affiliated Company, with the Ministry's prior written consent, which shall not be unreasonably denied;
- (b) the right to sell, assign, transfer, convey or dispose of in any other way all or part of its rights and interests in the Contract to another legal entity constituting the Contractor, with the Ministry's prior written consent, which shall not be unreasonably denied;
- (c) The right to sell, assign, transfer, convey, or dispose of in any other way any or all of its rights and interests in the Contract to other parties who are not Affiliated Companies of Contractor or other entities constituting Contractor subject to the prior written consent of the Ministry, which will not be unreasonably denied, provided that such prospective assignee:

- (i) has the technical and financial ability to meet its obligations under the Contract;
- (ii) in relation to the interest assigned, accepts and assumes all of the terms and conditions of the Contract; and
- (iii) is an entity with which the Ministry and each of the parties comprising Contractor can legally do business.

Any profits derived by Contractor as a result of the transfer, sale, assignment or disposition in any other way of any or all of its rights and interest in the Contract shall be subject to the provisions of the Tax Law and other applicable laws in effect.

Notwithstanding anything herein to the contrary, if the Ministry does not notify its justifiable objection to a transfer within sixty (60) days after receiving notification of the proposed assignment accompanied by certified copy of the proposed deed of assignment, said assignment will be deemed approved by the Ministry upon the expiry of said period of time.

Section 17.2 Any change affecting the Control of any entity constituting Contractor shall be reported without delay to the Ministry. In the event of any such change the Ministry shall, within sixty (60) days of the date of receipt of the corresponding notification, let the Contractor know in writing its opinion with respect to the proposed change or forward its pertinent recommendations.

Section 17.3 Contractor will notify the Ministry in writing of any change to the Joint Operating Agreement that obligates the entities that constitute the Contractor.

Section 17.4 Any change in the identity of the either the Administrative Operator or the Technical Operator shall be subject to the approval of the Ministry, which will not be unreasonably denied.

Nothing contained in this Section XVII shall prevent an entity comprising Contractor from mortgaging or encumbering in whole or in part or ceding in guarantee its participating interest in the Contract, the JOA or any of its interests in or outside the Republic of Equatorial Guinea.

SECTION XVIII

INDEMNIFICATION, LIABILITY AND INSURANCE

Section 18.1 Contractor shall indemnify and compensate any Person, including the State, for any damages or loss which Contractor, its

employees or subcontractors and their employees may cause to such Person as a result of proven Gross Negligence or willful misconduct of Contractor in the conduct of Petroleum Operations.

Contractor shall defend the State against any lawsuits, claims, or demands against the State arising from the proven Gross Negligence, or willful misconduct of the Contractor in the conduct of Petroleum Operations.

Section 18.2 Where Contractor consists of several entities the obligations and liabilities of such entities acting as Contractor under this Contract shall be joint and several, except for their obligations relating to Income Tax.

Section 18.3 Contractor shall assume all liability, hold the State harmless, and defend the State against any lawsuits, obligations, losses, costs (including attorneys fees) damages or costs of any nature resulting from the violation by the Contractor of any patent or copyright laws of any kind, regardless of the nature and regardless of the way in which they may occur, in the execution of this Contract.

Section 18.4 Contractor shall obtain and, during the term of this Contract maintain in force a liability insurance policy for and in relation to Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the international petroleum industry in accordance with generally accepted international petroleum industry practice, and whose coverage terms and conditions shall be communicated to the Ministry within thirty (30) days after the Effective Date.

SECTION XIX

TITLE OF GOODS, EQUIPMENT AND TECHNICAL INFORMATION

Section 19.1 Any installations, facilities, goods, equipment, materials or land, acquired by Contractor or by its sub-contractors for Petroleum Operations shall become State property from the moment their costs are fully cost recovered. However, Contractor may continue using said installations, facilities, goods, equipment, materials or land without charge in order to carry out Petroleum Operations for the duration of the Contract, subject to ensuring their maintenance in good condition and good working order, normal wear and tear excepted.

Under no circumstances, may Contractor sell, assign or transfer any such installations, facilities, goods, equipment, materials or land to Third Parties.

The Contractor and the Ministry shall agree the procedure to be implemented in order to elaborate in subsequent periods a list of such installations, facilities, goods, equipment, materials or land , whose costs have been fully recovered. And which are not required for execution of the Petroleum Operations.

The State will be able to use said installations, facilities, goods, equipment, materials or land for its own needs provided that said use does not interfere with Contractor's Petroleum Operations.

In any case, upon termination, rescission or cancellation of this Contract for any of the reasons provided under Section XXI (other than Section 21.3) in relation to all or any part of the Contract Area the ownership of said installations, facilities, goods, equipment, materials or land, and including those whose cost has not been fully recovered, any other items acquired and used for Petroleum Operations will be conveyed directly to the State.

Section 19.2 The provisions of Section 19.1 will not apply to Contractor's equipment nor to that of any sub-contractors, which are not charged to Petroleum Operations, nor to any leased equipment.

If the State does not wish to use any of the aforementioned installations, facilities, goods, equipment and materials, it will have the right to request Contractor to remove them at Contractor's own expense and Contractor will carry out any abandonment operations of said installations, facilities, goods, equipment and materials pursuant to generally accepted international petroleum industry practice and based on the time frame and specified conditions previously approved in the abandonment plan, as provided in Section 6.24.

Section 19.3 All technical information obtained or acquired as a result of the Petroleum Operations, excepting such licenses as may be granted on an individual basis to the Contractor or to any of the entities constituting the Contractor, shall be the property of the State.

Notwithstanding, the Contractor shall retain copies of all original data resulting from Petroleum Operations, including, but not limited to, geological, geophysical, petrophysical and engineering reports, well reports, termination registers, samples and any other information that the Contractor may have obtained or compiled during the term of the Contract. For such purposes, the Contractor shall forward a copy of each analysis or data to the Ministry as soon as they are elaborated or acquired.

SECTION XX

CONFIDENTIALITY

Section 20.1 The Parties hereby agree that for the duration of the Contract all information relating to Petroleum Operations will be confidential and may not be divulged by either Party without mutual consent, except:

- (a) to an Affiliated Company;
- (b) to a State agency or any other entity when required by this Contract;
- (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;
- (d) to potential sub-contractors, consultants and attorneys employed by any Party;
- (e) in connection with the arranging of financing or potential financing, insurance, or an assignment or transfer of interests under the Contract pursuant to Section XVII; and
- (f) where any data or information forms part of the public domain.

Provided, however, that any disclosure under Section 20.1(a), (d) or (e) shall require the Third Party to agree in writing to maintain similar confidentiality requirements as those applied to Parties hereunder.

Further, on condition, however, that for a period of two (2) years after the termination of the Contract, the Contractor, but not the State shall be obligated to comply with the above stated requirements.

Section 20.2 In the same way, the State will not reveal to Third Parties information protected by patents or contractual agreements or pertinent to the Contractor's own technology or that which has been received under license.

Section 20.3 Any Party ceasing to own a participating interest in this Contract during the term of this Contract shall nonetheless remain bound by the obligations of confidentiality set forth above.

Section 20.4 In order to obtain new offers, the State may, notwithstanding any other provisions in this Section XX, show Third Parties geophysical and geological data relating to part or parts of the Contract Area, which Contractor has relinquished.

