

PRODUCTION SHARING AGREEMENT

**A Contract for Exploration, Appraisal, Development And
Production of Petroleum in Jordan**

Between

THE NATURAL RESOURCES AUTHORITY

OF

THE HASHEMITE KINGDOM OF JORDAN

And

.....

NORTHERN HIGHLANDS BLOCK

Dated : _____

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PRODUCTION SHARING AGREEMENT

CONTRACTING PARTIES

THE NATURAL RESOURCES AUTHORITY OF JORDAN (NRA)

And

.....

For

**EXPLORATION, PRODUCTION AND DEVELOPMENT OF HYDROCARBONS
WITHIN NORTHERN HIGHLANDS BLOCK IN JORDAN**

This Agreement is made in Amman, Jordan on the _____ day of _____, 2009, between the GOVERNMENT OF JORDAN represented by the NATURAL RESOURCES AUTHORITY OF JORDAN ("NRA") and established in the Hashemite Kingdom of Jordan ("JORDAN") by Law No. 12 of 1968, and ("CONTRACTOR"). -----, as the "CONTRACTOR" represented by it's

RECITALS

WHEREAS, all Petroleum in its natural habitat in strata lying within the boundaries of JORDAN is the property of JORDAN; and

WHEREAS, JORDAN wishes to promote the exploration and development of potential Petroleum resources in the Area and CONTRACTOR wishes to join and assist JORDAN in the exploration, development and production of the potential Petroleum resources in the Area; and

WHEREAS, NRA is an Agency established to act for and on behalf of the Government of JORDAN under Law No. 12 of 1968 (published in the Official Gazette of the Hashemite Kingdom of JORDAN No. 2076, dated 16th February, 1968) and is concerned with exploration and production of Petroleum within the Kingdom of JORDAN; and

WHEREAS, JORDAN has empowered NRA to negotiate and execute this Agreement; and

WHEREAS, CONTRACTOR is authorized, pursuant to approval from the NRA, in line with this agreement, to carry out all Petroleum operations in Jordan, including, Exploration, Appraisal, Development and Production; and

WHEREAS, CONTRACTOR is willing, and able (financially and technically), to undertake the obligations provided under this Agreement with respect to the Exploration and Development of Petroleum in the Area and CONTRACTOR and NRA mutually desire to enter into this Agreement with respect to the Area;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS;

ARTICLE 1

DEFINITIONS

For purposes of this Production Sharing Agreement and the Annexes attached hereto, the following defined terms (Definitions) shall have the meanings set forth in this Article 1.

- "Affiliate"** means, with respect to any person, any other person that (a) owns or controls the first person, (b) is owned or controlled by the first person, or (c) is under common ownership or control with the first person, where "own" means ownership of fifty percent (50%) or more of the equity interests or rights to distributions on account of equity of the person and "control" means the power to direct the management or policies of the person, whether by law, through the ownership of voting securities; by contract, or otherwise;
- "Agreement"** means this production sharing agreement and the Annexes Attached hereto, including any amendments thereof agreed to In writing by the Parties.
- "Appraisal Program"** means a program carried out following a Discovery Well in accordance with Article 3(c) (3).
- "Appraisal Well"** means any well drilled for the purposes of an Appraisal Program.
- "Area"** means the area as described and shown on the map in Annex A attached to this Agreement, as such Area may have been reduced from time to time by relinquishments made in accordance with Article 5 hereof.
- "Average Daily Production"** means that quantity of Crude Oil calculated after the end of each Calendar Year by dividing the total amount of Crude Oil produced from the Contract Area and saved periodically at the Delivery Point during the preceding Calendar Year by the number of Days in that Calendar Year, or the total amount of Crude Oil produced from the Contract Area and saved periodically at the Delivery Point from the Effective Date until the Calendar Year end by the number of Days following and inclusive of the Effective Date until the Calendar Year end, as the case may be.
- "Average Monthly Production"** means that quantity of Crude Oil calculated after the end of each Calendar Month by dividing the total amount of Crude Oil produced from the Contract Area and saved periodically at the Delivery Point during the preceding Calendar Month

by the number of Days in that Calendar Month, or the total amount of Crude Oil produced from the Contract Area and saved periodically at the Delivery Point from the Effective Date until the Calendar Month end by the number of Days following and inclusive of the Effective Date until the Calendar Month end, as the case may be.

- "Barrel"** shall consist of forty-two (42) United States gallons (equivalent to approximately 158.984 litres), liquid measure, when corrected to a temperature of sixty degrees (60°) Fahrenheit at atmospheric pressure.
- "BOPD" or "SBPD"** means Barrels of Crude Oil per Day or Standard Barrels of Crude Oil per Day at standard conditions.
- "Calendar Month"** means a month according to the Gregorian calendar. "Month" means a period counted as from any Day of a Calendar Month ending on the same Day of the following Calendar Month or, if such Day does not exist, on the last Day of such Calendar Month.
- "Calendar Half Year"** means the period of six (6) consecutive months according to the Gregorian calendar starting on January 1st through to June 30th, or July 1st through to December 31st, inclusive.
- "Calendar Quarter"** means the period of three (3) consecutive months according to the Gregorian calendar and commencing respectively with the first day of January, April, July and October.
- "Calendar Year"** means the twelve (12) consecutive month period starting on January 1st through to December 31st inclusive, according to the Gregorian calendar.
- "Commercial Discovery"** means a discovery of Petroleum which the CONTRACTOR determines to be worthy of commercial development, as set forth in Article 3(c)(4).
- "Contract"** means this Production Sharing Agreement and its Annexes as may be amended or supplemented from time to time.
- "Contract Area"** means the area equivalent to the NORTHERN HIGHLANDS BLOCK as defined in Annex A of this agreement, in Jordan, where CONTRACTOR is entitled to carry out activities under this Contract. The area extends from ground surface downward to unlimited depths.
- "CONTRACTOR"** means in this agreement, the OPERATING Company that is responsible for undertaking the obligations stated within this Production Sharing Agreement.
- "Contractor's"**

Share of Crude Oil”	means the volumes of Crude Oil attributable to the CONTRACTOR in the Contract Area as determined in Article 13 and Annex H.
“Cost Recovery”	means that recovery of costs by the CONTRACTOR set out in Article 13.
"Cost Oil"	means the cost recovery Crude Oil which CONTRACTOR is entitled to receive pursuant to Article 13(a).
"Cost gas"	means the cost recovery gas which CONTRACTOR is entitled to receive pursuant to Article 15.
"Crude Oil" or “oil”	means all hydrocarbons, including associated impurities, produced from any well in the Area which is in a liquid state at standard atmospheric conditions of temperature and pressure at the wellhead or separator or which is extracted in a liquid state at atmospheric conditions of temperature and pressure from Gas in a separator or in a plant. Such term shall also include distillate and condensate.
"Development Expenditures"	means the expenditures so defined in Article 13(a)(2)(ii).
"Development" or "Development Operations"	shall include all the operations and activities under this Agreement with respect to: <ol style="list-style-type: none"> (1) Drilling of development wells and all operations related thereto; (2) acquisition, design, construction, installation, connection and testing of equipment, lines, systems, facilities, pipelines and rights-of-way, plants, terminals and related operations necessary to produce and operate said wells and to take, save, treat, handle, store, transport and deliver Petroleum to the Delivery Point.; (3) Re-pressuring, recycling, pressure maintenance and other secondary or tertiary recovery projects.
"Development Period"	means the period referred to in Article 3(e).
"Development Plan "	means the plan referred to in Article 3(c)(4).
"Discovery"	means a discovery of Petroleum recoverable at the surface in a flow measurable by conventional international petroleum industry production testing methods.
"Discovery Well"	means the first well on any geological feature which after testing in accordance with good oil industry practices is, in

the opinion of CONTRACTOR, capable of producing Petroleum at a rate that economically justifies the undertaking of an Appraisal or Production Program. The date of establishment of a Discovery Well is the date on which notification that a well is a Discovery Well is given to NRA by CONTRACTOR.

"Effective Date" means the date following execution of this Agreement by all the parties, on which the last act necessary to give this Agreement the full force and effect of law has been taken.

"Execution Date" means the date first above written.

"Exploration Expenditures" means the expenditures so defined in Article 13(a)(2)(i).

"Exploration" or "Exploration Operations" shall include geological, geophysical, aerial and other surveys and the interpretation thereof and the drilling of shot holes, core holes, stratigraphic tests, wells for the discovery of Petroleum or the appraisal of Petroleum discoveries and other related holes and wells, and the purchase, hire or acquisition of supplies, materials and equipment therefore, as well as necessary preparations thereof. The verb "explore" means the act of conducting Exploration Operations.

"Exploration Period" means the period of time after the Effective Date of this Agreement during which CONTRACTOR has the right to carry out Exploration Operations under the terms of Article 3 hereof. "Term" shall mean the First Exploration Term or the Optional Extension Exploration Term or any mutually agreed additional exploration terms as the case may be.

"Exploration Well" means any well drilled for the purposes of discovering a Petroleum reservoir. An exploration well is a well drilled for the purposes of exploring a newly identified geologic structure or an existing structure which has no commercial production and all existing wells upon this structure have been abandoned. Re-entry of an existing producing well is not considered to be an exploration well.

"Extended well test" is a well test during which hydrocarbons are produced (and perhaps sold) exceeding the normal duration of a usual drill stem test (a Drill Stem Test usually being of duration of a few days to 2 weeks). The extended well test is to be conducted for the purposes of monitoring the reservoir and better assessing the long term commercial viability of an accumulation. The nature and duration of any Extended Well test is to be agreed between both parties.

"Force Majeure" means those events or circumstances set forth in Article 33.

"Gas"	means all hydrocarbons produced from any well in the Area together with all non-hydrocarbon substances contained therein, which are in a gaseous state at atmospheric conditions of temperature and pressure at the Delivery Point. Such term will exclude distillate and condensate. "Associated Gas" means Gas produced in association with Crude Oil. "Non-Associated Gas" means Gas produced from a reservoir containing insignificant quantities of Crude Oil.
"Initial Commercial Production"	means the date on which the first regular shipment of Crude Oil for export or sale, or the first regular sale of Gas is made by CONTRACTOR.
"JOPC"	means the Jordan Operating Petroleum Company ("Jordan Operating Company") as provided in Annex C.
"JORDAN"	means the Hashemite Kingdom of Jordan and includes the Government of the Hashemite Kingdom of Jordan.
"NSC"	means the NRA Steering Committee as provided in Article 6.
"Operating Expenses"	means the expenses so defined in Article 13(a) (2) (iii).
"Operator or Operating Company"	means the CONTRACTOR who responsible for all operations in the NORTHERN HIGHLANDS BLOCK These operations include, but are not limited to, undertaking the obligations stated in the agreed work program in this contract.
"Parties"	means GOVERNMENT, COMPANY and CONTRACTOR and any partners or affiliates to the Contractor. "Party" means any one of the Parties, including their respective successors and assignees. It is understood that these Parties shall perform their respective obligations toward each other in accordance with their legal position stated in the Preamble and in the relevant Articles of this Contract.
"Partner"	A company who owns a percentage of the Contractor's share within the NORTHERN HIGHLANDS BLOCK but is not the OPERATOR.
"Petroleum"	means Crude Oil of various densities, Gas, asphalt and all other hydrocarbon substances that may be found in and produced or otherwise obtained and saved from the Area under this Agreement and all substances that may be extracted there from, including by-products, but excluding basic sediments and water.

- "Petroleum Operations"** means Exploration Operations, Appraisal Operations, Development Operations, Production Operations and all other operations authorized or contemplated under this Agreement. Such operations include, but are not limited to, seismic acquisition, field studies and sampling, drilling and site preparation, access, laying infrastructure for export of hydrocarbons and associated products.
- "Production" or "Production Operations"** shall include all the Operations and activities under this Agreement with respect to:
- (1) running, servicing, maintaining, producing, operating and repairing wells and the equipment, pipelines, systems, facilities and plants completed during Development Operations;
 - (2) Taking, saving, treating, dehydrating, compressing, processing, liquefying, handling, storing, flaring, transporting and delivering Petroleum for export or sale.
- "Production Area"** means the portion of the Area agreed between NRA and CONTRACTOR to encompass the entire discovered accumulation of Petroleum, as far as the boundaries of the Area permit, in respect of a particular Commercial Discovery.
- "Production Sharing Measurements"** means those measurements described in Article 13(i).
- "Production Sharing Oil"** means the Crude Oil to be shared between NRA and CONTRACTOR as described in Article 13(b) and detailed in Annex H.
- "Production Period"** means the period referred to in Article 3(e).
- "Service Company"** means any company or individual that is contracted by the CONTRACTOR / OPERATOR to undertake or assist with work of any nature within the NORTHERN HIGHLANDS BLOCK.
- "Subsurface work"** means work or activities undertaken below the present day ground level. This would include such works as re-entering an existing well, doing a re-completion, re-testing an old well, drilling a deeper interval, sidetracking or drilling a horizontal well from an existing borehole. Any activity below the ground surface.

"TMC"	means the Technical Management Committee as provided in Article 6.
"Technical Evaluation"	means the work to be conducted by CONTRACTOR pursuant to the first phase of the Work Program
"Work Program"	means a program of work comprised in the Technical Evaluation phase and the Field Development phase and prepared by the CONTRACTOR pursuant to Article 4.
"Year"	means a period of twelve (12) consecutive calendar months according to the Gregorian calendar.
"Oil shale"	means all sediments in the Upper Cretaceous (Campanian / Maastrichtian) and / or Lower Paleocene (Danian) strata in Jordan. This will include Amman, Ghareb and Taqiyeh formations.
U.S. \$ or "USD"	means the currency of the United State of America.
"Commercial Production"	means production of Crude Oil or Gas or any combination of these from the Contract Area (excluding production for testing purposes) and delivery of the same at the relevant Delivery Point under a programme of regular production and sale.
"Discovery Area"	means that part of the Contract Area about which, based Upon Discovery and the result obtained from a Discovery Well or wells drilled in such part, the Contractor is of the opinion that Production exists and is likely to be produced in commercial quantities.
"Delivery Point"	means except as otherwise herein provided or as may be otherwise agreed between the Parties having regard to international practice, the point at which petroleum reaches the outlet flange of the delivery facility , either offshore or onshore and different Delivery Point(s) may be established for purposes of sales. Delivery Point(s) shall be approved by the NSC.

ARTICLE 2

ANNEXES TO THE AGREEMENT

ANNEX A DESCRIPTION, LOCATION MAP AND CO-ORDINATES OF AREA

ANNEX B ACCOUNTING PROCEDURES (there are eight (8) Articles in this Annex).

ANNEX C CHARTER OF OPERATING COMPANY

ANNEX D TAX IMPLEMENTATION PROVISIONS

ANNEX E BANK GUARANTEE

ANNEX F FORM OF PERFORMANCE BOND

ANNEX G FORM OF PARENT COMPANY GUARANTEE

ANNEX H PRODUCTION SHARING CHARTS (SHARING OF PRODUCTION SHARING OIL).

Annexes A, B, C, D, E, F, G and H to this Agreement are hereby made a part hereof and they shall, except as otherwise expressly provided, be considered as having equal force and effect with the provisions of this Agreement.

ARTICLE 3

GRANT OF RIGHTS AND TERM

(a)

Except as otherwise provided in Article 29, CONTRACTOR is hereby appointed exclusively to conduct Petroleum Operations in the Area described in Annex A and to transport Petroleum produced from such Area to the Delivery Point in JORDAN, to store and terminal such Petroleum, to lift, dispose of, sell and export Contractor's share of such Petroleum including Cost Oil and to repatriate or retain abroad the proceeds from the sale; and, subject to any applicable laws, rules and regulations, to carry out appropriate supporting activities for any of the foregoing, including the construction of pipelines, bridges, roads, terminals, storage facilities, landing fields, radio telephones and satellite communication systems anywhere within JORDAN.

This Agreement shall henceforth govern all the interests, rights and obligations of the parties hereto.

(b)

The First Exploration Term of 3 (three) Years shall commence on the Effective Date.

Providing only that CONTRACTOR has fulfilled its obligations hereunder for the First Exploration Term, if CONTRACTOR, at least sixty (60) days prior to the expiration of the First Exploration Term, gives written notice to NRA of Contractor's intent to continue Exploration Operations in the Area, an optional extension of 2 (Two) Years shall take effect upon expiration of the First Exploration Term.

This Agreement shall be terminated if the optional 2 years extension is not exercised or if no Commercial Discovery is established by the end of the optional 2 year extension; provided, however, that if CONTRACTOR has commenced drilling operations in the final Year of the optional 2 year extension shall continue until sixty days (60) after CONTRACTOR has completed all such drilling operations, including testing and evaluation, provided, however, that such extension shall not exceed six (6) months without the prior approval of NRA. If, as a result of such operations or if during the final Year of the optional 2 years extension a Discovery Well is established, the optional (2) years extension shall continue for an additional period of eighteen (18) months from the date the optional (2) years extension would have otherwise expired to permit CONTRACTOR to conduct appraisal activities.

Any additional exploration terms, over and above those detailed in this Article 3(b), are to be discussed and agreed between the CONTRACTOR and the NRA.

(c)

(c)(1)

CONTRACTOR shall notify NRA immediately upon making a Discovery of Petroleum in an Exploration, Appraisal or a Re-entry / Re-completion of an existing well. The notice shall include all available details and shall be updated by a daily report until the rig is released from such well.

(c)(2)

Following notice of a Discovery pursuant to sub-paragraph (c)(1) above CONTRACTOR shall by a further notice advise NRA whether or not CONTRACTOR considers the Exploration, Appraisal, Re-entry / Re-completion of an existing well in which the Discovery was made to be a Discovery Well. Such further notice shall be given no later than four (4) months from the date of completion of the discovery well.

(c)(3)

If Contractor's advice under sub-paragraph (c)(2) above establishes a Discovery Well, CONTRACTOR shall promptly prepare and review with the Technical Management Committee (TMC) a proposed appraisal plan, work program and budget ("Appraisal Program") to determine whether such Discovery is worthy of being developed commercially, taking into consideration the recoverable reserves, production, pipelines and terminal facilities required, estimated Crude Oil prices and all other relevant technical and economic factors. Within ten (10) days after receipt thereof, NRA Steering Committee (NSC) shall meet to review such proposed Appraisal Program. Following such review, but not later than thirty (30) days after submission of the proposed Appraisal Program, NSC shall submit a report to CONTRACTOR recommending any changes to the Appraisal Program and the reasons therefore. CONTRACTOR shall incorporate any such changes as it deems appropriate and shall submit to NSC its final Appraisal Program. In respect of a Discovery of Crude Oil, save in a case where by reason of special circumstances a longer period is required to carry out the Appraisal Program, the Appraisal Program shall be completed within eighteen (18) months of the date when the Discovery Well was established.

(c)(4)

Within ninety (90) days after completion of the Appraisal Program, CONTRACTOR shall provide NRA with a complete and comprehensive report on the Appraisal Program and Contractor's decision as to whether or not the Discovery is a Commercial Discovery. A Discovery which the CONTRACTOR determines to be worthy of commercial development shall be deemed to be a "Commercial Discovery". The date of such determination shall be the date of declaration of such Commercial Discovery.

A Commercial Discovery may consist of one reservoir or a group of reservoirs which are worthy of being developed commercially.

If the decision is positive CONTRACTOR and NRA shall jointly designate the area constituting the Production Area. CONTRACTOR shall also, at the same time as notifying NRA of the Commercial Discovery, submit to NRA a proposed overall development plan ("Development Plan") for the Production Area. The Development Plan so submitted shall be based on sound engineering and economic principles, in accordance with accepted international petroleum industry practices, and designed to make the most beneficial and timely use of Petroleum in the Production Area.

c) (5)

NRA and CONTRACTOR shall meet and jointly consider the proposed Development Plan within sixty (60) days after submission by CONTRACTOR. If within one hundred and twenty (120) days after submission of the proposed Development Plan the parties are unable to agree on a Development Plan, either party may refer the matter for determination in accordance with Article 34 (K). A determination in accordance with Article 34(K) shall be final, except that CONTRACTOR may notify NRA within sixty (60) days of such determination that it no longer considers the Discovery to be a Commercial Discovery. Thereafter, NRA at any time within one Year of such notice may require CONTRACTOR to surrender its interest in the Production Area to which such Discovery relates.

CONTRACTOR will surrender such interest promptly following NRA's request. If NRA requires CONTRACTOR to surrender its interest in a Production Area pursuant to the preceding sentence, NRA shall not grant to any third party rights over such Production Area on the same or more favourable terms than those which CONTRACTOR would have enjoyed if the Production Area had not been surrendered, without first offering such rights to CONTRACTOR.

(c)(6)

Within thirty (30) days after the approval of a Development Plan for a Commercial Discovery, as provided in sub-paragraph (c)(5) above, and, thereafter, at least ninety (90) days prior to the beginning of each Calendar Year, CONTRACTOR shall prepare a proposed Development and Production work program and budget setting forth the Development and, if appropriate, the Production Operations which CONTRACTOR proposes to carry out during the ensuing Calendar Year in each Production Area and submit such work program and budget to NSC. CONTRACTOR shall at the same time prepare and submit to NSC a proposed annual production schedule for each Production Area for the ensuing Calendar Year. Such work programs and budgets and production schedules, shall be consistent with the approved Development Plan for the relevant Production Area. Within ten (10) days after receipt thereof, NSC shall meet to review such work programs and budgets and production schedules. If within thirty (30) days after receipt thereof, NSC is unable to agree on the work programs and budgets or the production schedules then either NRA or CONTRACTOR may refer the matter for determination in accordance with Article 34(k). A determination in accordance with Article 34(k) shall be final. If determination in accordance with Article 34(k) is not reached at least thirty (30) days prior to the commencement of the ensuing Calendar Year then, pending such decision, CONTRACTOR may proceed to implement the work program and budget proposed by CONTRACTOR but only if such work program and budget is consistent with the approved Development Plan for such Production Area.

NSC approval is required for any modification of the approved annual work program and approved production schedule and any increase in the approved annual budget exceeding ten per cent (10%).

(c)(7)

With respect to a Gas Discovery, Contractor's decision referred to in sub-paragraph (c)(2) above shall be as to whether or not the Discovery Well is deemed capable of producing Gas in commercial quantities and a positive decision shall trigger the Gas commercialization process detailed in Article 15.

(c)(8)

In case CONTRACTOR determines as provided in sub-paragraph (c)(2) above that with respect to a particular Discovery, in case of Crude Oil, that the Exploration Well in which the Discovery was made is not a Discovery Well or, in case of a Gas Discovery, that the Discovery Well is not deemed capable of producing Gas in commercial quantities or, as provided in paragraph (c)(4) above that a Discovery of Crude Oil is not a Commercial Discovery, CONTRACTOR shall provide NRA with the advice of such decision and a detailed explanation for the negative decision. Such report shall specify future steps, if any, or conditions that CONTRACTOR thinks necessary to attempt to make the discovery commercial.

(c)(9)

In cases where NRA disagrees with Contractor's advice under sub-paragraph (c)(2) above that the Exploration Well in which a discovery of Crude Oil was made is not a Discovery Well or that the Discovery Well is not deemed capable of producing gas in commercial quantities or, where following Contractor's Appraisal Program, NRA disagrees with Contractor's decision as notified to NRA under sub-paragraph (c)(4) above that a Crude Oil Discovery is not a Commercial Discovery, then CONTRACTOR shall relinquish the area encompassing the Discovery by the end of the then current Exploration Term, unless CONTRACTOR commits, not later than the beginning of the next Term of the Exploration Period, to conduct Exploration Operations on, or adjacent to, the area containing the Discovery and if NRA agrees after reviewing Contractor's proposed Exploration program for such next Term that such Exploration Operations are sufficient for NRA to permit CONTRACTOR to retain such area.

(d)

After the date of Commercial Discovery, Contractor's rights and obligations with respect to Exploration shall continue in accordance with Article 4. However, if CONTRACTOR relinquishes, in accordance with Article 5 hereof, all of the original Area other than the Production Areas, CONTRACTOR shall have no further obligation hereunder to conduct Exploration Operations, provided CONTRACTOR has completed the work obligations for the then current Term of the Exploration Period in which such relinquishment occurs.

e)

The Development Period and the Production Period for each Commercial Discovery shall, in the aggregate, be twenty five (25) Years from the date of declaration of such Commercial Discovery.

(f)

Upon the written application of CONTRACTOR at least sixty (60) days prior to the expiration of the Production Period, NRA agrees to extend the Production Period with respect to Crude Oil for an additional five (5) Years and with respect to Gas for an additional ten (10) Years on the same terms and conditions as provided herein. Subject to the Contractor's request and NRA's approval further extension periods may be granted.

(g)

CONTRACTOR shall bear and pay all costs and expenses required in carrying out all the Petroleum Operations conducted under this Agreement and CONTRACTOR shall look only to the Petroleum to which it is entitled to receive under Article 13 (a) of this Agreement to recovery such costs and expenses.

(h)

In order to assess the possible commercial viability of a discovery / appraisal well, the CONTRACTOR may request that a well / interval be put under an Extended Well Test. The duration and procedure for the extended well test is to be agreed between the NRA and the CONTRACTOR. In the event that commercial quantities of hydrocarbons are produced during an extended well test, the sale of these hydrocarbons will be shared as per the production split outlined in Article 13 and detailed in Annex H. It is understood by all parties that the Extended Well Test is to assess the long term commercial viability of an accumulation and it does not mark the start of the production period of the PSA. There can be no cost recovery from the sale of the hydrocarbons produced during the extended well test unless otherwise agreed by the NRA. Prior to commencement of an Extended Well Test, the proposed program shall be reviewed with the TMC and written approval obtained from the NSC.

(i)

In signing this agreement, the NRA confirm that the borders of the Block as indicated in ANNEX A; both internally within JORDAN and with neighboring countries, such as Syria to the north is full agreed and under no disputes. Furthermore, to the knowledge of the NRA there are no border disputes, land claims or claims against any oil facilities, fields or production. In the event that there are any future claims by third parties (be they other companies, individuals or countries) then the NRA should formally notify the CONTRACTOR of any such disputes as soon as possible providing copies of any relevant documentation.

(j)

.....CONTRACTOR..... (Jordan) has no right to exploit the Jordan's Oil Shale within the area described in Annex A of the Production Sharing Agreement (PSA) by Conventional and Unconventional methods of exploitation . Notwithstanding the above, NRA shall ensure and guarantee that CONTRACTOR shall at all times be able to perform its duties and obligations without any hindrance or interruption caused by the exploitation of the oil shale in the AREA by NRA or any other third party.

ARTICLE 4

EXPLORATION, APPRAISAL AND DEVELOPMENT WORK AND EXPENDITURE OBLIGATIONS

(a)
CONTRACTOR shall commence Operations within ninety (90) days after the Effective Date.

(b)
Subject to the provisions of this Agreement, CONTRACTOR agrees and commits to undertake the following minimum work obligations and, subject to sub-paragraph (e) below, spend not less than the sums specified below in performing such work during each Term of the Exploration Period:

First Exploration Term – Three(3) years

(C)

(c)(1)

During the First Exploration Term, CONTRACTOR shall acquire not less than ---- kilometers of 2-D seismic data and shall spend not less than ----- million U.S.Dollars (U.S. \$ ---- million) on the planning, acquisition, processing and interpretation of this survey.

The seismic acquisition program shall start within 18 months of the Effective Date of this contract or the (U.S. \$1.0 million) Performance Bond will be forfeited.

(c)(2)

During the First Exploration Term, CONTRACTOR shall drill ----obligatory exploration well and may drill a second optional exploratory well at the Contract sole discretion depending on the results of the first well.

The obligatory well shall be drilled to a depth of not less than 35m below the Top of ----- -- age. The CONTRACTOR shall spend not less than ----- U.S. Dollars (U.S. \$ ----- million) on the planning, drilling, testing and analysis of the well, or wells.

If the CONTRACTOR fails to drill ---- obligatory well within the 3 years term then the CONTRACTOR shall forfeit their U.S. \$1.0 million Performance Bond. Or if the Contractor fulfilled their obligations then the Contractor may opt to roll the Performance Bond over into the next phase of the contract.(optional extension).

(c)(3)

During the First Exploration Term, CONTRACTOR shall conduct geological studies aimed at furthering the understanding of the hydrocarbon potential of the NORTHERN HIGHLANDS BLOCK.

(c)(4)

The CONTRACTOR can propose to undertake further studies and work aimed at furthering the understanding and potential commercial viability of hydrocarbon deposits in the NORTHERN HIGHLANDS BLOCK.

Optional two years extension

(d)(1)

If CONTRACTOR elects to continue Exploration Operations during an optional two years extension, CONTRACTOR shall drill --- obligatory exploration well and may drill a second optional exploratory well at the Contracts sole discretion depending on the results of the first well. These wells (obligatory and optional) can be exploration and shall spend not less than ----- million U.S. Dollars (U.S.\$ -----million) both Wells shall be drilled to a depth not be less than 35m below to the Top of the ----- age Unless both the CONTRACTOR and the NRA NSC mutually agree otherwise..

(d)(2)

The wells referred to in sub-paragraphs (c)(2) and (d)(1) above, shall be drilled 35m below to the Top of the ----- age. In no event CONTRACTOR shall be obligated to drill below a depth where conditions are encountered which would cause a reasonably prudent contractor to discontinue drilling operations.

If the CONTRACTOR fails to drill the obligatory well within the two years optional extension then the CONTRACTOR shall forfeit their U.S. \$1.0 million Performance Bond..

(e)

Compliance with the minimum work obligation described above during any Term of the Exploration Period shall relieve CONTRACTOR of the requirement to expend the minimum expenditure obligation for such Term, but compliance with the minimum expenditure obligation in any Term of the Exploration Period shall not relieve CONTRACTOR of the requirement to perform the minimum work obligation described above for such Term.

(f)

If CONTRACTOR performs work in excess of the amount of work required in sub-paragraphs (c)(1-4) and (d)(1-2) above, such excess work shall be credited against Contractor's work obligation during the next succeeding Term or Terms of the Exploration Period. If CONTRACTOR expends more than the minimum expenditure set forth in sub-paragraphs (c)(1), (c)(2), (c)(3) and (c)(4) above, such excess expenditure shall be credited against Contractor's minimum expenditure obligation during the next succeeding Term or Terms of the Exploration Period. These works shall be prior approved by the NRA either in the annual work program and budget (WP&B) or by form of written approval external to the WP&B process.

(g)

Within ninety (90) days after the Effective Date, and, during the Exploration Period, at least ninety (90) days prior to the beginning of each Calendar Year, CONTRACTOR shall prepare a proposed Exploration work program and budget for the Area setting forth the Exploration Operations which CONTRACTOR proposes to carry out during the ensuing Calendar Year, and submit such work program and budget to NSC. Such work program and budget shall be sufficient to satisfy Contractor's minimum work and expenditure obligations for the period it covers, taking into account any credits for excess work or expenditures by CONTRACTOR during any preceding term of the Exploration Period. Within ten (10) days after receipt thereof, NSC shall meet to review such work program and budget. At least sixty (60) days prior to the beginning of such Calendar Year, NSC shall submit a report to CONTRACTOR recommending any changes to the work program and budget and the reasons therefore. At least thirty (30) days prior to the beginning of such Calendar Year, CONTRACTOR shall submit to NSC its final work program and budget for such Calendar Year, taking into account those recommendations of NSC as CONTRACTOR deems advisable.

(h)

The CONTRACTORS proposed work program and budget shall initially be discussed with the TMC and shall then be submitted to the NRA's Steering Committee (NSC) for approval. This approval shall be granted within 15 (fifteen) working days and shall not be unreasonably withheld. It is understood that additional meetings, and approval periods, are to be held to review detailed well proposals prior to drilling.

ARTICLE 5

RELINQUISHMENTS

(a) Mandatory Relinquishments

(1) At the end of the First Exploration Term, CONTRACTOR shall surrender a minimum of thirty per cent (30%) of the original Area.

(2) At the end of the Optional Extension, CONTRACTOR shall surrender an additional percentage of the original Area the amount of which shall be discussed and agreed at that time.

The size, shape and location of the area or areas to be relinquished shall be determined by CONTRACTOR. Each such relinquishment shall consist of no more than two (2) areas and each of such areas shall be a minimum of 500 sq km's in area. Provided, however, that Contractor's obligations to surrender parts of the remaining Area shall not apply to any part of a Production Area or to any part of the Area corresponding to the surface area of any geological feature in which a Discovery Well has been established or on which appraisal activities are being conducted.

(b) Voluntary Relinquishments

At any time, CONTRACTOR may voluntarily relinquish all or any part of the Area without further work or expenditure obligations provided that at the time of such voluntary relinquishment Contractor's work obligations for Exploration under Article 4 have been satisfied for the then current Term of the Exploration Period. Any relinquishment hereunder shall be credited toward the mandatory relinquishment provisions of paragraph (a) above.

(c)

Upon relinquishment of any area CONTRACTOR shall, at its expense, perform all necessary clean-up activities in accordance with good oil industry practices and shall take other actions as may be reasonably necessary to prevent hazards to human life or third party property and to protect and conserve the natural resources in such area. The CONTRACTOR will not however, be liable to clean-up after a previous operator, including but not limited to all waste, machinery and other material left behind. In addition, the CONTRACTOR shall not assume liability for and in respect of any hazards arising out of the operations of such previous operator or third party, including hazards which may arise from abandoned wells.

(d)

The CONTRACTOR will perform a base line environmental survey prior to commencement of either drilling or seismic acquisition in the area.