SECTION XXI

TERMINATION, RESCISSION AND CANCELLATION
OF THE CONTRACT

Section 21.1 This Contract may be terminated, without compensation to Contractor, on any of the following grounds, unless any such action or failure to act is for reasons of Force Majeure or is the subject of a pending arbitration proceeding, and subject to the provisions of this Section 21.2:

- (a) material breach by Contractor (not attributable to any act or omission of the State or to any entity representing the State) of any of the provisions of the Hydrocarbon Law or this Contract;
- (b) a delay by Contractor (not attributable to any act or omission of the State or to any entity representing the State) in making a substantial payment with respect to obligations owed to the State that exceeds three (3) months;
- (c) the suspension of development works on a Field during six (6) consecutive months, except when such suspension (i) has been approved by the Ministry, (ii) is due to an act or omission on the part of the State or of an entity representing the State, or (iii) has been effected by Contractor in accordance with generally accepted international petroleum industry practice.
- (d) when, after the commencement of Field production, its exploitation is suspended for at least three (3) months, without the permission of the Ministry, except when such suspension (i) is due to an act or omission on the part of the State or of an entity representing the State, or (ii) has been effected by Contractor in accordance with generally accepted international petroleum industry practice
- (e) failure of Contractor (not attributable to any act or omission of the State or to any entity representing the State) to comply within the prescribed time period with an arbitration award in accordance with the provisions of Section XXV;
- (f) when a Well is drilled by the Contractor to an objective beyond the vertical planes of the limits of this Contract without the consent of the Ministry; or
- (g) under the provisions of Section 2.3.

Section 21.2 The Ministry may declare the termination of this Contract only after having served formal notice on the Contractor, by registered mail with acknowledgement of receipt, to remedy the situation

or take steps to correct the breach in question within ninety (90) days from the date of receipt of such notice.

Should the Contractor fail to comply with such prescription within the prescribed time period or fail to show within such ninety (90) days that it has promptly and diligently commenced and is continuing to remedy the situation or breach in question, the Ministry may pronounce ipso jure the termination of this Contract.

Any dispute as to whether any grounds exist to justify the termination of the Contract declared under this Section XXI shall be subject to arbitration as provided for under Section XXV. In that event the Contract shall remain in force until the execution of the arbitration award by the Parties.

Section 21.3 The Ministry may also terminate this Contract as to one of the entities that constitute the Contractor, when such entity is declared bankrupt, or in liquidation as result of financial insolvency, or enters into a judicial / financial arrangement on insolvency with its creditors, except when such entity can provide the Ministry with a new financial guarantee that is acceptable to the Ministry, and that guarantees the capacity of that entity to fulfill its obligations under this Contract.

SECTION XXII

UNITIZATION

Section 22.1 Subject to the provisions of Section V, if a Field is designated within the Contract Area but such Field extends to other parts of the Republic of Equatorial Guinea in which other Persons have obtained a contract for exploration and production of Hydrocarbons, or in which another contract has been granted to Contractor, the State may require that the production of Hydrocarbons be carried out in collaboration with the other contractors which have title under such other contract. In such a case, the Contractor shall use all reasonable endeavors to reach a mutually acceptable unitization agreement and program with the other interested contractors.

Section 22.2 The provisions of this Section XXII and Section V shall also be applicable to Discoveries or deposits of Hydrocarbons within the Contract Area that extend to areas that are not within the dominion of the Republic of Equatorial Guinea, provided that in such cases the State shall be empowered to satisfy regulated obligations under agreements with international organizations or adjacent states with respect to the production of such deposits of Hydrocarbons and to impose special rules and conditions based on the terms of such agreements with international organizations or adjacent States.

SECTION XXIII

APPLICABLE LAW

Section 23.1 This Contract and the Petroleum Operations carried out hereunder shall be governed by the laws and regulations in force in the Republic of Equatorial Guinea.

Section 23.2 Contractor shall at all times be subject to the laws and regulations in force in the Republic of Equatorial Guinea. Contractor shall not be required to take any action under this Contract which could constitute a violation of applicable law.

Section 23.3 In the case that the economic equilibrium of the State and the Contractor in accordance with this Contract is altered as a consequence of any change to the laws, decrees, rules or regulations of the Republic of Equatorial Guinea, then in such case, the Parties shall make the necessary adjustments to the pertinent provisions of this Contract in order to restore the economic equilibrium of the Contract, operating under the principle that the adversely affected Party shall be substantially restored to the same economic condition as if no such change had occurred.

If the Parties do not reach a reasonable solution within six (6) months, arbitration as called for in Section XXV will apply. Said procedures will establish the necessary adjustments to re-establish said equilibrium.

SECTION XXIV

FORCE MAJEURE

Section 24.1 Failure to comply with any obligation or condition arising or derived from this Contract which Contractor is unable to perform whether in whole or in part shall not be considered as a breach or non-fulfillment of this Contract if said non-performance is caused by an event of Force Majeure, provided, that there is a direct cause-and-effect relationship between the non-performance and the event of Force Majeure.

Notwithstanding the above, all outstanding payments owed by either Party must necessarily be made.

Section 24.2 For the purposes of this Contract an event shall be considered Force Majeure if it meets the following conditions:

- (a) it has the effect of temporarily or permanently preventing either of the Parties from performing its obligations under the Contract; and

- (b) it is unforeseeable, unavoidable and beyond the control of the Party which declares Force Majeure and is not the result of its negligence or omission.

Such an event may include, without limitation, earthquake, inclement weather, strike, riot, insurrection, civil unrest, sabotage, acts of war or acts attributable to war. The intent of the Parties is that the term Force Majeure shall be construed as defined under the principles and practice of the international petroleum industry.

Section 24.3 If either Party cannot comply with any obligation or condition provided herein because of Force Majeure, it shall notify the other Party in writing as promptly as possible and in any case not later than fourteen (14) days after the event, giving the reason for its non-compliance, a detailed account of the Force Majeure and the obligation or condition affected. The Party affected by the Force Majeure shall keep the other Party informed periodically of the situation or current evolution of the Force Majeure event and shall promptly notify the other Party as soon as the Force Majeure has disappeared and no longer prevents it from complying with its obligations or conditions and shall thereafter resume compliance with contractual obligations or conditions as soon as possible.

Section 24.4 Any obligations other than those affected by the event of Force Majeure shall continue to be performed according to the provisions of this Contract.

Section 24.5 All obligations suspended as the result of Force Majeure will be completed as quickly as possible, within a time frame that will be mutually agreed by the Parties after evaluation of the consequences of such Force Majeure, once it has ceased.

Section 24.6 When a Force Majeure event lasts more than ninety (90) days the Parties will consult to examine the situation and implications for Petroleum Operations in order to establish the course of action appropriate for the fulfillment of contractual obligations under the circumstances of said Force Majeure. In such case the term of the Contract will be extended by the same amount of time that the Force Majeure has lasted.

SECTION XXV

RESOLUTION OF CONFLICTS AND ARBITRATION

Section 25.1 Except as provided in Sections 10.5, 10.6 and 16.7, in the event of any dispute, claim or controversy between the State and the Contractor arising out of or relating to this Contract, the Parties shall

take all reasonable actions to resolve the controversy, claim or conflict in an amicable fashion.

If, within three (3) months of the date of the sending of a notice of a dispute, controversy, claim or conflict, by one Party to the other, unless the Parties mutually agree to an extension, and if the Parties have not reached an amicable agreement, then either Party may refer the dispute to arbitration under the Commercial Arbitration Rules of the International Chamber of Commerce (ICC).

Section 25.2 The seat of the arbitration shall be London, England, or such other location as the Parties may agree. The languages of the arbitration proceedings shall be Spanish and English, and the applicable laws shall be those of the Republic of Equatorial Guinea, as well as the generally accepted principles and practices of international law as may be applicable to the subject matter.

- (a) The arbitration tribunal shall consist of three (3) arbitrators, one (1) each to be designated by each of the State and the Contractor, and the third who will act as president shall be named by the International Chamber of Commerce, as per their rules. The third arbitrator shall not be a citizen of the countries of the Parties.
- (b) The arbitration procedures initiated under this agreement shall operate under the Commercial Arbitration Rules of the ICC in effect at the time that the proceedings commence
- (c) The arbitration award shall be final and binding on the Parties and shall be enforceable immediately in any court having jurisdiction despite the laws of any country to the contrary.
- (d) The costs of arbitration shall be charged to the Parties, subject to the decision of the arbitration tribunal as to the distribution of said costs.