ARTICLE 6

GOVERNMENT INTERACTION AND APPROVALS: TMC AND NSC

The CONTRACTOR will work closely with two groups; the Technical Management Committee ("TMC") and the NRA Steering Committee ("NSC").

(a)

Technical Management Committee (TMC)

Within sixty days (60) days after the Effective Date, CONTRACTOR and NRA shall establish a Technical Management Committee ("TMC").

The function of TMC is to provide a forum for communication and co-operation between CONTRACTOR and NRA. In addition, the function of TMC is to allow CONTRACTOR to seek the advice, recommendations and assistance of NRA in the conduct of Petroleum operations.

TMC shall consist of six members, three of whom shall be appointed by CONTRACTOR and three by NRA. The individuals should have a technical background, that is, geology, geophysics and engineering. Additional individuals can be brought into meetings, with the prior approval of the Chairman; this should be on the basis that they are able to make a contribution to a specific part of the technical discussion / presentation. Such individuals could include members of partner or service companies.

The Chairman shall be appointed by the NATURAL RESOURCES AUTHORITY, and he/she shall be responsible for calling, co-coordinating and distributing minutes from the meetings. A secretary may be used for the purposes of taking minutes if deemed necessary by the Chairman. It should be noted that no members of the TMC have any special voting rights as the TMC is a forum for effective technical communication between the CONTRACTOR and the NRA technical staff. The role of Chairman is purely an administrative and a technical one.

TMC shall meet at least once per Calendar Quarter and the meetings shall be held in JORDAN or such other locations as may be mutually agreed. Additional meetings may be called by the Chairman, at the request of NRA or CONTRACTOR, by giving all members at least seven (7) days notice. It is anticipated that more frequent meetings will be held during significant operations (e.g. drilling / testing). At any stage either the NRA or the CONTRACTOR may call for additional technical meetings the organization of which shall not unreasonably be withheld.

Without prejudice to the rights and obligations of CONTRACTOR for day-to-day management of the Petroleum Operations, the TMC shall have the following functions:

The TMC shall review and make recommendations to OPERATOR with respect to the following:-

(i) The proposed Exploration work programs and budgets submitted in accordance with Article 4(c &d) within the time periods so provided in Article 4(c & d).

(ii) the proposed Appraisal Programs submitted in accordance with Article 3(c)(3) within the time periods so provided in Article 3(c)(3).

(iii) the annual Exploration, Development and Production work programs and budgets and any revisions thereto submitted in accordance with Article 3(c)(6) within the time periods so provided in Article 3(c)(6).

(iv) Annual production schedules and any revisions thereto submitted in accordance with Article 3(c)(6) within the time periods so provided in Article 3(c)(6).

(v) any relinquishments proposed by CONTRACTOR pursuant to Article 5.

(b)

NRA Steering Committee (NSC)

Within thirty days (30) days of the Effective Date of this Agreement, NRA shall establish a NRA STEERING COMMITTEE ("NSC"). Ideally, representatives of the NSC will be involved with the CONTRACTOR from their first contact with the JORDANIAN authorities, through the MOU stage and into the PSA stage. The NSC will be the focal point for all approvals during the PSA.

The aim of the NSC shall be to assist, supervise and approve the work of all the various CONTRACTOR'S within JORDAN, both through the exploration phase of the PSA and any production phase..

(i) Composition of the NSC

The NSC shall consist of various NRA employees. Their skills should cover the following areas:-

Technical Skills:

Geology, Geophysics, Engineering, knowledge of operations and production. It is likely that NRA representatives from the TMC will also sit on the NSC.

Finance and Management Skills:

Accounting, finance, knowledge of production sharing contracts, human resources and technology transfer / training.

(ii) Role of the NSC

Without prejudice to the rights and obligations of CONTRACTOR for day-to-day management of the Petroleum Operations, the NSC shall have the following functions:

The NSC shall review and approve to CONTRACTOR with respect to the following:-

(i) The proposed Exploration work programs and budgets submitted in accordance with Article 4(c &d) within the time periods so provided in Article 4(c & d).

(ii) the proposed Appraisal Programs submitted in accordance with Article 3(c)(3) within the time periods so provided in Article 3(c)(3).

(iii) the annual Exploration, Development and Production work programs and budgets and any revisions thereto submitted in accordance with Article 3(c)(6) within the time

periods so provided in Article 3(c)(6). NRA's approval of Contractor's annual Development and Production work programs and budgets and annual production schedules will be deemed to be granted once approval is given by the NSC (NRA Steering Committee).

(iv) Annual production schedules and any revisions thereto submitted in accordance with Article 3(c)(6) within the time periods so provided in Article 3(c)(6).

(v) Any relinquishments proposed by CONTRACTOR pursuant to Article 5.

(vi) To review and approve the accounting of costs and expenses under Annex C of this Agreement and provide advice and recommendations to CONTRACTOR with regard to accounting methods and the maintenance of operating records and reports for the Petroleum Operations.

(vii) Review and approval for **Cost Recovery** of the CONTRACTORS expenditure.

(viii) Review and approval for any other items relating to the Work Program and / or expenditure that the CONTRACTOR submits to the NRA.

(c)

The timing and requirements for approvals by the NSC / NRA are set out in Article 4.

(d)

All salaries, expenses and costs for the staff within the both the TMC and NSC shall be paid for by their respective organizations except; if mutually agreed otherwise.

ARTICLE 7

CONDUCT OF OPERATIONS

(a)

CONTRACTOR and, if relevant, the appointed Operating Company, shall conduct Petroleum Operations diligently in accordance with the provisions of the Agreement and generally accepted standards of the international petroleum industry. Contractor's and Operating Companies activities shall be designed to achieve efficient, safe and cost effective Petroleum Operations and to maximise the ultimate economic recovery of Petroleum from the Area.

(b)

CONTRACTOR shall entrust the management of Petroleum Operations under this Agreement to a technically competent manager ("General Manager"). The name of such General Manager shall, upon appointment, be forthwith notified to NRA. The General Manager shall be entrusted by CONTRACTOR with sufficient powers to carry out immediately and be subject to all lawful written directions given to CONTRACTOR by NRA under the terms of this Agreement and any lawful regulations issued or hereafter to be issued which are applicable hereunder.

(c)

If CONTRACTOR consists of more than one entity, CONTRACTOR shall appoint one such entity as "Operator" for CONTRACTOR. Except as otherwise provided herein, the Operator shall be solely responsible for the conduct of operations under this Agreement and to represent CONTRACTOR before NRA. The designation by CONTRACTOR of another Operator shall be subject to the written approval of NRA.

All actions taken by Operator in conducting Petroleum Operations shall be in accordance with this Agreement, and all costs, expenditures and expenses in furtherance of Petroleum Operations incurred by Operator shall be recoverable as provided under this Agreement, provided, however, that this provision shall not be interpreted as permitting the duplication of recovery for any such cost, expenditure or expense. If CONTRACTOR consists of more than one entity, a copy of the Joint Operating Agreement and any amendments thereto shall be provided to NRA after execution.

(d)

In the event that CONTRACTOR declares an emergency, it shall notify NRA, TMC and Operating Company as soon as practicable. In the event of an emergency, CONTRACTOR may take all actions necessary to meet such emergency. All costs, expenditures or expenses incurred by CONTRACTOR in meeting such emergency shall be documented and submitted to the NRA for Cost Recovery under the terms of Article 13(a) and Article 24 hereof. Approval of said costs shall not unreasonably be withheld.

(e)

Any obligations which are to be observed and performed by CONTRACTOR under this Agreement shall, if CONTRACTOR comprises more than one entity, be joint and several obligations.

(f)

Prior to drilling, the CONTRACTOR will hold technical meetings with the NRA TMC to discuss and present the Well Proposal. This proposal shall include the target co-ordinates, relevant seismic lines and cross sections, a geological prognosis, the proposed casing design and logging suites.

The written Well Proposal will be submitted to the NRA NSC for approval at least 30 days prior to well spud. The NRA NSC will approve the well proposal within 7 calendar days from date of receipt.

It is understood that any major deviations from the approved Well Proposal, other than due to perceived or actual emergency, will require the prior approval of the NRA NSC. Such deviations may include a significant change in well location, casing design or total depth and as such shall require approval from the NRA NSC.

(g)

During drilling operations and seismic acquisition, the CONTRACTOR shall provide daily operational reports to the NRA. Additional technical meetings may be held as and when required under the terms of Article 6(a). The NRA are able to second or assign in technical staff, for training purposes, during drilling and seismic operations. These NRA staff shall be treated as the CONTRACTORS own staff. These staff will be paid for by the NRA unless it is jointly agreed that these costs are part of the annual training budget.

ARTICLE 8

NRA ASSISTANCE

NRA agrees to provide the following assistance to CONTRACTOR:

(a)

NRA shall, to the extent it can, assist CONTRACTOR in obtaining, all Jordanian governmental permissions, registrations, customs clearances, licenses, visas and other approvals or rights that are needed for carrying on Petroleum Operations under this Agreement.

(b)

NRA shall assist CONTRACTOR as requested in acquiring, at Contractor's cost, rights to use or rights-of-way over privately owned land required in connection with Petroleum Operations, provided that the acquired rights and property shall be registered in the name of NRA.

(c)

In the event no voluntary arrangement can be concluded directly with the affected land owners, NRA, through JORDAN, shall exercise the right of requisition in acquiring rights to such property if essential for Petroleum Operations. In such event CONTRACTOR shall reimburse NRA on acquisition the cost paid for such property rights.

(d)

At the request of CONTRACTOR, NRA shall assign (subject to availability) one or more representatives (on a basis to be agreed) to assist CONTRACTOR, provided that the CONTRACTOR shall bear the reasonable expenses of such representative(s) in amounts mutually agreed in advance between the parties.

(e)

NRA shall promptly take all actions necessary following the Execution Date to give this Agreement the full force and effect of law in JORDAN.

(f)

In the event that there is any border dispute, either internally within JORDAN or externally with SAUDI ARABIA (ANNEX A), the NRA will promptly take all actions possible to ensure that any dispute is resolved and the NRA shall, to the extent it can, assist CONTRACTOR in obtaining, all governmental permissions and approvals or rights that are needed for carrying on Petroleum Operations.

ARTICLE 9

PRIVILEGES OF NRA

(a)

NRA shall have free access to the Area at all times and to the Petroleum Operations conducted thereon. NRA may examine and inspect all assets, records, books, registers and all data kept by CONTRACTOR and make a reasonable number of surveys, drawings and tests for the purpose of enforcing this Agreement. NRA shall be given reasonable assistance by the agents and employees of CONTRACTOR so as to avoid endangering or hindering the safety or efficiency of Petroleum Operations. CONTRACTOR shall offer NRA all privileges and facilities afforded to its own employees in the field and shall provide, free of charge, the use of reasonable office space and of adequately furnished housing while in the field for the purpose of facilitating the objectives of this Article.

(b) If NRA determines that any of Contractor's or its sub-contractor's employees have engaged in behaviour which is contrary to the customs, laws, rules or regulations of JORDAN or which is detrimental to the proper conduct of Petroleum Operations, it shall notify Contractor's General Manager, in writing, requesting that such employee be removed from Petroleum Operations and specifying the reasons therefore.

ARTICLE 10

TITLE TO ASSETS AND USE OF PROPERTY

(a)

Except as otherwise specifically provided for in this Agreement all Contractor's assets in JORDAN, whether fixed or moveable, with respect to which CONTRACTOR becomes entitled by virtue of a Commercial Discovery to seek cost recovery Cost Oil or Cost Recovery Gas shall, at the time or times specified below, become the property of NRA at no additional cost to NRA.

(1) Land in JORDAN shall become the property of NRA as soon as it is purchased.

(2) Each other asset, fixed or moveable, acquired by CONTRACTOR shall become the property of NRA at the end of the Calendar Quarter during which CONTRACTOR has recovered its cost for that asset.

(b)

Title and risk to Petroleum to which CONTRACTOR is entitled under Article 13 and 15 shall pass to CONTRACTOR at the point at which it is metered for Production Sharing Measurements.

(c)

CONTRACTOR and/or Operating Company shall be entitled to the rent free use of any land in JORDAN owned by NRA or JORDAN reasonably required for Petroleum Operations.

(d)

1. Equipment and assets acquired solely in connection with Petroleum Operation conducted by CONTRACTOR shall remain in the custody of CONTRACTOR and CONTRACTOR shall be entitled to the exclusive use of such equipment and assets)
So long as equipment and assets are used exclusively for Petroleum Operations, CONTRACTOR shall keep equipment and assets in its custody in good repair and working order, normal wear and tear accepted. No such equipment or assets shall be disposed of otherwise than in the normal course of business or moved out of JORDAN without the prior written approval of NRA.

(e)

The provisions of this Article 10 shall not apply to leased or rented assets and equipment used in Petroleum Operations owned by third parties.

(f)

In the event CONTRACTOR or NRA should desire to use such equipment or assets or utilize excess capacity in a pipeline or export facility in connection with operations not relating to the Area, the parties shall reach prior agreement on any such use, including tariff to be charged, etc.

(g)

The CONTRACTOR shall have full access to all reports, digital and paper data relating to the NORTHERN HIGHLANDS BLOCK all other wells within the NORTHERN HIGHLANDS BLOCK These data are for the exclusive use of the CONTRACTOR (and the Contractors affiliates) during the term of the PSA. Upon completion of the PSA these data, and any interpretations thereof, shall be returned to the NRA.

A complete set of paper and digital data owned by the NRA shall be made available to the CONTRACTOR within thirty (30) days of the effective date. Costs for these data copying / transfer shall be covered by the CONTRACTOR under the terms of Article 21.

(h)

The CONTRACTOR shall have full access to all facilities and equipment associated with the NORTHERN HIGHLANDS BLOCK and other wells or facilities which exist on the NORTHERN HIGHLANDS BLOCK as detailed in Article 35.

(i)

It is understood that all existing facilities and equipment which reside in the NORTHERN HIGHLANDS BLOCK., related to petroleum operations, as of the effective date of this agreement remain the property of the State and as such the CONTRACTOR shall not knowingly damage, sell, swap or loan or move these facilities and equipment to any third parties without the prior consent of the NRA.

(j)

Similarly, the NRA / State shall not knowingly damage, sell, swap, loan or move any of the existing petroleum facilities and equipment without prior consent and first right of refusal of the CONTRACTOR.

(k)

The CONTRACTOR shall have the full support of the NPC and the NRA in gaining access to historical information from the field, facilities and operations. This shall include but not be limited to the following; details of contracts in place with third party companies, employees, contractors, well, pressure and production information. The CONTRACTOR shall have access to all original / field data in order that it may take copies for its evaluation of the license.

ARTICLE 11

PIPELINE(S) AND FACILITIES

(a)

CONTRACTOR shall have the right to construct and operate pipeline(s) and related facilities to transport Petroleum, and NRA shall render all assistance to CONTRACTOR on matters involving Jordanian law and rights-of-way.

(b)

NRA or JORDAN shall grant to CONTRACTOR free of cost, for the term of this Agreement, any pipeline(s) rights-of-way and rights to the use of the surfaces of lands owned or under the jurisdiction and control of NRA or JORDAN.

For the avoidance of doubt, the CONTRACTOR shall not be subject to the payment of any tariff or other payment in lieu thereof in connection with the exercise of such right of usage.

(c)

NRA or JORDAN will assist the CONTRACTOR to obtain the necessary permits, licences or rights necessary for Contractor's carrying out of Petroleum Operations, including the right to drill wells for and utilize fresh water, as may be reasonably required by CONTRACTOR in the conduct of Petroleum Operations under this Agreement.

(d)

In the event that the NRA / Government / refinery and the CONTRACTOR agree that the NRA / Government / refinery shall purchase liquids and gas from the CONTRACTOR at the wellhead / storage facilities, then the NRA / Government / refinery will be responsible for transportation and refining of these hydrocarbons. This may involve transporting liquids by tanker or, in the event of a large discovery and high flow rates, constructing a dedicated pipeline.

(e)

In the event that water and / or electricity are required for operations the provision of these has to be co-coordinated with the relevant authority / company. The NRA will assist where possible.

ARTICLE 12

OPERATIONS AFTER COMMERCIAL DISCOVERY

When for the first time, gross incremental production from the entire NORTHERN HIGHLANDS BLOCK reaches a level of two thousand (2,000 bopd) (averaged over 1 month) then both the CONTRACTOR and NRA shall establish an Operating Company.

(a)

Upon submission and agreement by the parties on the Development Plan for the first Commercial Discovery in the Area, the CONTRACTOR shall form in JORDAN an Operating Company (the Jordan Operating Petroleum Company "JOPC"). The charter of JOPC is attached as Annex C.

(b)

Within ninety (90) days after adoption of a Development Plan pursuant to Article 3(c) (5) CONTRACTOR shall prepare and present to the NSC an overall work program and budget for Development of such Commercial Discovery as well as a Development work program and budget for the remainder of the current Calendar Year, such work programs and budgets having previously been discussed with the TMC as provided in Article 6. Within thirty (30) days after receipt, CONTRACTOR shall ensure implementation of the approved work program and budget.

(c)

Not later than December 1st of each Calendar Year after the Initial Commercial Production, CONTRACTOR shall prepare and present to the NSC an annual production schedule and annual work program and budget for each producing Production Area for the ensuing Calendar Year. At the same time, as to Production Areas where an Initial Commercial Production has not yet occurred, CONTRACTOR shall prepare and present to the NSC an annual work program and budget for Development for the relevant Production Areas being developed. Such work programs and budgets and production schedules shall have previously been approved by NSC as provided in Article 6.

(d)

Subject to the preceding provisions of this Article 12, the Operating Company shall be authorized and obliged to carry out on behalf of CONTRACTOR approved work programs and budgets for Production Areas.

Amendments to approved work programs and budgets, other than over-expenditure of individual budget items not exceeding ten per cent (10%) of the budgeted amount, shall require the prior approval of NSC.

In cases of emergencies involving life or property, the Operating Company may take without prior approval of the Board of Directors such immediate necessary steps as may be required to contain the emergency and costs so incurred shall be subject to cost recovery.

(e)

The CONTRACTOR shall be authorized to keep at its own disposal abroad in an account opened with a correspondent bank of the Central Bank of Jordan, the foreign funds

advanced by any parent company. Withdrawals from said account shall be used for payment for goods and services acquired abroad and for transferring to a local Jordanian bank in Amman the required amounts to meet expenditures in Jordanian Dinars for the CONTRACTOR in connection with its activities under this Agreement. Such conversion shall be made at the rate of exchange specified in Article 28(c). Within thirty (30) days after the end of each Calendar Year, the CONTRACTOR shall submit to the appropriate exchange control authorities in JORDAN, a statement, duly certified by a recognized international firm of auditors, showing the funds credited to that account, the disbursements made out of that account and the balance outstanding at the end of the Calendar Year.

ARTICLE 13

RECOVERY OF COSTS AND EXPENSES AND PRODUCTION SHARING

(a) Cost Recovery Crude Oil

For the avoidance of doubt, the CONTRACTOR shall be entitled to recover 100% of their approved costs from the "Cost Oil" pool. The recovery of these costs shall be limited to 70% .

(a)(1)

CONTRACTOR shall be entitled to receive a quantity of Crude Oil each Calendar Year pursuant to this Article 13(a) (herein referred to as "Cost Oil") for the purpose of recovering all costs and expenses that are incurred in respect of all Petroleum Operations. The quantity of Cost Oil which CONTRACTOR shall be entitled to receive in any Calendar Year pursuant to this Article 13(a) shall be equal to that quantity of Crude Oil which has a value equal to the aggregate cost and expense that is recoverable by CONTRACTOR during such Calendar Year in accordance with the provisions of this Agreement; provided, however, CONTRACTOR shall not be entitled to receive any quantity of Cost Oil pursuant to this Article 13(a) in excess of seventy per cent (70%) of the aggregate quantity of Crude Oil produced and saved from the Area in any Calendar Year and not used in Petroleum Operations. The aggregate cost and expense that is incurred in respect of Petroleum Operations shall be recoverable by CONTRACTOR in the manner described below and in the following order:

(i) All Operating Expenses shall be recoverable in the Calendar Year in which such expenses are incurred.

(ii) Exploration Expenditures, including those accumulated prior to the commencement of Initial Commercial Production from the first Commercial Discovery, shall be recoverable starting in the later of the Calendar Year in which such expenditures are incurred or the Calendar Year in which such Initial Commercial Production commences.

(iii) Development Expenditures, including those accumulated prior to the commencement of Initial Commercial Production from the first Commercial Discovery, shall be recoverable starting in the later of the Calendar Year in which such expenditures are incurred or the Calendar Year in which such Initial Commercial Production commences.

(iv) To the extent that, in a Calendar Year, costs, expenses or expenditures recoverable as per sub-paragraphs (a)(1)(i), (ii), (iii) and (iv) above exceed the value of seventy per cent (70%) of the aggregate quantity of Crude Oil produced and saved from the Area in such Calendar Year and not used in Petroleum Operations, the excess amount of such costs, expenses or expenditures shall be carried forward for recovery in the next succeeding Calendar Year or Calendar Years and treated as incurred in such succeeding Calendar Year or Calendar Years until fully recovered.

(a)(2)

For the purposes of determining the classification of all costs, expenses and expenditures for their recovery, the following terms shall apply:

(i) "Exploration Expenditures" shall mean all expenditures, costs and expenses incurred in respect of or for Exploration Operations including such expenditures, costs and expenses incurred prior to the Effective Date but on or after the Execution Date of this Agreement, and the amount paid to NRA for data supplied to CONTRACTOR pursuant to Article 21 hereof. Such expenditures include, but are not limited to, the following:- human resource costs, wages, office costs, local staff, expatriate living and associated allowances, seismic surveys and all associated expenses, exploration drilling / testing and follow up technical work.

(ii) "Development Expenditures" shall mean all expenditures incurred in respect of or for Development Operations with the exception of Operating Expenses.

(iii) "Operating Expenses" shall mean all costs and expenses incurred in respect of or for Production Operations after each Initial Commercial Production from any Commercial Discovery.

(a)(3)

It is understood that Development Expenditures may be incurred during the Exploration Period or the Production Period, and that Exploration Expenditures may be incurred during any Development or Production Period. It is further understood that if any well drilled during the Exploration Period is subsequently committed to Development Operations, the cost of any such well may at the election of CONTRACTOR, be reclassified to be a Development Expenditure.

(a)(4)

Cost Recovery Limits

The CONTRACTOR shall be entitled to recover 100% of their approved costs from the "Cost Oil" pool. The recovery of these costs shall be limited to 70% .

(b) Production Sharing Oil

The aggregate quantity of Crude Oil produced and saved from the Area in a Calendar Year and not used in Petroleum Operations, reduced by the aggregate quantity of Cost Oil which CONTRACTOR is entitled to receive during such Calendar Year under paragraph (a) above, (herein referred to as "Production Sharing Oil") shall be allocated between and shared and received by NRA and CONTRACTOR in accordance with the following scale based upon the average daily production of Crude Oil produced and saved from the Area, for each Calendar Quarter:

(b)(1)

The minimum State take of Production Sharing Oil shall be (forty) 40% up to a level of 10,000 bopd. The split of Production Sharing Oil which is to be allocated to the state versus the CONTRACTOR is based upon the chart / table presented in Annex H.

(b)(2)

The average calendar month gross incremental production from the Block shall be read from the chart in Annex H. This chart displays the profit split of production oil between the CONTRACTOR and the State / NRA. If the CONTRACTOR is selling the Crude Oil on behalf of the NRA then the proceeds shall be split in accordance with this percentage. Naturally, as production varies on a monthly basis, so the profit split will vary on a monthly basis. For the avoidance of doubt the tables in Annex H shall be the sole reference for determining the split of profit oil.

(b)(3)

The profit split for commercially produced gas shall be the same barrel of oil equivalent as for oil. The conversion to be used is 1 barrel of oil = 5.6 thousand standard cubic feet of gas (unless otherwise agreed between the NRA and the CONTRACTOR).

(b)(4)

Within 7 calendar days of the month end, the CONTRACTOR shall submit to the NRA a breakdown of the average monthly production from each of the producing wells on the concession.

(c) Valuation of Petroleum

(c)(1)

The final value of Petroleum for all purposes of this Agreement for each elapsed relevant Calendar Quarter and the provisional value shall be determined in accordance with the provisions of this paragraph (c).

(c)(2)

All Crude Oil shall be valued at the weighted average Export Price (as defined in sub-paragraph (c)(4) below) realized by NRA and/or CONTRACTOR for Crude Oil from the Area sold during the relevant Calendar Quarter. Where more than one grade or quality is produced from the Area a separate final value shall be determined for each such grade or quality.

The CONTRACTOR reserves the right to have the Crude Oil re-valued if it considers that it might be able to obtain a more favorable selling price for the Crude Oil.

(c)(3)

In the absence of sales under sub-paragraph (c)(2) above, reflecting at least ten per cent (10%) of the total volume of Crude Oil from the Area sold for export during such relevant Calendar Quarter, the value shall be determined by mutual agreement between NRA and CONTRACTOR. In the absence of such mutual agreement within three (3) months after the end of the relevant Calendar Quarter, the final value of the Crude Oil, f.o.b. at the Delivery Point, shall be determined by expert determination pursuant to Article 34(k) by comparison with representative streams produced and sold for export in the Arabian Gulf, the Red Sea and other producing areas in JORDAN, taking account of all relevant factors including quantities, quality differentials and credit terms.

(c)(4)

For purposes of this paragraph (c), "Export Price" means the net f.o.b. price received at the Delivery Point from non-Affiliated parties in arms length sales transactions in freely convertible currencies at fixed prices or at prices determined by price formulas, depending on the then prevailing free market practices, with the exclusion of barter, spot market sales or other special considerations. Adjustments for commissions or brokerage

shall be limited to amounts that do not exceed customary and prevailing rates therefore in the international petroleum industry between independent parties for the volumes of Crude Oil involved.

(c)(5)

If CONTRACTOR foresees that a price determination by mutual agreement will be required under sub-paragraph (c) (3) above for the ensuing Calendar Quarter, CONTRACTOR shall so notify NRA as soon as possible before the end of the current Calendar Quarter. Following consultation between NRA and CONTRACTOR to develop the factual information on which a provisional valuation is to be based, CONTRACTOR shall propose to NRA in writing the provisional price to apply for Crude Oil for the ensuing Calendar Quarter. NRA and CONTRACTOR shall meet as soon thereafter as practicable, but in any event not later than the beginning of the Calendar Quarter for which the price is to apply, to discuss and agree mutually on the provisional price. In the event the parties experience a delay in determining a provisional price, the last price determined pursuant to sub-paragraph (c)(2) above or sub-paragraph (c)(3) above, as applicable, shall continue to apply.

(c)(6)

When mutual agreement is reached or determination is made of the final price to apply for such Calendar Quarter (as provided for in sub-paragraph (c)(3) above), appropriate retroactive adjustment shall be made for the relevant Calendar Quarter between NRA and CONTRACTOR within seven (7) days following agreement on or determination of the price. Such adjustment shall include monthly compounded interest to the party receiving the adjustment calculated at the London Interbank Offered Rate (LIBOR) for monthly deposits as quoted by National Westminster Bank, London, on the first business day of the month wherein such seventh (7th) day falls, for the duration of the overpayment or underpayment.

(c)(7)

Gas produced and sold during a Calendar Quarter shall be valued at the weighted average net price realized by NRA and/or CONTRACTOR at the Delivery Point for the sale of such gas.

(c)(8)

If CONTRACTOR and/or operation company fail to permit the NRA to review their books and records to determine the prices they have received for export sales, their sales shall not be utilized in determining the Export Price.

(d)

Not less than ninety (90) days prior to the beginning of each Calendar Half Year following Initial Commercial Production, CONTRACTOR shall prepare and furnish to NRA a forecast setting out the total quantity of Petroleum that CONTRACTOR estimates can be produced, saved and transported hereunder during such Calendar Half Year at the maximum efficient rate of production in accordance with good oil industry practices and without incurring an excessive rate of decline of production or loss of reservoir pressure; such forecast shall be consistent with the approved production schedule for such Calendar Year. Contractor's forecast shall include estimates of the respective entitlements of NRA and CONTRACTOR hereunder to Cost Oil and Production Sharing Oil from the quantity of Crude Oil to be produced, saved and not used in Petroleum Operations during such Calendar Half Year. CONTRACTOR shall endeavour to produce each Calendar Half year the forecast quantity.

(e)

CONTRACTOR shall have for the duration of this Agreement the right to separately take and dispose of the Crude Oil which it is entitled to receive as is determined in accordance with this Article 13. CONTRACTOR shall have the right to retain abroad or to export all funds acquired by it including the proceeds from the export or the sale of its share of Crude Oil.

(f)

(f)(1)

Twelve (12) months prior to the commencement of Initial Commercial Production, CONTRACTOR shall submit to NRA proposed procedures and related operating regulations covering the scheduling, storage and lifting of Crude Oil and any other Petroleum produced from the Area. The procedures and regulations shall cover the subjects necessary to efficient and equitable operations, including, but not limited to: rights of the parties, notification time, maximum and minimum quantities, duration of storage, scheduling, conservation, spillage, liabilities of the parties, throughput fees and penalties, over and under-lifting, safety and emergency procedures.

(f)(2)

NRA shall, within thirty (30) days after Contractor's submission in the preceding paragraph, submit its comments on, and recommend any revisions to, the proposed procedures and regulations. CONTRACTOR shall consider these comments and recommendations and the Parties shall, within sixty (60) days after NRA's submission of comments, agree on required procedures and regulations.

(f)(3)

In the case of more than one Production Area in the Area, or more than one quality of Crude Oil in a Production Area, NRA and CONTRACTOR shall, unless they mutually agree that the oils should be commingled, lift from the Production Areas or Crude Oil qualities in proportion to their respective total lifting's from the Area.

(g)

Until such time as superseded by the agreement negotiated by NRA and CONTRACTOR as contemplated by paragraph (f) above, the following under lifting and over lifting procedures shall apply. It is recognized that a party hereto may, from time to time, fail to take the full amount of Crude Oil to which such party is entitled (the "Under lifter"). When that occurs, full production may be continued for the benefit of the other party (the "Over lifter") and CONTRACTOR shall maintain records to indicate the amount of production which the under lifter must take up later in order to be in correct balance with the Over lifter. CONTRACTOR shall thereafter allocate to the Under lifter extra percentages of production in order to achieve such balance as soon as practicable, provided, however, that CONTRACTOR shall endeavour to make such allocations at such times and in such ways as will not unduly interfere with orderly operations and sales and, in no event, shall any party, for purposes of this provision, be required to take less than ninety per cent (90%) of the amount of Crude Oil production to which such party is otherwise entitled unless such party consents thereto. In no event shall an Over lifter, for the purpose of balancing hereunder, be required to pay or otherwise compensate an Under lifter for production which the Under lifter does not take or make up.

(h)

Any Petroleum that is required for Petroleum Operations, including fuel, re-pressurization, pressure maintenance, recycling and flaring, conducted under this Agreement may be used by CONTRACTOR without cost to CONTRACTOR or charge by NRA. Any Petroleum that is so used shall not be considered to be Petroleum for purposes of determining the quantity of Cost Oil and Production Sharing Oil which CONTRACTOR is entitled to receive pursuant to paragraphs (a) and (b) above or Contractor's cost recovery Gas or share of Gas pursuant to Article 15.

(i)

Measurements made for the purposes of determining the quantities of Petroleum and of allocating Petroleum between the parties under paragraphs (a) and (b) above and Article 15 ("Production Sharing Measurements") shall be properly made according to generally accepted methods in use by the international petroleum industry, it being recognized, however, that other measurements may be made for other purposes (including field meters to estimate production rates of individual wells) and that such other measurements will not necessarily conform to the same standards as the Production Sharing Measurements. Production Sharing Measurements shall be controlling for the purposes of determining quantities of Petroleum and of allocating Petroleum between the parties under the aforesaid paragraphs (a) and (b) above and Article 15 notwithstanding any difference from any other measurements, whether such differences are due to metering differentials, operating fuel usages, shrinkage, line losses, evaporation or otherwise.

(j)

Such Production Sharing Measurements shall be the measurements made at the Delivery Point. In the case of multiple Commercial Discoveries, NRA and CONTRACTOR recognize that for statistical purposes, measurements will be required in the area of each Commercial Discovery.

(k)

The NRA reserves the right to allocate personnel (maximum of two people) as deemed necessary to witness the measurement operations at the delivery point, including periodic proofing of measurements that might be undertaken by contractors. It is understood that all documentation is available for the NRA to inspect.

(d) Sharing of tested hydrocarbons

(a)

Hydrocarbons produced during a routine drill stem test (DST) of any of the wells (exploration, appraisal or development) within the Block shall remain the property of the State / NRA and shall be added to that quantity of hydrocarbons that are produced as part of the base decline rate of the NORTHERN HIGHLANDS BLOCK.

(b)

Hydrocarbons produced during an Extended Well Test (EWT), as detailed in Article 3(h), of any of the wells (exploration, appraisal or development) within the Block shall be shared as per the production split outlined in Article 13 and detailed in Annex H. It is understood by all parties that the Extended Well Test is to assess the long term commercial viability of an accumulation and it does not mark the start of the production period of the PSA. There can be no cost recovery from the sale of the hydrocarbons produced during the Extended Well Test unless otherwise agreed by the NRA. Prior to commencement of an Extended Well Test, the proposed program shall be reviewed with the TMC and written approval obtained from the NSC.