Section 25.3 The Parties shall conform to any conservatory measures prescribed or recommended by the arbitration tribunal.

Section 25.4 The request for arbitration shall impose a suspension of the contractual provisions as they relate to the matter of the controversy, but shall keep in operation all other rights and obligations of the Parties as per this Contract.

SECTION XXVI

CONDITIONS FOR APPLICATION OF THE CONTRACT AND NOTICES

Section 26.1 The Parties hereby agree to co-operate in any possible manner to achieve the objectives of this Contract.

The Ministry will facilitate in accordance with the rules and procedures in effect in the Republic of Equatorial Guinea the performance of Contractor's activities by granting it all permits, licenses and access rights necessary for the requirements of the Petroleum Operations and by making available to it all the appropriate services with respect to said Operations of Contractor, its employees and agents in the territory of the Republic of Equatorial Guinea. The Ministry will likewise facilitate and assist the Contractor in obtaining all permits, licenses or rights not directly related to Petroleum Operations, but which may be required to be undertaken by the Contractor for the purposes of fulfilling its obligations under this Contract, including but not limited to such consents, permits or licenses as may be necessary to comply with the provisions of Section 16.5.

Section 26.2 Any notification required or given by either Party to the other shall be in writing and will be considered as delivered when received by the Party to whom such notice is directed. Received for the purposes of this Section shall mean actual delivery of the notice to the address of the Party to be notified which is set out in this Section. Other than special circumstances, GEPetrol shall be responsible for forwarding all communications sent by the State to the Contractor and the Technical Operator shall be responsible for forwarding all communications sent by Contractor to the State or GEPetrol. Said notifications shall be in Spanish and addressed to:

For the State:

MINISTRY OF MINES AND ENERGY
C/12 de Octubre
Malabo
Republic of Equatorial Guinea
To the attention of: His Excellency the Minister

Telephone : +(240) 93567, 93405
Fax : +(240) 93353

and:

CONFIDENTIAL

COMPAÑÍA NACIONAL DE PETRÓLEOS DE GUINEA ECUATORIAL
C/ Acacio Mane 39, Malabo
Bioko Norte
Republica de Guinea Ecuatorial;
To the attention of: National Director

Telephone : +240 96769
Fax : +240 96692

For Contractor:

NOBLE ENERGY EG LTD
as Technical Operator
100 Glenborough Drive, Suite 100
Houston, Texas 77067 USA
To the attention of: Vice President, Middle East & Africa

Telephone : 281 872 3100
Fax : 281 876 6158

and

GLENCORE EXPLORATION LIMITED
22 Queen Street
Hamilton H Bermuda, Bermuda
To the attention of: President

Telephone : (41) 709 2000
Fax : (41) 709 3000

And after execution of the Assignment attached as Annex E

GEPetrol
as Administrative Operator
C/ Acacio Mane 39, Malabo
Bioko Norte
Republica de Guinea Ecuatorial;
To the attention of: National Director

Telephone : +240 96769
Fax : +240 96692

Section 26.3 The State and Contractor may at any time change their authorized representative or address specified in Section 26.2, subject to at least ten (10) days prior notice.

Section 26.4 This Contract may be modified only in writing and by mutual agreement of the Parties.

Section 26.5 Headings in this Contract are inserted for purposes of convenience and reference and in no event shall define, restrict or describe the scope or object of the Contract or of any of its Sections.

Section 26.6 Annexes A, B, C, D, and E attached hereto form an integral part of this Contract.

Section 26.7 Anything not covered in this Contract will be subject to the provisions of the Hydrocarbons Law and the Petroleum Operations Regulations in effect.

Section 26.8 This Contract constitutes the definite agreement between the State and Contractor and replaces and substitutes any other agreement between the Parties, whether oral or in writing, reached prior to the date of signature of the same.

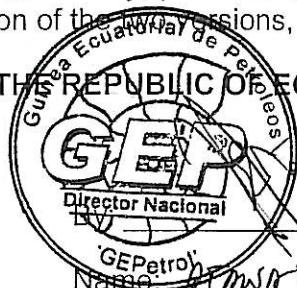
SECTION XXVII

EFFECTIVE DATE

This Contract shall become effective upon the date of its ratification by the State such date herein referred to as the Effective Date, and this Contract shall then be binding on the Parties.

In witness whereof, the Parties hereto execute this Contract in five (5) originals in the Spanish language and five (5) originals in the English language. For day-to-day administration of the Contract and other general purposes among the Parties, the English and Spanish versions shall both be used to construe or interpret the Contract, and shall have equal weight and validity; provided that in case of controversy regarding the interpretation of the two versions, the Spanish version shall prevail.

THE REPUBLIC OF EQUATORIAL GUINEA



Name: ATWASIO-ELA NTUGU NIN

Title: DIRECTOR NACIONAL DE GEPEP

Date: 01.04.04

CONTRACTOR

NOBLE ENERGY EG LTD

GLENCORE
LIMITED

EXPLORATION

By: [Signature]

Name: Fredrick D Cook

Title: Vice President

Date: 01-04-04

By: [Signature]

Name: ALAN PETER JOHNSON

Title: MANAGER, OIL PROJECTS

Date: 01-04-04

APPROVED BY THE MINISTRY OF MINES AND ENERGY
OF THE REPUBLIC OF EQUATORIAL GUINEA

By: [Signature]

MINISTER

Date: 104/04

**ANNEX A
CONTRACT AREA**

Attached to and forming an integral part of this Contract between the Republic of Equatorial Guinea and Contractor.

Upon the Effective Date, the initial Contract Area covers an area deemed equal to one thousand, seven hundred and seventy-two square kilometers (1772 km²), as outlined on the map provided in Annex B.

The points indicated on said map are defined below, by reference to the Greenwich meridian, through their geographic co-ordinates:

- A Intersection of Longitude 8°45'00"E with the coast of Bioko island
- B Intersection of Longitude 8°45'00"E with the Republic of Equatorial Guinea / Republic of Cameroon Territorial boundary
- C Intersection of Latitude 3°30'00" N with the Republic of Equatorial Guinea / Republic of Cameroon territorial boundary
- D Intersection of Latitude 3°30'00" N with the coast of Bioko island

Note: From Point B, the international border between the Republic of Guinea and the Republic of Cameroon continues to Point C, as is shown in Annex "B"

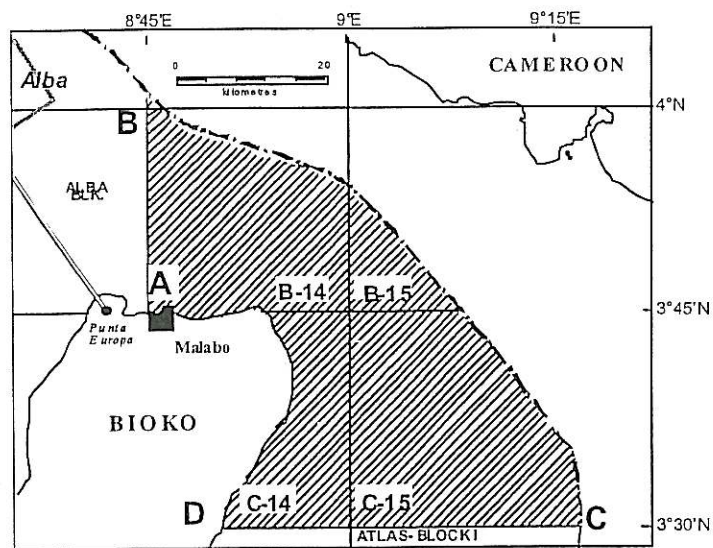
The northern limit of Block "O" coincides with the territorial boundary between the Republic of Equatorial Guinea and the Republic of Cameroon, according to the provisions of Decree-Law No 1/1999 dated 6th March 1999, by which the Republic of Equatorial Guinea defines it's maritime territory.