ARTICLE 14

BONUSES, TAXES AND OTHER PAYMENTS

(a) Signature and Other Production Bonuses

(a)(1)

CONTRACTOR is not liable for any Signature Bonuses at any stage of this contract.

(a)(2)

CONTRACTOR is not liable for any Discovery Bonuses at any stage of this contract, irrespective of the number or size of discoveries that might happen to be made in the NORTHERN HIGHLANDS BLOCK.

(a)(3)

CONTRACTOR is not liable for any First Shipment Bonuses at any stage of this agreement.

(a)(4)

The CONTRACTOR shall pay to NRA the following Production Bonus(s) which are detailed in this article. These bonuses are to be paid upon reaching certain levels of incremental cumulative production of either oil or gas, from the Contract Area during the term of this agreement.

For the avoidance of doubt, this means cumulative production from the entire Contract Area.

(i) These production bonuses are non cost recoverable.

(ii) The production bonuses are only payable once during the entire term of this agreement.

(iii) The production bonuses are only paid upon reaching cumulative production of either Crude Oil or Natural Gas and are not payable for the Barrel of Oil Equivalent volumes. Thus it is possible that if 60,000,000 bbls of oil are produced or 336,000 million standard cubic feet of gas are produced from the NORTHERN HIGHLANDS BLOCK., bonus payments totaling \$13,850,000 will have been paid to the State / NRA. If however, only 2,500,000 bbls of oil are produced then a total of \$350,000 (\$100,000 and \$250,000) shall have been paid to the NRA / State.

(iv) The bonuses shall be paid by the CONTRACTOR to the NRA within forty five (45) days after the date when for the first time the incremental cumulative production levels are actually reached.

(v) Term and schedule of production bonus payments:-

Incremental gross gas production from NORTHERN HIGHLANDS BLOCK (million standard cubic feet of gas)	Incremental gross oil production from NORTHERN HIGHLANDS BLOCK (barrels of oil)	Bonus payable to NRA (\$ US dollars)
2 , 800	500.000	100.000
14,000	2.500.000	250.000
28,000	5.000.000	500.000
56,000	10.000.000	1000.000
112,000	20.000.000	2.000.000
224,000	40.000.000	4.000.000
336,000	60.000.000	6.000.000

Using a conversion factor of 5.6 thousand cubic feet of gas 1 barrel of oil

Example: - Once 60 mmbo of oil is produced from the block then seven (7) separate bonuses totaling \$13.85 million will have been paid to the NRA / State. These shall be paid as each incremental production target is reached (500,000, 2,500,000, and 5,000,000 etc...)

(b) Training and Technology Transfer

(b)(1)

CONTRACTOR shall pay annually to NRA for the duration of both the First Exploration Term and the Optional Extension Term, the sum of seventy five thousand U.S Dollars(U.S.\$ 75000) as a training and transfer of technology bonus, the first payment shall be made available to NRA within 30 days from the effective date.

(c) Income Tax

CONTRACTOR shall be subject to a 15% flat rate of tax on taxable income and shall be exempt from all other Jordanian taxes and levies and will not be subject to any new taxes for the life of Contractor's Petroleum Operations under the terms of this Agreement.

Except for bonus and expenses and other payments specified in this Agreement, the Contractor's (including its and its sub Contractor's expatriate employees. Affiliates and / or shareholders, partners or other interest owners) shall be exempt for the duration of the Agreement, from the payment of any and all other taxes, royalties or duties (including lease taxes, sales taxes, net worth taxes, withholding taxes, operations taxes or property taxes) whether now or existing hereinafter created, to NRA or Jordan or any instrumentality.

ARTICLE 15

GAS

(a)

CONTRACTOR shall have the right to use, free of cost, all Gas produced from the Area for Petroleum Operations (including all volumes necessary for fuel, gas lift, cycling operations, secondary or tertiary recovery, re-pressuring or pressure maintenance).

(b)

Any Associated Gas surplus to the requirements defined in paragraph (a) above and for which there is no economic use, is available at the separator free to NRA.

(c)

In the course of activities provided for under this Agreement, flaring of Associated and Non-Associated Gas, except short-term flaring necessary for testing or other operational reasons, is prohibited except on prior authorization of NRA. In the case of Associated Gas, authorization for flaring shall be granted by NRA for any such Gas surplus to the requirements defined in paragraph (a) above and for which there is no economic use and which NRA has not elected to take under paragraph (b) above.

(d)

If, pursuant to the provisions of Article 3(c), CONTRACTOR declares a Discovery Well which is deemed capable of producing Gas in commercial quantities, NRA and CONTRACTOR shall meet to determine whether a commercial market exists for such Gas, either inside or outside JORDAN, which would justify the undertaking of appraisal work with respect to such Discovery Well. If a commercial market exists, then CONTRACTOR shall commence appraisal work with respect to such Discovery Well. If a commercial market does not exist, then notwithstanding the provisions of Article 3(c) CONTRACTOR shall not be required to commence appraisal work with respect to such Discovery Well until such time as NRA and CONTRACTOR agree that a commercial market for such Gas exists. Until such time as a commercial market does exist, the aerial extent of those reservoirs constituting one or more Discovery Wells of Gas need not be relinquished pursuant to Article 5 hereof so long as any portion of this Agreement is otherwise kept in force and effect by CONTRACTOR.

(e)

Following appraisal and declaration by CONTRACTOR in accordance with Article 3(c) of a Commercial Discovery with respect to such Gas, NRA and CONTRACTOR shall meet and agree upon a mutually acceptable marketing arrangement for such Gas. Unless otherwise agreed, under any such arrangement, NRA and CONTRACTOR shall jointly market all Gas and shall share the proceeds of such Gas sales according to paragraphs (f) and (g) below.

(f)

The aggregate quantity of Gas produced and saved from the Area in any Calendar Year and not used in Petroleum Operations, reduced by the aggregate quantity of Gas which CONTRACTOR is entitled to receive during such Calendar Year under paragraph (g)

below, shall be allocated between, and shared by, NRA and CONTRACTOR in proportion to the percentages set forth as follows:

The volumes of produced gas shall be shared between the NRA and the CONTRACTOR in the same Barrel of Oil Equivalent (BOE) volumes as have been agreed for the oil sharing. This approximates to five point six (5.6) times the oil production rate (thousands of standard cubic feet of gas). This conversion factor (5.6) is to be used unless the NRA and the CONTRACTOR agree to use a different conversion based on relative calorific value.

Example: at an incremental production rate of 12,000 bbls of oil the state take of production / profit oil is 42%. This equates to a gas production rate of 67 million standard cubic feet of gas per day, which if achieved, would also result in a production split of 42% to the state and the remainder to the contractor.

(g)

Notwithstanding anything to the contrary contained in Article 13 hereof, all costs and expenses incurred by CONTRACTOR with respect to exploring, developing, producing and marketing Gas, including Exploration Expenditures, Development Expenditures and Operating Expenses and all direct or indirect costs and expenses necessary to treat, dehydrate, compress, process, liquefy, store or transport the Gas to the point or points of sale together with all costs associated with the employment or consultants and other experts to review engineering and other data and to perform scientific tests upon the Gas in order to prepare feasibility studies and marketing analyses and to report to CONTRACTOR their findings and recommendations, shall be recovered by CONTRACTOR by receiving a quantity of Gas which has a value equal to the total of all such costs and expenses ('Cost Gas'); provided, however, CONTRACTOR shall not be entitled to recover any quantity of Gas in excess of seventy per cent (70%) per annum of the aggregate quantity of Gas produced and saved from the Area and not used in Petroleum Operations. To the extent that, in a Calendar Year, costs, expenses or expenditures exceed the value of seventy per cent (70%) of the aggregate quantity of Gas produced and saved from the Area and not used in Petroleum Operations, the excess amount of such costs, expenses and expenditures shall be carried forward for recovery in the next succeeding Calendar Year or Calendar Years and treated as incurred in such succeeding Calendar Year of Calendar Years until fully recovered. Where both Crude Oil and Gas are being produced from the Area, costs will be allocated between them according to the principles established in Article 2.4(c) of Annex B. The CONTRACTOR shall notify the NRA of these expenses, costs or expenditure and all necessary written approvals obtained from the NRA NSC.

(h)

Measurements made for the purposes of determining quantities of Gas and allocating Gas between the parties shall be properly made according to generally accepted methods in use by the international petroleum industry. Such measurements shall be made at the Delivery Point.

(i)

Notwithstanding anything to the contrary herein contained in this Agreement, in the event CONTRACTOR elects to process Gas for the recovery of liquefiable gases, the principles of production sharing and cost recovery set forth in this Article 15 shall apply to all liquefiable gases so recovered by CONTRACTOR.

ARTICLE 16

SAVING OF PETROLEUM AND PREVENTION OF LOSS

(a)

CONTRACTOR / JOPC shall take all reasonable measures, according to generally accepted methods in use by the international petroleum industry, to prevent:-

- (1)** Loss or waste of Petroleum above or under the ground in any form during Petroleum operations.
- (2)** Damage to any adjacent Petroleum or water-bearing formations and other natural resources.
- (3)** Non-intentional entrance of water into Petroleum formations.
- (4)** Pollution of or damage to the environment, or damage or disruption to the Installations or activities of mining, industrial or other enterprises working in the Area.

(b)

With respect to any drilling, prior to the commencement thereof, NRA shall be provided with a copy of the drilling and, if applicable, testing and completion programs, as well as safety procedures to be followed during such operations. These data should be discussed and presented to the TMC and approval for the program of operations obtained from the NRA NSC. Further details and requirements are presented in Article 6. CONTRACTOR shall inform NRA in advance of any testing or coring operations, including any production tests, with such notice being given sufficiently in advance so that NRA may have a representative present to observe such operations. Following a production test, CONTRACTOR shall advise NRA the production rate ascertained.

(c)

(c)(1) CONTRACTOR / JOPC shall record data regarding the quantities of Petroleum and water produced monthly from each Commercial Discovery. Such data shall be sent to NRA and CONTRACTOR within thirty (30) days after it is obtained. Statistics regarding the daily production from the Area shall be available at all reasonable times for examination by NRA and CONTRACTOR.

(c)(2) In the event of an extended well test, the CONTRACTOR shall arrange to store or sell the Crude Oil produced. A full testing programme for such operations has to be presented to and approved by the NRA prior to the start of any extended well testing operations.

(d)

Daily drilling records and the graphic-logs of wells shall show the quantity and type of cement and the amount of any other materials used in the well for the purposes of protecting Petroleum bearing or fresh water strata.

(e)

In the case of relinquishment by CONTRACTOR or termination of the rights of CONTRACTOR pursuant to this Agreement in respect of all or any part of the Area, CONTRACTOR shall within ninety (90) days of such relinquishment or termination:

(1) Plug or close off, in a manner consistent with good oil industry practices, all wells drilled in that part of the Area as part of the Petroleum Operations unless otherwise agreed between NRA and CONTRACTOR.

(2) Make provision in a manner consistent with good oil industry practices, for the conservation and protection of natural resources in that part of the Area.

ARTICLE 17

MARKETING OF NRA'S CRUDE OIL

(a)

NRA may at its option and upon at least ninety (90) days prior written notice request CONTRACTOR or JOPC to market all or part of NRA's share of Crude Oil produced from the Area for a specified period.

(b)

CONTRACTOR shall give NRA all information available to it concerning possible purchasers of NRA's Crude Oil and price and other terms and conditions of sale and shall specify the time within which NRA must determine whether or not CONTRACTOR should proceed with such sale or whether NRA itself can obtain a better price and/or terms of sale and accordingly withdraws its request for CONTRACTOR to market the Crude Oil at that time.

(c)

CONTRACTOR shall not enter into any contract for sale of any part of NRA's Crude Oil from the Area without NRA's prior specific written consent.

(d)

NRA shall give instructions or consents as required under this Article 17 in a timely manner so as not to interfere with agreed storage and lifting arrangements.

(e)

NRA shall pay to CONTRACTOR a service fee of ten United States cents (U.S. \$0.10) per barrel on all NRA's quantities marketed, at the request of NRA, by CONTRACTOR, such service fee shall be renegotiated in good faith should the Crude Oil price of NRA drop below forty U.S. Dollars (U.S. \$40.00) per barrel FOB point of export.

ARTICLE 18

SUPPLY OF INTERNAL DEMAND

(a)

Out of the total quantity of Crude Oil to which it is entitled from the Area in a Calendar Year, CONTRACTOR shall be required to provide for the period requested by NRA up to Contractor's pro rata share of Crude Oil needed to supply the internal demand of JORDAN.

(b)

Contractor's pro rata share of internal demand of JORDAN shall equal (1) the total internal demand in JORDAN during the relevant Calendar Year reduced by (2) all Crude Oil produced in JORDAN during such period to which NRA is entitled, with such remainder multiplied by (i) the volume of Contractor's total entitlement to Crude Oil from the Area for such Calendar Year and divided by (ii) the total amount of entitlements of all contractors producing in JORDAN for such period.

(c)

If CONTRACTOR is required to sell some portion of its entitlement to meet internal demand hereunder, the relevant valuation provisions of Article 13(c) shall apply and NRA shall pay CONTRACTOR therefore within sixty (60) days after delivery in U.S. Dollars. The sale price of these hydrocarbons shall be comparable to the price that the CONTRACTOR could realise by selling these hydrocarbons outside of Jordan (including the cost of transportation)

(d)

Recognising that CONTRACTOR may have long-term sales commitments, NRA shall provide CONTRACTOR with prior notice of at least two (2) Calendar Quarters when exercising its rights under this Article 18, indicating the volume of Contractor's entitlement required, the particular quality desired (where more than one Crude Oil quality is produced in the Area) and the duration for which such Crude Oil shall be purchased. The parties shall enter into a Crude Oil sales agreement covering such sale/purchase containing normal commercial terms.

(e)

If the NRA request that the CONTRACTOR sells Crude Oil and Gas to a refinery within Jordan then the sale price of these hydrocarbons shall be comparable to the price that the CONTRACTOR could realise by selling these hydrocarbons outside of Jordan (including the cost of transportation). If the CONTRACTOR feels that it is unable to get a 'fair market price' for produced hydrocarbons within Jordan then the CONTRACTOR reserves the right to transport and sell its share of the profit oil externally.

ARTICLE 19

RIGHT OF REQUISITION

(a)

In case of a Declared National Emergency, JORDAN may requisition all or part of the production from the Area and require CONTRACTOR to increase such production to the maximum.

(b)

In all cases such requisition shall not be effected except after inviting CONTRACTOR or its representative by registered letter, with acknowledgement of receipt, to express its views with respect to such requisition. Such invitation shall be made by NRA.

(c)

Any requisition of a Crude Oil or Gas field itself, or any related facilities, shall be effected in accordance with the applicable laws of JORDAN duly noticed to CONTRACTOR by NRA, provided such requisition shall not continue beyond the period of such emergency.

(d)

In the event of any requisition, JORDAN shall indemnify in full CONTRACTOR for the period during which the requisition is maintained, including:

(1) All damages which result from any such requisition provided that any damages resulting from enemy attack on assets and properties subject to this Agreement are not within the meaning of this sub-paragraph (d)(1).

(2) Full payment, including accrued interest, each month for all Cost Oil or Cost Recovery Gas and Contractor's share of Production Sharing Oil or Gas at the then current value established as provided in Article 13(c) or Article 15.

(3) Any payment made under this paragraph (d) shall be made in U.S. Dollars free currency or in any other currency as the parties may agree upon.

ARTICLE 20

Temporary Entry & Customs Exemptions

(a) Contractor and their respective sub-contractors engaged in carrying out petroleum operations under this agreement shall be permitted to :

- a.1 Import machinery, equipment, vehicles and aircraft under temporary entry basis as it is not pertinent to the body of the project, and it will be exported again at the end of the project.
- a.2 Import materials, supplies, consumable items and spare parts under the exemption status during the execution of this Agreement provided that the importation of any of such categories are to be used solely in carrying out petroleum operations detailed in this Agreement.

When items are to be imported duty free in accordance with this article NRA shall certify that such items are for the use solely in carrying out petroleum operations.

(b)

Any of the items imported into JORDAN either exempts or non-exempt from Customs Duties, taxes or imposts under this Article 20 may be exported by the importing party at any time without any export duty or impost.

(c)

Without prejudice to Article 10 hereof, used but serviceable material, equipment and goods resulting from operations hereunder may be sold within JORDAN provided that the CONTRACTOR or the purchasers pay the applicable Customs Duties, taxes or imposts, if any, except if sold to NRA or any other third party enjoying the same customs exemptions as CONTRACTOR hereunder.

(d)

Without prejudice to Article 10 hereof, materials, equipment and goods damaged or used to such extent as to be non-serviceable and which are classified by CONTRACTOR or sub-contractors as scrap or junk (any such appraisal being valid if not objected to by NRA or the Customs Department within a reasonable time after receiving written notice) may be sold as scrap or junk without payment of Customs Duties, taxes or imposts.

(e)

In the event of such sale under paragraphs (c) and (d) above, an amount equal to the net proceeds received by CONTRACTOR from such sales shall be deducted from Contractor's cost recovery Cost Oil entitlement.

(f)

There shall be no license required for the export of Petroleum and CONTRACTOR, NRA and their respective customers shall be exempt from any duty, tax, fee or any other financial impost in respect of the export of Petroleum produced from the Area for the duration of this Agreement.

(g)

Each non-Jordanian employee of CONTRACTOR or its sub-contractors assigned on a resident basis to JORDAN shall be permitted to import and shall be exempted from all Customs Duties with respect to the reasonable temporary importation of non-consumable household goods, items and personal effects provided the same are imported within a maximum period of twelve (12) months from the date of entry into JORDAN of the non-Jordanian personnel concerned. Key personnel shall each be entitled to import every four (4) years, free of all Customs Duties, one automobile for their private use. All properties imported free of Customs Duties for the sole use of an employee and his family shall be re-exported (without export duty or impost) at the end of such employee's assignment in JORDAN in connection with Petroleum Operations hereunder unless resold or otherwise disposed of by him in JORDAN in accordance with Jordanian laws and regulations.

(h)

Whenever the term "CONTRACTOR" is used in paragraphs (a) to and including (g) above, such term shall be deemed to include all of Contractor's sub-contractors at whatever tier.

(i)

"Customs Duties" as used herein, shall include all duties, taxes or imposts (except those charges paid to JORDAN or any instrumentality thereof at the usual rates for actual services rendered) which are payable as a result of the importation or exportation of the item or items under consideration.

(j)

The exemption of all temporary importations under this Article shall be guaranteed by a bank guarantee from a bank licensed in JORDAN in the amount of two hundred thousand U.S. Dollars (U.S. \$0.2 million) and in a form similar to that attached hereto as Annex E.

(k)

The respective obligations of the parties under this Article 20 accruing during the term of this Agreement shall survive its termination.

ARTICLE 21

PAYMENT AND PROVISION OF DATA

In order to assist CONTRACTOR in the Petroleum Operations contemplated hereunder, as of the Execution Date hereof NRA shall make available to CONTRACTOR for Contractor's exclusive use during the term of the Agreement all technical data, including seismic (field tapes, stack tapes, navigation data, observer logs and reports etc.), geological (all well information including reports, logs, test information etc.) and stratigraphic data ("Data"), relating to the Area and acquired by or in the possession of NRA prior to such date.

The NRA will ensure that these data are provided to the CONTRACTOR within 30 days of the effective date of the agreement. It is understood that the CONTRACTOR will pay for all costs associated with the reproduction, of these data. This costs include, photo copying, consumables, the hiring of any additional short term contract personnel that might be required to complete this task. The CONTRACTOR shall be entitled to recover these costs as fully cost recoverable (at 70% cost recovery) under the terms of this PSA.

There shall be no additional payments or bonuses for data provision to the NRA at any stage of this Agreement.

ARTICLE 22

PERFORMANCE BOND AND GUARANTEE

(a)

Within 30 days after the ratification of this Agreement, CONTRACTOR shall provide NRA with an irrevocable, renewable Performance Bond, substantially in the form attached hereto as Annex F securing Contractor's timely performance of the First Exploration Term of Exploration Period under Article 4 of this Agreement for the amount of one million U.S. Dollars (\$ 1.0 million). In case of any additional extensions of Exploration Term of Exploration Period CONTRACTOR will extend the above Performance Bond in the amount of one million U.S. Dollars (\$1.0 million).. The letter shall automatically, without prejudice to the procedure referred to in Annex F of this Agreement, be cancelled when all such work obligations have been performed by CONTRACTOR.

(b)

CONTRACTOR shall, prior to the commencement of the optional two year extension, provide proof to NRA, in a form to the satisfaction of NRA (which may include one or more Performance Bonds), of its financial capability to perform its obligations under those Exploration Terms. In the case that the CONTRACTOR has fulfilled his obligations in the First Exploration Phase and did not enter an extension, the Performance Bonds will liquidate and the monies returned to the CONTRACTOR. If the CONTRACTOR enters an additional exploration phase, the Performance Bond shall remain.

(c)

CONTRACTOR shall also provide NRA within ninety (90) days after the Effective Date of this Agreement with a Parent Company Guarantee substantially in the form attached hereto as Annex G.

ARTICLE 23

LOCAL CONTRACTORS, MANUFACTURED MATERIALS AND EMPLOYEES

CONTRACTOR and its sub-contractors at whatever tier shall:

(a)

Give preference to local contractors as long as their prices and performance are in line with international prices and performance.

(b)

Give preference to locally manufactured materials, equipment, machinery and consumables as long as their price, quality and time of delivery are in line with those internationally available.

(c)

Give preference in employment to Jordanian nationals provided that they are suitably qualified, provided, however, CONTRACTOR has the right to employ its own key personnel in appropriate positions.

ARTICLE 24

LAWS AND REGULATIONS

(a)

The laws of JORDAN and regulations issued for the implementation thereof, including the regulations for the safe and efficient performance of Petroleum Operations carried out under this Agreement and for conservation of the Petroleum resources of JORDAN shall apply to CONTRACTORS performance under this Agreement. However, if such laws and/or regulations do not govern or only partially govern any case in issue, the generally recognized principles of international law shall apply.

(b)

The interests, rights and obligations of JORDAN, NRA and CONTRACTOR under this Agreement and the duration thereof shall be governed by and in accordance with the provisions of this Agreement and can only be altered or amended by the mutual agreement of NRA and CONTRACTOR. JORDAN has empowered NRA to enter into this Agreement and such other assignments as may be necessary to alter or amend this Agreement on behalf of JORDAN and any such alteration or amendment shall be binding upon JORDAN without further action on the part of JORDAN.

ARTICLE 25

BOOKS OF ACCOUNT AND ACCOUNTINGS

(a)

CONTRACTOR shall maintain at their business offices in Amman, JORDAN, books of accounts in accordance with the Accounting Procedure attached as Annex B and internationally accepted accounting practices generally used in the petroleum industry, and such other books and records as may be necessary to show the work performed under this Agreement, including the amount and value of all Petroleum produced and saved hereunder. CONTRACTOR shall keep their books of account and accounting records on the accrual basis in English and in United States dollars.

(b)

CONTRACTOR shall furnish to NRA each Calendar Quarter reports showing the amount of Petroleum produced and saved hereunder. Such reports shall be prepared in the form required by NRA and shall be signed by the General Manager or a duly designated deputy, and delivered to NRA within forty five (45) days after the end of the Calendar Quarter covered in the report.

(c)

The aforesaid books of account and other books and records referred to above shall be available at all reasonable times for inspection by duly authorised representatives of NRA.

(d)

CONTRACTOR shall submit to NRA a profit and loss statement for the Calendar Year not later than three (3) months after the commencement of the following Calendar Year to show its net profit or loss from the Petroleum Operations under this Agreement for such Calendar Year. CONTRACTOR shall at the same time submit a year-end balance sheet for the same Calendar Year to NRA. The balance sheet and profit and loss statement shall be certified by Contractor's independent certified public accounting firm of international reputation.

(e)

CONTRACTOR shall supply NRA, within forty five (45) days from the end of each Calendar Quarter, with a statement of exploration and, if relevant, development and production activity showing costs incurred by CONTRACTOR during such Quarter ("Statement of Petroleum Activity"). Contractor's records and necessary supporting documents shall be available for inspection by NRA at any time during regular working hours and as provided in Annex B. As soon as possible after the date of receiving such statement, and in any case within forty five (45) days, NRA shall advise CONTRACTOR in writing if it considers:

- (i)** that the record of costs is not correct;
- (ii)** that the costs were not incurred within the relevant work program and budget, or are of a category not permitted by this Agreement;
- (iii)** that the costs of goods or services supplied are not in line with the international Market price for goods or services of similar quality supplied on similar terms prevailing in the Middle East at the time such goods or services were contracted by CONTRACTOR;

- (iv) That the charges for goods or services supplied are not in accordance with the relevant agreement with the sub-contractor or supplier;
- (v) That the condition of the materials furnished by CONTRACTOR are not in line with their prices; or
- (vi) That the costs incurred are not reasonably required for Petroleum Operations.
- (vii) those costs which are fully cost recoverable under the terms of the PSA and those which are disputed with comments as to what is required to justify full or partial cost recovery.

If, within the time limit of forty five (45) days, NRA advises CONTRACTOR of its objection to any statement or portion thereof then CONTRACTOR shall confer with NRA in connection with the problem thus presented and the parties shall attempt to reach a fair and mutually satisfactory final settlement thereto within the following six (6) months. Failing such settlement the matter shall be solved pursuant to Article 34(k). Nothing in this paragraph shall permit further adjustments to recoverable costs as necessary after audit and approval (by the NRA) of Contractor's accounts pursuant to Annex B hereof.

ARTICLE 26

RECORDS, REPORTS, INSPECTION AND CONFIDENTIALITY

(a)

CONTRACTOR shall prepare and, at all times while this Agreement is in force, maintain records in JORDAN of its Petroleum Operations. All records and reports required hereunder shall be in the English language. CONTRACTOR shall furnish NRA such information and data as NRA may reasonably require with regard to Petroleum Operations.

(b)

CONTRACTOR shall save and keep for a reasonable period of time a representative portion of each sample of cores, cuttings and formation fluids taken whilst drilling wells, to be forwarded to NRA in the manner directed by NRA for safe keeping and for preservation in the national archive. The CONTRACTOR shall, if it so desires, save and keep (at no cost to the CONTRACTOR) all cores, cuttings and formation fluids in the NRA's archive. All samples acquired by CONTRACTOR for its own purposes shall be considered available for inspection at any reasonable time by NRA. Unless otherwise agreed, any such samples which CONTRACTOR has kept for a period of twelve (12) months without receipt of instructions to forward them to NRA or elsewhere may be disposed of by CONTRACTOR at its discretion, after consultation with NRA.

(c)

Unless otherwise agreed to by NRA in case of exporting any rock samples outside JORDAN, samples equivalent in size and quality shall, before such exportation, be delivered to NRA.

(d)

CONTRACTOR, as soon as practicable, shall provide NRA with reproducible copies of any and all data (including geological and geophysical reports, logs and well surveys), information and interpretation of such data and other relevant information in Contractor's possession.

(e)

Originals of technical data and records can only be exported with the prior written permission of NRA; provided, however, that magnetic tapes and any other data which must be processed or analyzed outside JORDAN may be exported if a monitor or a comparable record (subject to facilities being available in JORDAN for the production of such a comparable record) is maintained in JORDAN and provided that such exports shall be repatriated to JORDAN on the understanding that they belong to NRA.

(f)

Either party may disclose any such information to its employees, affiliates, consultants, prospective assignees or lenders, or sub-contractors to the extent required for the efficient conduct of Petroleum Operations provided it obtains from such individuals or entities prior to disclosure a written confidentiality undertaking no less restrictive than the obligation of the disclosing party under this Article 26.

(g)

For the purposes of obtaining new offers on relinquished portions of the Area or on areas adjacent to the Area, NRA may show any other person data relating to such relinquished or adjacent areas provided the age of such data is not less than three (3) years old. The person to whom disclosure is made shall sign a written confidentiality requirement similar to that required under paragraph (f) above and prior notice of the disclosure shall be given to CONTRACTOR.

Similarly, there shall be a corresponding right for CONTRACTOR to show data over its acreage (the NORTHERN HIGHLANDS BLOCK.) to bona fide assignees (subject to NRA consent not unreasonably being withheld).

(h)

Except as provided in paragraphs (f) and (g) above, all such data and information shall be maintained by the parties during the term of this Agreement as confidential and shall not be divulged by either party without prior written consent of the other party except to the extent required to comply with laws, rules or regulations of any government, or agency thereof, or any stock exchange to which the party may be subject unless such data become part of the public domain through no fault of either party or unless such data were known by either party before the Execution Date. Such confidentiality undertaking shall continue to apply to CONTRACTOR for a period of five (5) Years after the termination of this Agreement.

(i)

In the event that any entity constituting CONTRACTOR ceases to hold an interest under this Agreement, such entity will continue to be bound by the confidentiality requirements of this Article.

(j)

CONTRACTOR shall not trade, sell or publish data pertaining to the Area without the prior written consent of NRA.

(k)

At the end of the duration of this Agreement all original data shall be delivered by CONTRACTOR to NRA.

(l)

CONTRACTOR shall promptly report to NRA the presence of any significant quantities of potentially commercial accumulations of minerals or materials, other than Petroleum, encountered and identified by CONTRACTOR while conducting operations under this Agreement. Such minerals and materials shall remain the property of JORDAN. However, CONTRACTOR may make an application for the right to participate with JORDAN or NRA in developing and marketing such accumulations of minerals or materials on mutually agreeable terms.

ARTICLE 27

RESPONSIBILITY FOR DAMAGES

- 1.** CONTRACTOR shall be solely and entirely responsible in law to third parties for any injury, loss or damage occurring in connection with Petroleum Operations and shall indemnify and defend NRA and JORDAN with respect thereto.
- 2.** If CONTRACTOR comprises more than one entity, the liability of such members shall be joint and several.

ARTICLE 28

EXCHANGE RIGHTS AND OBLIGATIONS

(a)

If required by the procedures of any exchange control law or regulations which may be generally in force in JORDAN, Contractor's investment in JORDAN pursuant to this Agreement shall be registered as an approved foreign investment.

(b)

Funds required by CONTRACTOR and its sub-contractors to meet local expenditures may be imported in freely convertible currencies.

(c)

Purchase or sale of foreign exchange shall be affected at the daily prevailing rates as quoted by the Central Bank of Jordan, Amman, JORDAN, provided the exchange rate applicable to CONTRACTOR and all sub-contractors shall be no less favourable than that available to any private, commercial or industrial undertaking in JORDAN.

(d)

CONTRACTOR and its sub-contractors are authorized to open and operate accounts in foreign banks outside JORDAN. Withdrawals from said accounts may be used for payments of goods and services acquired abroad without having first to transfer the funds for such payments to JORDAN and for transferring to local banks in JORDAN the required amounts to meet expenditures in Jordanian currency in connection with its activities under this Agreement.

(e)

CONTRACTOR and its subcontractors are guaranteed for the duration of this Agreement the following exchange rights:

(1) To provide in freely convertible foreign currencies all funds for operations under this Agreement.

(2) To hold such funds abroad, and CONTRACTOR and its sub-contractors shall not be obliged to transfer to JORDAN funds or assets held outside the country except such funds as are necessary to meet its expenditures in Jordanian currency.

(3) To retain abroad and freely dispose of all Contractor's proceeds from the export and from the local sales of Petroleum and CONTRACTOR shall not be obliged to remit such proceeds to JORDAN except as provided under sub-paragraph (e)(2) above.

(4) To freely repatriate abroad all proceeds from Contractor's or its sub-contractor's internal operations within JORDAN, including proceeds from the sale of Petroleum and any other monies accruing to CONTRACTOR or its sub-contractors within JORDAN pursuant to this Agreement. Such repatriation shall be accomplished in accordance with procedures of any exchange control law or regulations which may be in force generally in JORDAN.

(5) CONTRACTOR and its sub-contractors shall be authorized to pay their expatriate employees working in JORDAN in foreign currencies, either inside or outside of JORDAN and such employees shall only be required to bring into JORDAN such foreign exchange as required to meet their personal living expenses. Such employees shall be allowed to repatriate any bona fide savings or proceeds of sale of personal belongings.

(6) CONTRACTOR and its sub-contractors shall be entitled to maintain special accounts in JORDAN for non-Jordanian currency funds which can be disbursed for the purpose of making payments to NRA or JORDAN pursuant to this Agreement, or making other payments as required for Petroleum Operations.

(7) Any payment made to the NRA or JORDAN by the CONTRACTOR pursuant to this Agreement shall be made in U.S. Dollars unless the parties mutually agree upon another currency at a bank in Amman to be designated by NRA or JORDAN. Any payment made by NRA or JORDAN to CONTRACTOR pursuant to this Agreement shall be made in U.S. Dollars unless the parties mutually agree upon another currency at such bank or banks as may be designated by CONTRACTOR.

(8) CONTRACTOR shall have the right to convert to foreign currency any unneeded Jordanian Dinars generated from Petroleum Operations conducted pursuant to this Agreement and to freely remit such foreign currency abroad.

(9) Any payment which NRA or CONTRACTOR is required to make pursuant to this Agreement to NRA or CONTRACTOR, as the case may be, shall be made within the time specified in this Agreement for the payment, or, where no time is specified, within thirty (30) days following receipt of a duly itemised invoice therefore. Any failure to timely pay shall entitle the party to whom the amount is due to monthly compounded interest calculated at the London Interbank Offered Rate (LIBOR) for monthly deposits as quoted by National Westminster Bank, London, on the first business day of the relevant month, plus two percentage points (2%) for the entire period during which the amount is due.