In case of an adjustment to the territorial boundary, the Contract Area would similarly be adjusted to coincide with the territorial boundary agreed to between the Republic of Equatorial Guinea and the Republic of Cameroon.

ANNEX B
MAP OF THE CONTRACT AREA

This Annex is attached to and forms an integral part of this Contract between the Republic of Equatorial Guinea and Contractor.

The purpose of this map is for illustrative purposes only, and the northern limit of the Contract Area shall coincide with the territorial boundary according to the provisions of Decree-Law No 1/1999 dated 6th March 1999, and in case of any discrepancies the Contract Area shall be defined by the geographical co-ordinates specified in Annex A.



Handwritten signature and initials

**ANNEX C
ACCOUNTING PROCEDURE**

Attached to and forming an integral part of this Contract between the Republic of Equatorial Guinea and Contractor.

**SECTION 1
GENERAL PROVISIONS**

1.1 PURPOSE

The object of this Accounting Procedure is to establish the criteria and methods of calculation and accounting applicable to the provisions of this Contract, and in particular when:

- (a) classifying and defining Petroleum Operations Costs; and
- (b) prescribing how Contractor's books and accounts shall be prepared, submitted and approved.

1.2 INTERPRETATION

For the purposes of this Accounting Procedure the terms used herein and which are defined in the Contract shall have the same meaning when used in this Accounting Procedure. In the event of any discrepancy or conflict between the provisions of this Accounting Procedure and any other provisions of the Contract, the other provisions of the Contract shall prevail.

1.3 ACCOUNTING RECORDS AND REPORTS

1.3.1 In accordance with the provisions of Section 16.3 the Contractor shall maintain in the Contractor's office in the Republic of Equatorial Guinea the originals of the complete accounts, books and records of all costs and expenses related to Petroleum Operations hereunder in accordance with generally accepted accounting procedures and standards in the international petroleum industry and pursuant to the chart of accounts agreed pursuant to Section 1.3.2 below.

1.3.2 Within sixty (60) days from the Effective Date Contractor shall submit to and discuss with the Ministry a proposed outline for the chart of accounts including books, records and reports in accordance with generally accepted standards and consistent with normal petroleum industry practices and procedures.

Within sixty (60) days of receiving the above proposal the Ministry shall either provide written notice of its approval of the proposal, or shall request revisions of such chart of accounts in writing.

Within one hundred and eighty (180) days after the Effective Date, Contractor and the Ministry shall agree on the outline of the chart of accounts, books, records, and reports which shall describe the basis of the accounting system and procedures to be developed and used in accordance with this Accounting Procedure. Following such agreement Contractor shall immediately prepare and provide the Ministry with formal copies of the comprehensive chart of accounts and manuals related to the procedures, and data to be accounted for, recorded, reported and to be followed in terms of this Contract.

1.3.3 In addition to the generality of the foregoing, the Contractor shall submit to the Ministry, at regular intervals, statements relating to the Petroleum Operations, including, but not limited to, the following:

- (a) Monthly statement of Production;
- (b) Value of production and pricing quarterly statement;
- (c) Petroleum Operations Costs statement;
- (d) Annual carried Petroleum Operation Cost statement;
- (e) Production sharing statement;
- (f) Annual end-of-year statement;
- (g) Annual Budget tracking statement;
- (h) Statement of tangible goods subject to depreciation.

1.3.4 All reports, and statements shall be prepared in accordance with the Contract, the laws of the Republic of Equatorial Guinea and any regulations thereunder, and where there are no relevant provisions in any of these, in accordance with generally accepted practices in the international petroleum industry.

1.4 LANGUAGE AND UNIT OF ACCOUNT

Unless otherwise agreed all accounts, records, books and reports shall be prepared and maintained in Spanish and English and shall be denominated in Dollars. For its own purposes, Contractor may also maintain accounts and records in other languages and currencies.

1.5 VERIFICATION AND AUDIT RIGHTS OF THE STATE

1.5.1 For the purposes of Section 16.4 of the Contract, the Ministry shall provide written notice to Contractor, at least sixty (60) days beforehand, of the right to verify and audit during normal business

hours all records and documents with a view to verifying costs and expenses, Contractor's accounts, books, records, invoices, cash vouchers, debit notes, price lists or any similar documentation regarding Petroleum Operations hereunder. Furthermore, the auditors shall have the right, in connection with such audit, to visit and inspect at reasonable times any of the Contractor's sites, plants, facilities, warehouses and offices which affect Petroleum Operations directly or indirectly and to question personnel associated with those Operations. The expenses incurred during audits shall be borne by Contractor, and such expenses shall be deemed Petroleum Operations Costs.

Whenever the Ministry requires any cost audit of Third Parties or of any Contractor's Affiliate, the Ministry shall be entitled to obtain an audit certificate issued by an internationally recognized independent accounting firm acceptable to both Parties.

If the Ministry does not conduct an audit within the time stipulated in accordance with Section 16.4, Contractor's accounts, books and records shall be deemed correct and final.

- 1.5.2 Any audit exceptions shall be made in writing and notified to Contractor within ninety (90) days of completion of the corresponding audit. Failure to give such written exception by the Ministry shall be deemed to be an acknowledgement of the accuracy of Contractor's books and accounts.
- 1.5.3 If Contractor fails to respond to any notice of exception under Section 1.5.2 within ninety (90) days of receipt of such notice the results of the audit will be considered valid and accepted by Contractor. After the said period of time the Ministry's exception shall prevail.
- 1.5.4 Any adjustments resulting from an audit shall be immediately applied to Contractor's accounts and any adjustments to payments due shall also be effected immediately.
- 1.5.5 If Contractor and the Ministry are unable to reach final agreement on the proposed audit adjustments they may, by mutual agreement, refer their dispute for expert determination in accordance with the provisions of Section 16.7 of the Contract.

When audit related issues are still outstanding Contractor shall preserve any relevant documents and allow their auditing until the issue is resolved.

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1.6 CURRENCY EXCHANGE RATES

The Exchange Rate shall be determined monthly, based on the arithmetic average of the closing buy and sell rates for the Dollar against the Equatoguinean currency unit for the month, as published by the Bank of Central African States (BEAC).

The Exchange Rate of the last calendar month shall be used for exchange transactions and for the purpose of determining the counter value of Dollars in the Equatoguinean currency unit for the next month; the Exchange Rate shall be changed when the arithmetic average of the closing buy and sell rates for any calendar month varies by more than one percent (1%) whether up or down from the currently applicable book keeping exchange rate.

1.7 ACCOUNTING BASIS

All books and accounts shall be prepared on an accrual accounting basis. Revenues shall be posted to the accounting period in which they were earned, without any need to recognize whether a given transaction results in a disbursement or cash receipt. Expenses and costs shall be regarded as incurred, in the case of physical items, during the accounting period in which the relevant title is transferred to Contractor and in the case of services during the accounting period in which such services are rendered.

Any statements submitted to the Ministry pursuant to the provisions of Section 1.3.3 shall be on a cash basis. A quarterly and annual reconciliation between the cash basis and the accrual basis shall be subsequently submitted.

1.8 REVIEW OF ACCOUNTING PROCEDURE

By mutual agreement between the Ministry and Contractor, this Accounting Procedure may be revised from time to time by a document in writing executed by the Parties.

SECTION 2

GENERAL CLASSIFICATION OF PETROLEUM OPERATIONS COSTS

Petroleum Operations Costs shall be classified in accordance with their end use. Classification criteria shall be included in the approved Annual Work Program and Annual Budget for the Calendar Year in which the expenditure is made and other items which may be agreed by the Parties. All Petroleum Operations Costs shall be classified, defined and allocated as set forth below.