ARTICLE 29

SOLE RISK

(a)

Operations which may be the object of a sole risk notice from NRA under this Article shall be those involving:

(1) Penetration and testing geological horizons deeper than those proposed by CONTRACTOR to NSC in any Exploration well being drilled provided the Operator has not commenced the approved operations to complete or abandon the well.

(2) The drilling of an Exploration well other than an Appraisal Well provided that not more than two (2) such wells may be drilled in any Term of the Exploration Period. Such well may not be drilled in any Production Area or in any area in which a Discovery Well has been drilled.

(3) The drilling of an Appraisal Well which is a direct result from a successful Exploration well whether or not such Exploration well was drilled as part of a sole risk operation.

(4) The Development of any Discovery which is a direct result from a successful Exploration well and/or Appraisal Well sole risk operation which CONTRACTOR has not elected to undertake under paragraph (c).

(5) The Development of any Discovery which is a direct result from a successful Exploration well and/or Appraisal Well drilled by CONTRACTOR if twenty-four (24) months have elapsed since the successful well was completed and CONTRACTOR has not commenced the related Development.

(b)

Except as to the operations described under paragraph (a)(1) none of the operations described in paragraph (1) may be the object of a sole risk notice from NRA until after the operation has been proposed in complete form to NSC and has been rejected by NSC.

To be "in complete form" as mentioned above, the proposal for conducting any of the above mentioned operations for NRA's account shall contain appropriate information such as location, depth, target geological horizon, timing of operation, and where appropriate, details concerning any development plan as well as other relevant data.

(c)

If the conditions referred to in paragraph (b) have been met, NRA may, as to any operation described in paragraph (a), give a written sole risk notice to CONTRACTOR and the latter shall have the following periods of time from the date of receipt of such sole risk notice within which to notify NRA whether it elects to undertake such proposed operation as part of its Petroleum Operations:

(1) As to any operation described in paragraph (a) (1) 48 hours or until commencement of the deepening operations, whichever occurs last.

(2) As to any operation described in paragraphs (a) (2) and (a) (3) 3 Months.

(3) As to any operation described in paragraphs (a) (4) and (a)(5) 6 Months.

(d)

If CONTRACTOR elects to include as part of its Petroleum Operations the operation described in the sole risk notice within the appropriate period described in paragraph (c), such operation shall be carried out by the CONTRACTOR within the framework of the Petroleum Operations, as a part of the current work program and budget, which shall be considered as revised accordingly.

(e)

If CONTRACTOR elects not to undertake the operation described in the sole risk notice, subject to the provisions of paragraph (f) below, the operation for the account of NRA will be carried out promptly and diligently by CONTRACTOR at NRA's sole risk, cost and expense, provided that such operation will be carried out only if it will not conflict or cause hindrance to Contractor's activities or obligations, or delay existing work programs, including any approved work program and budget and with respect to operations referred to in paragraphs (a)(2) and (a)(3) such operations will be undertaken as soon as a suitable rig is available in JORDAN. NRA and CONTRACTOR shall agree on a method whereby NRA will provide all necessary funds to CONTRACTOR to undertake and pay for such operations prior to the commencement thereof.

(f)

NRA shall elect to have the operations for its own account referred to in paragraphs (a)(4) and (a)(5) carried out either by itself, by CONTRACTOR for a mutually agreed fee or by any third party entity contracted to that effect by NRA, provided that such operations will be carried out only if they will not conflict with or cause hindrance to Contractor's activities or obligations, or delay existing work programs, including an approved work program and budget. Before entering into an agreement with a third party, as mentioned above, NRA will notify CONTRACTOR in writing of such proposed agreement. CONTRACTOR shall have forty five (45) days after the receipt of such notification to decide to exercise its right of first refusal with respect to the proposed agreement and to perform such sole risk activities under the same terms and conditions as have been arranged with the third party.

(g)

If, in accordance with the provisions of paragraph (d), CONTRACTOR decides to undertake any works as foreseen in paragraph (a)(3), it shall pay NRA in cash and within 30 days as of the date in which it exercises such right, an amount equal to all of the costs incurred by NRA in sole risk operations conducted in accordance with paragraphs (a)(1) and (a)(2) which directly led to the works foreseen in paragraph (a)(3).

(h)

In addition to the amount referred to in the preceding paragraph, NRA will also be entitled to receive from CONTRACTOR an additional payment equal to one hundred per cent (100%) of the costs referred to in paragraph (g). Such additional payment will be made in cash and within ninety (90) days as of the date on which CONTRACTOR exercised the right referred to.

(i)

If, in accordance with the provisions of paragraph (d), CONTRACTOR decides to undertake any works foreseen in paragraph (a) (4), it shall pay NRA in cash, all of the costs incurred by the latter in its sole risk operations which directly led to the works foreseen in paragraph (a)(4), less any reimbursement made in accordance with paragraph (g) above, within thirty (30) days as of the date on which it exercises such right.

(j)

In addition to the amount referred to in the preceding paragraph, NRA will also be entitled to receive twenty five per cent (25%) of Contractor's share of Production Sharing Oil produced from this developed field or borehole until the value thereof as defined in paragraph (k) below equals six hundred per cent (600%) of the costs referred to in paragraph (i).

(k)

The Petroleum received by NRA under paragraph (j) above will be valued at the price established in Article 13.

(l)

If the operations described in paragraph (a)(4) and (a)(5) are conducted at NRA's sole risk, cost and expense, it will receive one hundred per cent (100%) of the Petroleum produced from the field developed under such terms.

(m)

For the avoidance of doubt, with the exception of paragraph (a)(1) the NRA shall not be entitled to serve a sole risk notice for as long as the CONTRACTOR fulfils and abides by the agreed and approved Work Program.

ARTICLE 30

UNITIZATION

(a)

If a field within the Area extends beyond the Area to other areas of JORDAN over which other parties have the right to conduct Petroleum Operations, NRA may require that the development of the field and the production of Petroleum therefore be carried out in collaboration with the other parties. The same rule shall be applicable if deposits of Petroleum within the Area, although not equivalent to a Commercial Discovery if developed alone, would be deemed to be a Commercial Discovery if developed with deposits in areas controlled by other parties.

(b)

If NRA so requests, CONTRACTOR shall collaborate with the other parties in preparing a collective proposal for common development and production of the deposits of Petroleum for approval by NRA.

(c)

If the proposal for common development and production has not been presented within ninety (90) days of the request described in paragraph (b) above, or if NRA does not approve such proposal, NRA may prepare or cause to be prepared in accordance with accepted international petroleum industry practice, for the account of CONTRACTOR and the other parties involved, a reasonable plan for common development and production. If NRA and other parties agree on the proposed plan and CONTRACTOR does not agree, either CONTRACTOR or NRA may refer the matter for determination in accordance with Article 34(k). A determination in accordance with Article 34(k) shall be final, except that CONTRACTOR may notify NRA within sixty (60) days of such determination that it elects to surrender its interest in the field in lieu of participation.

(d)

If the CONTRACTOR believes that, following technical work that a potentially commercial hydrocarbon accumulation exists and extends into an adjacent area / block which has not been officially awarded to another party, then the CONTRACTOR has first option on submitting a suitable work programme to the NRA who may, subject to the proposed work programme being deemed acceptable, award a sub-segment of the open block to the CONTRACTOR by adding it to the current PSA area. All terms and conditions of the current PSA (e.g. expiry, cost recovery, production sharing etc..) will apply. A supplementary Annex to this PSA will be filed detailing the area and the obligations thereto.

ARTICLE 31

ASSIGNMENT

(a)(1)

CONTRACTOR shall not assign or otherwise dispose to a non-Affiliate person, partnership, corporation or other entity all or any portion of its duties or obligations hereunder, without the prior written consent of NRA whose approval shall not unreasonably be withheld.

(a)(2)

The CONTRACTOR is not able to divest OPERATORSHIP without prior written approval of the NRA. OPERATORSHIP of the license can only be divested to a party / entity that is both technically and financially capable, in both the NRA's and CONTRACTORS opinion, of performing the work program as laid out in this agreement. Any future operator / operating party will also be bound by the terms of this agreement.

The CONTRACTOR should provide the following information to the NRA pertaining to the prospective third party who the CONTRACTOR wishes to be considered as an OPERATOR / CO-OPERATOR:-

Company name, date of incorporation, company registration, audited accounts or annual reports for the past 2 years, details of relevant technical/oil industry experience, names and relevant experience of directors.

(a)(3)

The CONTRACTOR has the right to divest some of its working interest in the Block to a third party(s) (an Affiliate) without prior written approval of the NRA provided such Affiliate has been demonstrated to the satisfaction of NRA to be financially and technically competent.

(a)(4)

The instruments of assignment must include provisions stating precisely that the assignee is bound by all covenants contained in this Agreement and any modifications or additions in writing that up to such time have been made. Such instruments of assignment shall be submitted to NRA for review and, in the case of assignment to a non-Affiliate, for approval before being formally executed.

(a)(5)

In the case of an assignment to an Affiliate, CONTRACTOR and its Affiliates shall be jointly and severally liable for all duties and responsibilities under this Agreement, unless NRA consents in writing to release the CONTRACTOR from such duties and responsibilities.

(a)(6)

In the case of an assignment to a non-Affiliate all accrued obligations of the assignor deriving from the Agreement must have been duly fulfilled as of the date of the assignment or the assignor and assignee must jointly and severally guarantee fulfilment of any unfulfilled accrued obligations of assignor.

(b)

In the event reserves are discovered and CONTRACTOR elects to secure financing from a lending institution for Development, the CONTRACTOR may assign in such a manner as to afford a security interest to the lending institution provided that the written consent of NRA is first obtained.

(c)

Every executed and delivered instrument of assignment assigning any of the rights, privileges, duties or obligations hereunder of CONTRACTOR shall be forwarded to NRA within thirty (30) days after the date of such assignment.

(d)

Any assignment, including any proceeds derived from such assignment, made pursuant to the provisions of this Article shall be free of any tax, charge or fee, whether based upon income or otherwise, and shall also be free of any transfer or related taxes, charges or fees, as well as taxes, charges or fees on capital of CONTRACTOR or its assignee.

ARTICLE 32

POWER TO CANCEL

(a)

Subject to paragraph (b) below, Article 33 and Article 34, NRA shall have the right to cancel this Agreement by order of the Council of Ministers in the following instances:

(1) If CONTRACTOR has knowingly submitted any false statements to NRA in any matters which were of a material consideration for the execution of this Agreement.

(2) If CONTRACTOR assigned any interest hereunder contrary to the provisions of Article 31 hereof.

(3) If CONTRACTOR is judged bankrupt by a competent court.

(4) If CONTRACTOR intentionally extracts any mineral other than Petroleum not authorized by this Agreement or without the authority of NRA or JORDAN except such extractions as may be unavoidable as the result of Petroleum Operations conducted hereunder in accordance with good oil industry practices.

(5) If CONTRACTOR does not comply with any final decision reached as the result of arbitration conducted in accordance with Article 34, provided CONTRACTOR has not complied, or commenced to comply with such award within the ninety (90) days period provided in such Article 34.

(6) If CONTRACTOR commits a material breach of this Agreement.

(b)

Whenever NRA deems that one of the aforesaid causes exists which entitles it to cancel this Agreement, NRA shall give CONTRACTOR ninety (90) days written notice personally served on Contractor's general manager or alternate representative to remedy or remove such cause but, if for any reason such notice is impossible due to un-notified change of address, publication in the Official Gazette of JORDAN of such notice shall be considered as validly served upon CONTRACTOR. If, at the end of such notice period, CONTRACTOR has not removed or remedied such cause or if NRA have not agreed on a plan which is intended to remedy or remove such cause, this Agreement may be cancelled forthwith by NRA by order of the Council of Ministers.

(c)

Such cancellation shall take place without prejudice to any rights which may have accrued to NRA as against CONTRACTOR or CONTRACTOR as against NRA under this Agreement, and in the event of such cancellation, CONTRACTOR shall have the right to remove all of its personal property from the Area.

ARTICLE 33 FORCE MAJEURE

(a)

The non-performance or delay in performance by NRA and CONTRACTOR, or either of them, of any obligation under this Agreement other than an obligation to pay money shall be excused if and to the extent that such non-performance or delay is caused by Force Majeure. The period of any such non-performance or delay, together with such periods as may be necessary for the restoration of any damage done during such delay shall be added to the time given to this Agreement for the performance of such obligation and for the performance of any obligation dependent thereupon and to the term of this Agreement.

(b)

"Force Majeure" within the meaning of this Article 33 shall include acts of God, fire, epidemics, unavoidable accidents, acts of war or active hostilities or conditions arising out of or attributable to war or active hostilities (declared or undeclared), strikes, lockouts and other labor disturbances, delays in transportation, floods, storms, natural phenomena or calamities and other natural disturbances, blockades, insurrections, riots and other civil disturbances and, as to CONTRACTOR only, acts of governmental authority (whether or not promulgated as law) if such governmental act prevents or delays performance whether or not similar to those enumerated, provided that any such cause is beyond the reasonable control of NRA or CONTRACTOR as the case may be.

(c)

The affected party shall give notice to the other party as soon as possible stating the cause and expected duration of the non-performance or delay. Similarly, it shall give notice as soon as normal conditions are restored.

(d)

Both parties shall take all reasonable measures to remove the cause for such interruption or delay in performance and to minimize the consequences of any event of Force Majeure.

(e)

If the Force Majeure event occurs during the effective period of the PSA and continues in effect for a period of one (1) Year, CONTRACTOR shall have the option upon ninety (90) Days prior written notice to the NRA to terminate its obligations hereunder, without further liability of any kind. At such time the bank guarantee shall be returned together with all the CONTRACTORS (and third party contractors/affiliates/partners) possessions for which cost recovery has not been recovered.

(f)

Neither party shall be entitled to make any claim against the other party for any expenses incurred due to Force Majeure and subsequent possible termination of the PSA.

(g)

If the quantity of Petroleum being produced and shipped, or which could be produced and shipped, from one or more Commercial Discoveries then covered by the Agreement is interrupted or otherwise limited by Force Majeure, then the Production Period applicable thereto shall be extended until the quantities that could have been produced and shipped

there from at capacity have been made up. The term "Capacity" for purposes of this provision means the total quantity of Petroleum that the wells theretofore drilled on such Commercial Discovery or Discoveries could have produced in accordance with good oil industry practices; provided, however, that such capacity will not be deemed to exceed the maximum capacities of the pipeline or pipelines connected to such Wells. Within ninety (90) days following the first day of each calendar month CONTRACTOR will notify NRA of the cumulative quantities of such Petroleum at the end of each such month which are to be made up as herein above provided.

ARTICLE 34

CONCILIATION, ARBITRATION AND EXPERT DETERMINATION

(a)

The Parties base their relations with respect to this Contract on the principles of goodwill and good faith. Taking into account their different nationalities, this Agreement shall be given effect and be interpreted and applied in conformity with principles of law common to JORDAN, and in the absence of such common principles, then in conformity with the principles of international law normally recognised including those which have been applied by international tribunals

(b)

Any dispute arising between NRA and CONTRACTOR relating to this Agreement or with respect to the interpretation, application or execution of this Agreement and which cannot be settled amicably shall be finally settled by arbitration, except those matters dealt with in Article 34(k). The arbitration shall be held in AMMAN, JORDAN and conducted by Arbitrator(s) ("Arbitrator(s)") in accordance with the laws of ICC arbitration, or any successor legislation in effect at the time the dispute arises.

In the event of no provisions in such legislation being made for procedures in certain cases, the Arbitrators shall establish their own procedures.

(c)

The arbitration shall be initiated by either party giving notice to the other party that it elects to refer the dispute to arbitration and that such party (hereinafter referred to as the "First Party") has appointed an Arbitrator who shall be identified in said notice. The other party (hereinafter referred to as the "Second Party"), within fifteen (15) days receipt of such notice, shall notify the First Party in writing identifying the Arbitrator that it has selected. The respective parties have the right to choose legal support from wherever they so choose.

(d)

If the Second Party does not appoint its Arbitrator as aforesaid the First Party shall have the right to apply to the relevant court to appoint a second Arbitrator. The two Arbitrators shall, within thirty (30) days, select a third Arbitrator, failing which the third Arbitrator shall be appointed by either the Jordanian Court or the Court of Arbitration of the International Chamber of Commerce at the request of either party.

(e)

The Third Arbitrator must be a citizen of a country other than JORDAN and must be a citizen of a country which has diplomatic relations with JORDAN and shall have no economic interest in the petroleum business of JORDAN nor any party hereto nor their Affiliates.

(f)

The parties shall extend to the Arbitrators all facilities (including access to the Petroleum Operations) for obtaining any information required for the proper determination of the dispute. The absence or default of any party to the arbitration shall not be permitted to prevent or hinder the arbitration procedure in any or all of its stages.