2.1 EXPLORATION COSTS

These comprise all direct, general and administrative costs incurred during Hydrocarbon exploration activities in an area which is part of the Contract Area, including but not limited to:

- (a) aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation;
- (b) core hole drilling;
- (c) any labor, materials, supplies, and services used in drilling Exploration Wells and Appraisal Wells;
- (d) any facilities used solely in support of the purposes described in paragraphs (a), (b) and (c) above, including access roads and acquired geological and geophysical data, all separately identified;
- (e) any other cost incurred in the exploration and appraisal of Hydrocarbons after the Effective Date but prior to the date of approval of a development and production plan with respect to the relevant Field and not covered under Sections 2.2, 2.3 and 2.4 below; and
- (f) the costs incurred prior to the Effective Date which both Parties have agreed to, including in any event the cost of the Terra Energy 3D speculative data and other costs of complying with Section 3.2(a) and (b) of the Contract.

2.2 DEVELOPMENT COSTS

These are direct, general and administrative costs incurred, including but not limited to:

- (a) drilling Wells defined as Development Wells for purposes of producing from a Field whether such Wells turn out to be dry or productive by nature, and drilling Wells for the injection of water or gas to enhance Hydrocarbon recovery;
- (b) completing Wells by way of installation of casing or equipment or otherwise after a Well has been drilled for the purpose of bringing the Well into use as a Development Well;
- (c) transportation, tank storage facilities, pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore

platforms, export terminals and piers, harbors and related facilities, and access roads for development activities;

- (d) engineering and design studies for facilities referred to under paragraph (c) above.

2.3 OPERATING OR PRODUCTION COSTS

These are general, administrative, and service costs, and any other Petroleum Operations Costs incurred from the approval date of any relevant development and production plan, as provided under Section 5.5 of the Contract, and from the commencement of funding of the Abandonment Reserve, as provided under Section 6.24 of the Contract.

2.4 MARKETING COSTS

Any and all costs incurred for exporting Hydrocarbons.

2.5 ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

With the exception of general and administration costs incurred in the Republic of Equatorial Guinea directly assignable to the Annual Budget, the general and administration expenditures incurred in the headquarters of Contractor outside of the national territory with respect to Petroleum Operations in Equatorial Guinea shall be determined in accordance with the sliding scale set out below, based on total Petroleum Operations Costs actually incurred during the Year, excluding those general and administration expenditures incurred in the headquarters of Contractor outside of Equatorial Guinea and duly justified by Contractor and approved by the Ministry:

- (a) Prior to commercial production:

████████████████████	████
████████████████████	████
████████████████████	████
████████	████████

- (b) After commencement of commercial production:

████████████████████	████
████████████████████	████
████████████████████	████

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2.6 INTEREST RECOVERY

Any interest on loans obtained by Contractor from Affiliated or Parent companies or Third Parties for investments in Petroleum Operations shall not be recoverable as Petroleum Operations Costs but shall be deductible for tax purposes, when estimating any income tax liabilities of Contractor. Any rate of interest exceeding commercial market rates shall not be deductible.

Term loans at an interest rate not exceeding the commercial market rate at the time the loan was taken out shall continue to qualify as deductible for tax purposes, but not recoverable.

2.7 NON RECOVERABLE COSTS

Such costs shall include and not be limited to the following:

- (a) signature bonus paid by Contractor;
- (b) any discovery bonus paid by Contractor;
- (c) any production bonus paid by Contractor;
- (d) annual surface rentals paid to the State;
- (e) interests on loans as provided by Section 2.6 of this Annex "C";
- (f) any unapproved over-expenditures that exceed the limits of Section 4.3 of the Contract;
- (g) any payments made to the State for failure to fulfill the minimum exploration work obligations pursuant to Section III of the Contract;
- (h) any fines and sanctions incurred for infringing the laws, and regulations of Equatorial Guinea;
- (i) any donation to the State unless otherwise agreed to.
- (j) State audit expenses at Contractor's headquarters incurred as a result of the absence of original documents in Contractor's offices in the Republic of Equatorial Guinea;
- (k) Contractor's share of Expert Costs under Section 10.5

- (l) any sanction imposed by the State on Contractor as a result of environmental pollution (crude oil spills, etc).

2.8 INSURANCE AND CLAIMS

Petroleum Operations Costs shall include premiums paid for normally required insurance for operations associated with Contractor's obligations carried out in accordance with the Contract. All expenses incurred and paid by Contractor in replenishment of any loss, claim, lesion, injury and damages, rulings, and other costs, including money related to any obligations under the Contract shall be included as Petroleum Operations Costs less any costs recovered by Contractor by means of insurance claims, provided these expenses are not incurred or result from the Gross Negligence of Contractor in which case they shall not be recoverable.

2.9 INVENTORY ACCOUNTING

Any costs of articles bought for inventory will be recoverable as from the Calendar Year in which such materials and equipment arrived in the Republic of Equatorial Guinea.

SECTION 3 OTHER CLASSIFICATION OF COSTS AND EXPENDITURES

(Accounting Methods For Estimating Any Income Tax Liability)

During any Calendar Year in which commercial production occurs, the costs of Petroleum Operations shall include the following:

- I. CAPITAL COSTS
- II. NON CAPITAL COSTS

3.1 CAPITAL COSTS

Any current Calendar Year capital costs shall be classified as Tangible (subject to depreciation) and Intangible.

3.1.1 TANGIBLE CAPITAL COSTS

Tangible Capital Costs are such costs incurred for the purchase of any assets related to the Petroleum Operations that normally have a useful life of more than one (1) year; such assets shall be subject to annual depreciation pursuant to the provisions set forth in this Accounting Procedure. Tangible Capital Costs include, but are not limited to, the following:

- (a) for Development Wells: the costs of completion materials and equipment (downhole equipment, fixed production tubing, production packers, valves and others, wellhead equipment, subsoil elevation equipment, pumping rods, surface pumps, discharge cables, collection equipment, delivery lines, fixed Christmas tree and valves, oil and gas pipelines and others, fixed materials and equipment, piers, anchors, buoys, Hydrocarbon treatment facilities and equipment, secondary recovery systems, reinjection compressors, water pumps and their pipes);
- (b) for any purchase of goods and equipment: the actual cost of the asset (excluding transportation), the cost for construction of platforms outside of the Contract Area, the cost of power generators, facilities onshore, and others;
- (c) for the purchase of moveable goods: automotive machinery (vehicles, tractors, tow trucks, helicopters, airplanes, tools, flatbeds, ships, etc.), construction machinery and equipment (furniture, office equipment and other equipment);
- (d) for construction purposes: the building cost of housing and residential facilities, offices, warehouses, workshops, power plants, storage facilities and access roads for development activities, the cost of piers and anchors, treatment plants and machinery, secondary recovery systems, gas plants and steam systems; and
- (e) drilling and production facilities, platforms, etc.

With the exception of land purchased by Contractor, all and any goods mentioned herein shall be depreciated in accordance with Section 3.2 of this Annex C.

3.1.2 INTANGIBLE CAPITAL COSTS

Intangible capital costs shall be such ongoing costs incurred for the purchase of moveable assets and services directly related to the Petroleum Operations and they shall not be depreciated. Such costs/expenses shall include, without limitation, the following:

- (a) costs of aerial magnetic, aerial gravimetric, topographic, geological, geophysical and geochemical surveys, interpreting and reinterpreting technical data costs, exploration labor;
- (b) the costs of drilling Exploration and Appraisal Wells. All costs of services rendered for drilling Exploration, Appraisal, or any

other type Wells, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodations, technical services for mud control, Well geology, directional Well drilling, divers, core sampling, cementing and similar costs.

- (c) costs of drilling Development Wells, such as rig and platform mobilization and demobilization, rig and platform drilling contracts and leases, platform and infrastructure installation, labor, fuel, water, conductors, drill bits, drill pipe, equipment rental, production testing equipment, Christmas tree for production testing, mud and its components, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodations, technical services for mud control, Well placement geology, directional drilling Wells, divers, production and appraisal tests, completion, supervision and other similar costs;
- (d) costs of acquisition or purchase of goods and services such as, transportation costs, operation costs, equipment checks, costs of on-site installation, maintenance costs, fuel and other similar costs;
- (e) general services (electric logs, vertical seismic profile (VSP), mud control, core sampling, Well geology tests, cementing, production tests, supervision and similar costs), delineation services, heavy engineering machinery leasing, and other expenses incurred abroad
- (f) materials, reconstruction of access and other roads, and other intangible goods for construction, public services and construction support;
- (g) other exploration costs, support or temporary facilities with a useful life of less than one (1) year; and
- (h) bonuses as set forth in the Contract.

3.2 DEPRECIATION OF TANGIBLE CAPITAL COSTS

Depreciation will be estimated from the Calendar Year in which the asset is placed into service, with a full year's depreciation allowed for the initial Calendar Year. For the purpose of estimating responsibility regarding Income Tax, depreciation shall be determined using a ten (10) Year straight-line method.

3.3. NON-CAPITAL COSTS

Said costs are classified as follows:

3.3.1 CONTRACTOR'S DEDUCTIBLE COSTS

- (a) general and administrative expenses (personnel salaries, insurance premiums, labor, technical services and other similar services, material, services, public relations, expenses abroad related with Petroleum Operations in Equatorial Guinea, determined in accordance with Section 2.5 of this Annex, and other similar costs);
- (b) labor, materials and services indirectly used in operations of Development Wells, feasibility studies for production of Crude Oil or Natural Gas fields, secondary recovery operations, storage operations, handling, transportation and delivery, Natural Gas Well operations, transportation and delivery of Natural Gas, services for Natural Gas treatment, environmental protection measures and any other maintenance activities indirectly related to Petroleum Operations.

3.3.2 CONTRACTOR'S NON-DEDUCTIBLE COSTS

Such costs shall include, but not be limited to, the following:

- (a) initial bonus paid by Contractor;
- (b) any discovery bonus paid by Contractor;
- (c) any production bonus paid by Contractor;
- (d) any unapproved over-expenditures that exceed the limits of Section 4.3 of the Contract;
- (e) the portion of interest on loans obtained by Contractor from Affiliates or Third Parties that exceed the commercial rates for investments in Petroleum Operations;
- (f) payments made to the State for failure to fulfill the minimum exploration work obligations pursuant to Section III of the Contract;
- (g) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;

- (h) amounts that exceed the limits fixed in relation to depreciation of Tangible goods;
- (i) voluntary donations to the State and other similar expenses unless otherwise agreed to.
- (j) State audit and inspection expenses at Contractor's headquarters outside Equatorial Guinea incurred by the absence of original documents in the office of Contractor in the Republic of Equatorial Guinea;
- (k) any sanction imposed by the State on Contractor as a result of environmental pollution (crude oil spills, etc.).

SECTION 4 BASES OF INCOME TAX CALCULATION

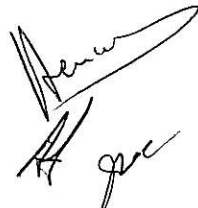
4.1 PRACTICAL DETERMINATION OF THE TAXABLE BASE

In order to determine the taxable base and for the purposes of calculating Contractor's responsibility regarding annual Income Tax liability, the following will be taken into account:

Taxable base =

$$[(1)] - \{[(2)+(3)+(4)] + [(5)+(6)+(7)+(8)]\}.$$

- (1) Annual Gross Revenues.
- (2) State Royalties.
- (3) State's share of Net Hydrocarbons.
- (4) State's participation as a working interest shareholder in the production.
- (5) Deductible Intangible Capital Costs.
- (6) Depreciation of Tangible Capital Costs.
- (7) Deductible Non-Capital Costs.
- (8) Losses authorized and certified by the Ministry, corresponding to previous Calendar Years.



4.2 PRINCIPLE OF TAX TREATMENT OF A FINANCIAL YEAR DEFICIT

In case of any deficit during a Calendar Year, such deficit will be regarded as relating to the following Calendar Year and deducted from the profit made during said Calendar Year; if such profit is not sufficient for the deduction to be made in full, the excess (certified by the Ministry) of the deficit will be successively carried over to the profits of subsequent Calendar Years.

SECTION 5 RECORDS AND VALUATION OF ASSETS

5.1 RECORDS

Contractor shall keep detailed records of property used for Petroleum Operations under the Contract in accordance with customary practice in exploration and production activities of the international petroleum industry.

5.2 INVENTORIES DURING INITIAL EXPLORATION OPERATIONS

Prior to the date of approval of the first Annual Work Program and Annual Budget submitted pursuant to Section IV of the Contract, Contractor shall prepare an initial Annual schedule (to be included as part of the material statement required under Section 6 of this Accounting Procedure) of all property to be used for Petroleum Operations and its value as shown in Contractor's books.

5.3 INVENTORIES IN SUBSEQUENT OPERATIONS

Subsequent to the date of approval of the Annual Work Program and Annual Budget pursuant to Section IV of the Contract, inventories of property used in Petroleum Operations under the Contract shall be taken at regular intervals but at least once per Calendar Year.

Contractor shall give the Ministry at least thirty (30) days written notice of its intention to take such inventory and the Ministry shall have the right to be represented when such inventory is taken. Contractor shall clearly state the principles upon which valuation of the inventory has been based and shall provide to the Ministry a full report on such inventory within sixty (60) days of the completion of the inventory.

SECTION 6
STATEMENTS AND REPORTS

**6.1 FINANCIAL STATEMENTS AND TAX REPORTS TO BE
SUBMITTED BY CONTRACTOR**

Contractor shall present detailed accounts showing all Petroleum Operations Costs incurred by Contractor over the last Calendar Year. Such accounts must be submitted to the Ministry within ninety (90) days from the end of the Calendar Year and shall be certified by an independent auditor accepted by the Parties. Such period may be extended by an additional ninety (90) days with the approval of the Ministry on request by Contractor, such consent not to be unreasonably withheld.

Income Tax returns shall be duly completed with enough detailed information as to allow a thorough understanding by the Tax Administration of the Republic of Equatorial Guinea, including:

- (a) depreciation details;
- (b) fixed assets information;
- (c) production and export statistics and details;
- (d) all tax related reports provided for in the Contract; and
- (e) detailed information on deductible expenses for estimating tax liabilities in accordance with the Tax Law.

6.2 PRODUCTION STATEMENT

Without prejudice to the rights and obligations of the Parties under the Contract, as from the initial date of commencement of production from the Contract Area Contractor shall submit a monthly production statement to the Ministry showing the following information, which shall be itemized for each Field and in aggregate for the Contract Area:

- (a) the quantity of Crude Oil produced and saved;
- (b) the quality characteristics of such Crude Oil produced and saved;
- (c) the quantity of Natural Gas produced and saved;
- (d) the quality characteristics of such Natural Gas produced and saved;

- (e) the quantities of Crude Oil and Natural Gas used for the purposes of carrying out drilling and production operations;
- (f) the quantities of Crude Oil and Natural Gas unavoidably lost;
- (g) the quantities of Natural Gas flared and vented;
- (h) the size of Hydrocarbon stocks held at the beginning of the calendar month in question;
- (i) the size of any Hydrocarbon stocks held at the end of the calendar month in question;
- (j) the quantities of Natural Gas reinjected into the Hydrocarbon reservoir; and
- (k) the quantities of Hydrocarbons delivered and sold.

All quantities shown in such statement shall be expressed in both volumetric terms (barrels of Crude Oil [bbls] and cubic meters of Natural Gas [M³]) and in weight (metric tons [MT] and long ton [LT]).

The production statement for each calendar month, and the technical report on each Well shall be submitted to the Ministry no later than fifteen (15) days after the end of such calendar month.

6.3 VALUE OF PRODUCTION AND PRICING STATEMENT

For the purposes of Section X of the Contract, Contractor shall prepare a statement providing details of the value of Hydrocarbons produced, saved and sold during each Quarter.

The value of production statement shall include the following information:

- (a) the quantities, prices and income received by Contractor as a result of sales of Hydrocarbons to Third Parties during the Quarter in question;
- (b) The quantities, prices and income received by Contractor as a result of sales of Hydrocarbons, other than sales to Third Parties, during the Quarter in question;
- (c) the value of any stocks of Hydrocarbons at the end of the Quarter preceding the Quarter in question;
- (d) the value of any stocks of Hydrocarbons at the end of the Quarter in question; and

- (e) the information available to Contractor, insofar as required for the purposes of Section X of the Contract, concerning the prices of competitive Crude Oils.

6.4 PETROLEUM OPERATIONS COSTS STATEMENT

6.4.1 Quarterly Statement

Contractor shall prepare a Quarterly Petroleum Operations Costs statement showing those Petroleum Operations Costs incurred by Contractor with respect to the Contract Area, as provided under this Accounting Procedure.

Any Development and Production Costs shall be separately identified for each Field, and Contractor shall specify the basis of allocation of shared costs. If the Ministry is not satisfied with the itemization shown within the categories, it shall be entitled to request a more detailed breakdown.

Any Exploration Costs shall be shown separately.

The Petroleum Operations Costs statement for each Quarter shall be submitted to the Ministry no later than thirty (30) days after the end of each Quarter.

6.4.2 Annual Statement

Contractor shall prepare an annual Petroleum Operations Costs statement containing the following information for the purposes of Section 9.2 of the Contract:

- (a) Petroleum Operations Costs not yet recovered and carried forward from the previous Calendar Year, if any;
- (b) Petroleum Operations Costs for the Calendar Year in question;
- (c) the quantity and value of Hydrocarbon production taken by Contractor as Cost Recovery Oil under the provisions of Section 7.2 of the Contract for the Calendar Year in question; and
- (d) Petroleum Operations Costs not yet recovered at the end of the Calendar Year in question.

The annual Petroleum Operations Costs statement shall be submitted to the Ministry no later than forty-five (45) days following the end of each Calendar Year.

6.5 PRODUCTION SHARING STATEMENT

Within sixty (60) days following the end of each Calendar Year, Contractor shall submit to the Ministry with respect to such Calendar Year a production sharing statement containing the following information for the purposes of Section VII of the Contract:

- (a) the value of all sales of Hydrocarbons made by Contractor as at the end of the previous Calendar Year;
- (b) the value of all sales of Hydrocarbons made by Contractor during the Calendar Year in question;
- (c) the total of (a) and (b) above at the end of the Calendar Year in question;
- (d) the accumulated Petroleum Operations Costs as at the end of the previous Calendar Year;
- (e) the Petroleum Operations Costs for the Calendar Year in question;
- (f) the total of (d) and (e) above at the end of the Calendar Year in question;
- (g) quantity and value of Contractor's share in Hydrocarbons; and
- (h) quantity of State's share of Hydrocarbons and its value if sold by Contractor.

6.6 ANNUAL END-OF-YEAR STATEMENT

No later than the thirty-first (31st) of March of each Calendar Year, Contractor shall submit to the Ministry an end-of-year statement, and statement of accounts corresponding to the previous fiscal year, and which shall contain the following information:

- (a) accounting of the expenses against the approved annual budget;
- (b) accounting of the expenses with the recoverable costs;
- (c) accounting of the expenses with the deductible costs;

6.7 ANNUAL BUDGET STATEMENT

Contractor shall submit to the Ministry an Annual Budget statement pursuant to the provisions of Section IV of the Contract. Such statement shall distinguish between budgeted Exploration Costs, Development and Production Costs by Quarter and shall correspond to the individual items of Petroleum Operations included in the Annual Work Program.

Handwritten signatures in the bottom right corner of the page.

ANNEX D

PARENT COMPANY GUARANTEE OF COMPLETION

Attached to and forming an integral part of this Contract between the Republic of Equatorial Guinea and Contractor.

WHEREAS, _____, a corporation organized and existing under the laws of _____, with its head office established in _____ (hereinafter referred to as "Parent Company"); and,

WHEREAS, _____, ("The Company"), is a wholly owned subsidiary of the Parent Company; and,

WHEREAS, The Company has entered into a contemporaneous Production Sharing Contract ("The Contract") with the Republic of Equatorial Guinea ("The State") for the Contract Area; and,

WHEREAS, The Company has a certain determined interest share participation provided for in The Contract; and,

WHEREAS, The State wishes that the execution of said Contract by The Company be guaranteed to the extent provided for in Section 3.7 of the Contract; and,

WHEREAS, The Parent Company accepts that it fully understands and assumes the contractual obligations specified in Section 3.7 of The Contract;

NOW THEREFORE, it is hereby agreed and stipulated to, as follows:

1. All capitalized terms in this document shall convey the same meaning as described in the Contract, unless otherwise specified herein.
2. From and after the Effective Date the Parent Company is obligated as Guarantor, by virtue of this Performance Guarantee (This "Guarantee") to the State for the fulfillment of the obligations of the Company in compliance with Section 3.7 of the Contract, provided always that the total liability of the Parent Company under this Guarantee shall in no case exceed the Company's participating interest share of the Contractor's obligations provided for in the Contract.
3. Any demand for the fulfillment of the aforementioned obligations shall be made to the Parent Company in writing or by fax delivered by the Ministry of Mines and Energy of the Republic of Equatorial Guinea, ("the Ministry"), which notice shall certify that the Company did not complete the Work Program for the Initial Exploration Period established in Section 3 of the Contract. The Ministry shall indicate

specifically the manner in which the Company failed to comply with the said work, and shall agree to meet with the Parent Company to determine the way in which the Parent Company shall comply with the obligations not performed by the Company. Any dispute in this respect shall be resolved by Arbitration under the procedures established in Section XXV of the Contract. The Ministry shall deliver the demand to the legal address of the Parent Company as set out in this document.

4. The liability of the Parent Company under this Guarantee shall not exceed in aggregate the amount of [for Noble \$12,857,140 and for Glencore \$7,142,860 totaling 20 million dollars] as reduced by the Company's participating interest share of the costs attributable to the work performed in relation to the obligations set forth in Sections 3.2 and 3.3 of the Contract.
5. Should the Company assign all or part of it's participating share of the Contract, then, in such case, the Parent Company of each of said assignees shall establish a guarantee by its parent company in substantially the same form as this Guarantee, or by a bank guarantee.
6. For all rulings and interpretations of this Guarantee, the laws of Equatorial Guinea shall apply.
7. The term of this Guarantee shall expire upon any of the following dates: (i) the date of expiry of the period of three (3) years and thirty (30) days to be counted consecutively from the Effective Date of the Contract; (ii) the date that this Guarantee is replaced by a new Guarantee from the Parent Company, or by a bank guarantee; or (iii) the date on which the Contractor has fulfilled the obligations set forth in Sections 3.2 and 3.3 of the Contract; or (iv) the date the Company ceases to hold any participating interest share under the Contract, whereupon this Guarantee shall become null and void save for any outstanding claim validly made prior to such expiry date.
8. In order that this Guarantee is of application in the Republic of Equatorial Guinea, it shall be notarized by a public notary or other legal authority, and this notarized document shall comply with all the requirements of law.

CONFIDENTIAL

IN TESTIMONY OF WHICH, the Parent Company and the Company sign
execute this Guaranty, this ____ day of _____ of 2004.

PARENT COMPANY:

COMPANY:

**AGREED TO BY
THE MINISTRY OF MINES AND ENERGY**

BEFORE ME, the undersigned Notary Public, this day personally appeared
_____ and acknowledged to me that he executed the same for
the purposes and considerations herein expressed, in the capacity stated as
_____ and that he has the authority to grant said authorization.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of
_____ of 2004.

Notary Public

Hand Printed Name

My commission expires:

Handwritten signature and initials in the bottom right corner.

**ANNEX E
FORM OF ASSIGNMENT TO GEPETROL**

Attached to and forming an integral part of this Contract between the
Republic of Equatorial Guinea and Contractor.

DOCUMENT OF ASSIGNMENT

BLOCK "O"

EQUATORIAL GUINEA

This Document of Assignment (this "Assignment"), executed this the _____ day of _____ of 2004, between, NOBLE ENERGY EG LTD, a corporation organized and existing under the laws of the Cayman Islands, having its registered office at the offices of Maples and Calder, Attorneys-at-Law, Ugland House, P. O. Box 309, George Town, Grand Cayman, Cayman Islands (hereinafter referred to as "Noble"), and GLENCORE EXPLORATION LTD., a corporation organized and existing under the laws of the Bermudas, (hereinafter referred to as "Glencore"), on one hand, hereinafter collectively referred to as "Assignors", and COMPAÑIA NACIONAL DE PETRÓLEOS DE GUINEA ECUATORIAL, a corporation organized and existing under the laws of the Republic of Equatorial Guinea, having its registered office at Calle Acacio Mañe 39, apartado de correos 965, Malabo (hereinafter called "GEPetrol" or "Assignee"), on the other hand.

RECITALS

- A. On _____ of _____, 2004, The Assignors of this document executed a Production Sharing Contract with the Republic of Equatorial Guinea, whose Effective date is _____ of _____ of 2004, which covers the area described in said document as Block "O" Offshore Bioko, in the Republic of Equatorial Guinea, hereinafter referred to as the "Contract".
- B. The full share interest of the Contractor in said Contract is currently split 64.2857% to Noble and 35.7143% to Glencore.
- C. According to the provisions of Section VIII of the Contract, the Assignors are obligated to assign a proportional part of their participating interest equivalent to thirty percent (30%) to GEPetrol with effect on and after the Effective Date of the Contract. The Assignors wish to assign said participating interest and that GEPetrol wishes to acquire said participating interest in compliance with the terms and requirements of the Contract and this Assignment.

AGREEMENTS

SECTION I

DEFINITIONS

Capitalized terms used in this Assignment shall have the following meaning:

JOA means the Joint Operating Agreement to be entered into among Noble, Glencore and GEPetrol that among the entities comprising Contractor governs the respective rights, privileges and obligations in regards the operations according to the Contract.

Participating Interest means as to each Party the undivided percentage interest of such party in the rights and obligations under the Contract and the JOA, as set out in the JOA, which interest shall consist of two components referred to in the JOA as Revenue Interests and Cost Bearing Interests.

Parties means collectively Noble, GEPetrol and Glencore

All other terms specifically defined in the Contract and not defined in this Agreement shall have the meaning that they are given in the Contract unless their context clearly states otherwise.

SECTION II

ASSIGNMENT OF SHARES

2.1 Regarding the terms and conditions stipulated in this Assignment:

- (a) Noble and Glencore between them, as Assignors, and per this document, yield, assign and transfer to GEPetrol, as Assignee, a 19.2857% Participating Interest from Noble and a 10.7143% Participating Interest from Glencore totaling an undivided thirty percent (30%) Participating Interest, and
- (b) GEPetrol accepts from the Assignees that assignment, transfer and conveyance of said Participating Interest.

2.2 As of the Effective Date of this Assignment, the Participating Interests of the Parties shall be the following:

Noble	45.00%
GEPetrol	30.00%
Glencore	25.00%

- 2.3 The Parties shall be the group of entities comprising "Contractor", in the full sense ascribed to that term in the Contract, and shall be bound by all of the obligations and liabilities of Contractor contained in the Contract.

SECTION III

RESULTING PARTICIPATING INTEREST OF GEPETROL

- 3.1 Pursuant to the JOA the Participating Interests of the Parties shall be composed of Revenue Interests and Cost Bearing Interests, which as of the Effective Date are as follows:

Party	Revenue Interest	Cost Bearing Interest
Noble	45%	51.43%
GEPetrol	30%	20.00%
Glencore	25%	28.57%

- 3.2 Subject to the JOA, GEPetrol shall have the right, but not the obligation to convert GEPetrol's Carried Participation to a Cost Bearing Interest in accordance with the JOA. Should GEPetrol choose to exercise such right, then each Party's Cost Bearing Interest shall be changed to be equal to its Revenue Interest.

SECTION IV

JOINT OPERATING AGREEMENT

- 4.1 GEPetrol hereby adheres to the Contract, and in accordance with and to the extent of its Participating Interest assumes the rights, interests, obligations and liabilities of the Contractor under the Contract with effect on and after the Effective Date, including without limitation the obligations under Section 3 of the Contract. Further, GEPetrol hereby adheres to the JOA, and in accordance with and to the extent of its Participating Interest assumes the rights, interests, obligations and liabilities of a party under the JOA with effect on and after the Effective Date. The JOA is hereby amended to give effect to this Assignment. The Parties hereby ratify and confirm the JOA as herein amended as and from the Effective Date, and agree to comply with the terms and conditions of the JOA, as amended, in respect of the rights, interests, obligations and liabilities attaching to each Party's Participating Interest. The Parties agree to conduct operations in the Contract Area pursuant to the Contract, and the JOA, as hereby amended. The Parties agree to carry out operations in the Contract

Area per the provisions of the Contract and the JOA, as hereby amended.

- 4.2 Pursuant to the JOA GEPetrol is hereby appointed the Administrative Operator under the JOA; and Noble is hereby confirmed as the Technical Operator under the JOA.

SECTION V

MISCELLANEOUS

- 5.1 This Assignment shall be binding on the Parties.
- 5.2 Each of the Parties to this document shall implement and execute all actions and documents reasonably required to fully perform and carry out this Assignment.
- 5.3 This Assignment shall be ruled and interpreted in accordance with the choice of law provisions contained within the Contract; provided that the provisions of this Assignment concerning the JOA shall be governed by and construed in accordance with the choice of law provisions contained in the JOA. Any dispute as to, or related with this Assignment, including its existence, validity or termination, shall be resolved in compliance with the terms of Section XXV of the Contract; provided that any such dispute concerning the JOA shall be resolved in accordance with the dispute resolutions provisions contained in the JOA.
- 5.4 This document constitutes the entire agreement of the Parties with respect to this Assignment under Section 2, and may not be amended nor modified in relation thereto, except by written instrument signed by all Parties or their representatives. In the case of any conflict, expressed or implied, between the provisions of this Assignment, the JOA and the Contract, the provisions of the Contract shall apply.
- 5.5 This Assignment shall be signed and delivered in four (4) originals in the Spanish language and three (3) originals in the English language. The Spanish version of this Assignment shall in the courts of Equatorial Guinea be referred to in construing or interpreting this Assignment; in case, however, of any arbitration pursuant to Section 5.3 and for other general purposes among the Parties, the English and Spanish versions shall both be used to construe or interpret the Assignment, and shall have equal weight and validity.

CONFIDENTIAL

IN TESTIMONY OF WHICH, the Parties to this document execute this Assignment on the first abovementioned date.

ASSIGNORS:

NOBLE ENERGY EG LTD

By: _____

GLENCORE EXPLORATION, LTD

By: _____

ASSIGNEE:

COMPAÑÍA NACIONAL DE PETRÓLEOS DE GUINEA ECUATORIAL

By: _____

**APPROVED AND ACCEPTED BY:
THE MINISTRY OF MINES AND ENERGY OF
THE REPUBLIC OF EQUATORIAL GUINEA**

By: _____
Minister

Date: _____

Handwritten signature and initials in the bottom right corner.