(g)

Pending the decision or award, the operations or activities which have given rise to the arbitration shall be continued, unless CONTRACTOR determines that such continuation is either impossible or impracticable. In the event the decision or award recognizes that the complaint was justified, provision may be made therein for such reparation as may appropriately be made in favour of the complainant, provided however, that the ninety (90) day period to remove or commence to remedy any cause of complaint as specified in Article 32(b) shall commence to run as of the date of the decision or award.

(h)

Judgement on the award rendered may be entered in any court having jurisdiction and application may be made in such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

(i)

The parties desire that, wherever appropriate, decisions and awards shall specify a time for compliance therewith.

(j)

The provisions of this Agreement relating to arbitration shall continue in force notwithstanding the termination of this Agreement.

(k)

Any dispute on essentially technical matters including quantities, measurements and on values and prices, which NRA and CONTRACTOR can not settle amicably, shall be submitted for final determination to an internationally recognized independent expert (the "Expert") appointed by NRA and CONTRACTOR.

NRA and CONTRACTOR shall submit to the other a list of five (5) or more nominees for the position of Expert. If one nominee appears on both lists, the said nominee shall be the Expert. If more than one nominee appears on both lists, the Expert shall be chosen from such nominees appearing on both lists by mutual agreement.

If none of the nominees appearing on one list appear on the other, or if one party fails to provide a list, or failing prompt agreement by NRA and CONTRACTOR on an Expert, such Expert shall be chosen by the Jordanian Court or the Court of Arbitration or the International Chamber of Commerce with regard to the qualifications for nominees set forth below, upon written application of one or both parties.

Nominees shall be independent persons with established reputations in the international petroleum industry as experts in petroleum exploration and production operations or, as the case requires, in pricing and marketing of Crude Oil and/or Gas in international commerce.

Should a nominee decline or be unavailable to serve as Expert, another nominee shall be chosen in the same manner as provided in this paragraph (K) provided that if the name of another nominee appears on both lists submitted at the time of the original selection, such nominee shall be chosen.

NRA and CONTRACTOR shall share equally the expenses of selection of any nominee. The provisions of paragraphs (d), (e) and (i) above shall apply to any determination by Expert pursuant to this paragraph (K).

(l)

The signatories base their relations with respect to this Agreement on the principles of goodwill and good faith.

(m)

In the event of any dispute to be settled under this Article 34, the Agreement shall remain in force until final decision or award or final determination of the dispute.

ARTICLE 35

SPECIAL CONSIDERATIONS CONCERNING THE NORTHERN HIGHLANDS BLOCK

The Natural Resources Authority (NRA), Pauly and Total companies drilled (7) exploration wells in the Block during the years (1959- 1991) .No production was encountered in any of these wells.

The information data as follows:

Well.	W. NEAME	LON	LAT	Elevation	Completed	Age.T.D.	comp	TD.	Status
1	SW1	35.8429274	32.080101	634	May.1959	Cambrian	Pauly	2329	Oil SHOWS
2	S90	36.046773	32.4943085	580.6199951	Mar.1970	Triassic	NRA	2191	
3	KH1	36.2907426	32.1617834	607.1500244	Mar.1971	Triassic	NRA	1333	
4	ER1A	36.0235059	32.4706378	604.2999878	Apr.1978	Permian	Total	2755	
5	NH1	36.2335705	32.2066252	609.7999878	Apr.1987	Cambrian	NRA	4018	
6	AJ1	35.7687694	32.2894365	0	Oct.1991	Precambrian	NRA	3796	
7	NH2	36.0183622	32.6149696	514.4000244	Sep.1987	Cambrian	NRA	3723	Oil Shows

OIL SHALE

Contractor..... (Jordan) has no right to exploit the Jordan's oil shale within the area described in Annex A of the Production Sharing Agreement (PSA) by Conventional and Unconventional methods of exploitation. Notwithstanding the above, NRA shall ensure and guarantee that CONTRACTOR shall at all times be able to perform its duties and obligations without any hindrance or interruption caused by the exploitation of the oil shale in the AREA by NRA or any other third party.

ARTICLE 36

DISCOUNT ON CRUDE SALES FOR THE NRA

(a)

The NRA shall be entitled to an additional payment which shall come into effect if and when the following two (2) conditions are met:

(1)

The average 30 day consecutive sale price of Brent Crude (Brent Blend (dated)), as published in the Financial Times in London, is equal to or greater than US \$ 45 per barrel

And **also when;**

(2)

The average Gross Incremental Crude Oil production is greater than or equal to 2,000 bopd for the same 30 consecutive days as are satisfied by point (1) above.

Then;

the NRA will be entitled to a payment equivalent to three percent 3% (when the production level is over 2000-4999 bopd and 4% when the production level is 5000-9999 bopd and 5% over 10000 bopd) of the total sales price achieved on the next allocation of the contractors share of the profit oil (i.e. after the removal of the allocated and approved contractors cost recovery). Payment shall be made within thirty days (30) after the date when the aforementioned two criteria in this Article 36 are met.

It is understood that;

- (1) payments will continue as long as the two aforementioned two criteria in this Article 36 are met. However, if one or both of the criteria are not met then there will be no further payments until such time that both conditions are met again.
- (2) that the crude oil produced from the NORTHERN HIGHLANDS BLOCK will be sold based on the Basra Light (destination Europe) price.
- (3) the same terms and discounts also hold true for the volume equivalent of gas. The Barrel of Oil Equivalent (BOE) conversion that shall be used approximates to five point six thousand (5.6) times the oil production rate. This conversion factor (5.6) is to be used unless the NRA and the CONTRACTOR agree to use a different conversion based on relative calorific value. It is understood that as soon as a gas sample has been properly analyzed and an accurate calorific value has been obtained that this conversion shall be used henceforth in place of 5.6.

ARTICLE 37

OFFICE AND SERVICE OF NOTICE

(a)

CONTRACTOR shall maintain an office in Amman, JORDAN, at which notices may be validly served as hereinafter provided.

(b)

Notices to CONTRACTOR may be given by fax, if transmission thereof is evidenced by a contemporaneous transmission report, or sent to the office of the CONTRACTOR by registered mail or left at the office of the General Manager provided that in such case the General Manager or one of his authorized representatives has acknowledged receipt thereof. A copy of such notice shall also be sent to Contractor's head office.

(c)

Notices to NRA may be given by fax, if transmission thereof is evidenced by a contemporaneous transmission report, or sent to the office of NRA by registered mail or left at the office of the Director General of NRA, provided that in such case the Director General of NRA or one of the authorized representatives of the Director General has acknowledged receipt thereof.

(d)

Notices may also be served by e-mail at the e-mail addresses in the following subparagraphs. It will be for the Party giving the notice to prove that the e-mail has been sent. This may be done by the Party sending the notice to obtain written e-mail confirmation from the party receiving the e-mail notice.

(e)

The notices provided for in paragraphs (b) and (c) above shall be addressed and sent out as follows:

(1) NATURAL RESOURCES AUTHORITY

PO Box 7
Amman 11118
JORDAN
Attention: Director General
Telephone: 585 7612
Telefax: 581 1866
Email: dirgen @ nra.gov.jo

(2) CONTRACTOR:

..... (JORDAN)
.....
.....

E-mail:

Fax:

(e)

The address at which any party may receive a notice may be changed by ten (10) days notice given to the other party.

(f)

Contractor's office in Amman, JORDAN, shall also act as the office for service of notice from third parties.

(g)

Both parties hereto agree to dispense with the necessity of service of notarial notices.

ARTICLE 38

GENERAL

(a)

The headings or titles to each of the Articles to this Agreement are solely for the convenience of the parties hereto and shall not be used with respect to the interpretation or construction of said Articles.

(b)

Whenever the word "including" is utilized herein, unless the context clearly requires otherwise, the word "including" shall be interpreted as being the phrase "including, but not limited to".

(c)

This Agreement embodies the entire agreement and understanding between CONTRACTOR and NRA relative to the subject matter hereof and may not be modified, varied or supplemented by any means; including any decree, law, regulation or ruling of any kind, except by an instrument in writing signed by CONTRACTOR and NRA.

(d)

The provisions of this Agreement shall be binding on the parties hereto, their successors and assignees.

(e)

All external press releases of a technical nature (this includes to the local press, national press, world press, on web sites or at conferences / external meetings) written by the CONTRACTOR or by the NRA / Ministry shall be approved by the NRA or the CONTRACTOR respectively prior to release. Such consent or permission shall ideally be given within 24 hours and shall not be unreasonably withheld. Press releases shall be discussed and agreed between both parties prior to release. Unless otherwise stated, it is the CONTRACTORS responsibility to draft and edit press releases in relation to exploration or production activity in the NORTHERN HIGHLANDS BLOCK

Both parties are able to make general comments, of a non-confidential nature, relating to the general activity in Jordan or in the NORTHERN HIGHLANDS BLOCK to the media or to third parties without consent from the other party.

(f)

Whenever any consent, permission or other approval is required hereunder by any party, or by any committee established hereunder, such consent or permission shall not be unreasonably withheld.

ARTICLE 39

TEXT

This Agreement is written in the English language which has full legal force and effect; however, the Arabic version can be referred to in interpreting this agreement.

IN WITNESS WHEREOF, the NATURAL RESOURCES AUTHORITY and -----
executed this Agreement the day and year first above written.

For and on behalf of:

For and on behalf of:

..... (JORDAN)

GOVERNMENT OF JORDAN /
NATURAL RESOURCES AUTHORITY

By:

By:

Signature

Signature

Title:

Title: Minister of Energy and Mineral
Resources

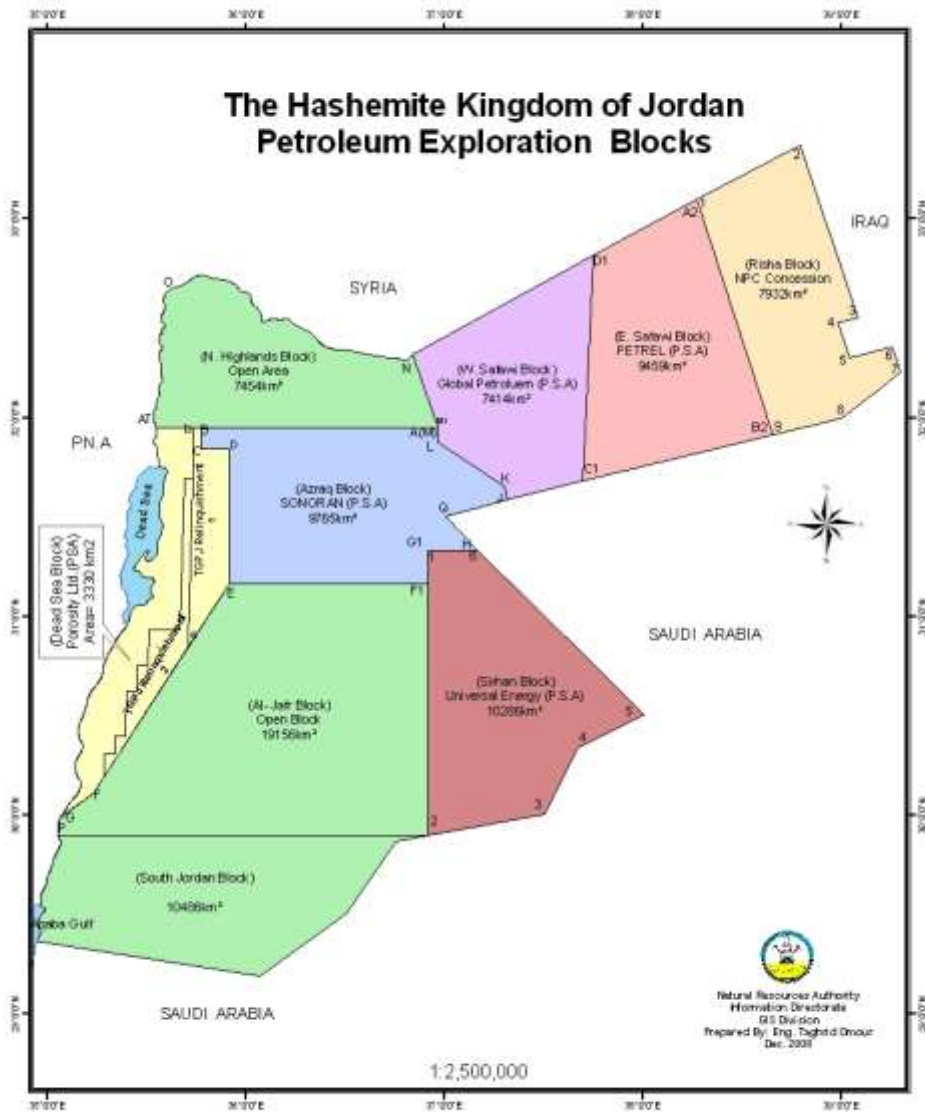
Date:/...../

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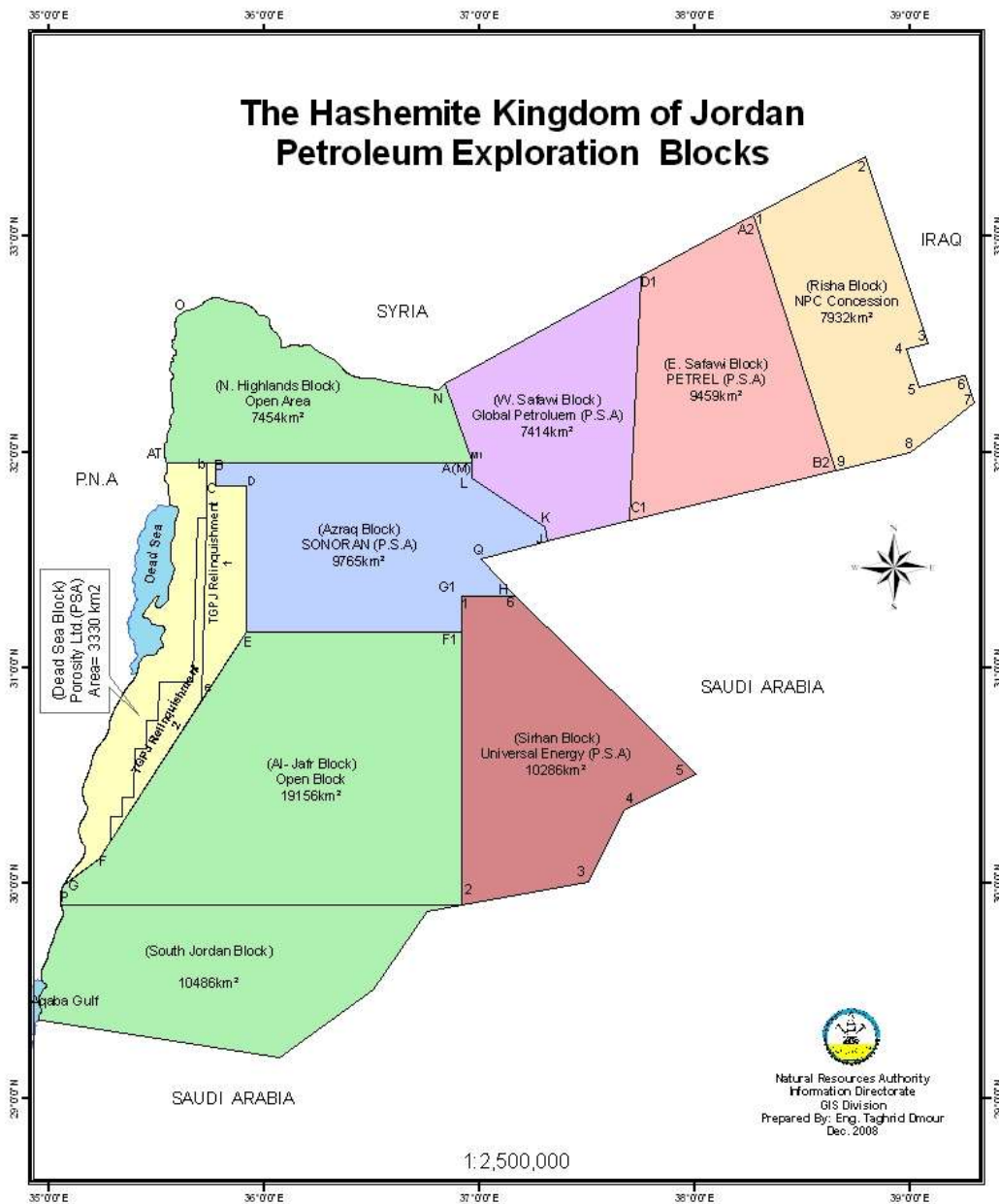
ANNEX A

DESCRIPTION, LOCATION MAP AND CO-ORDINATES OF AREA

The Area of this PSA lies in the northern part of Jordan bordering Syria on part of its northern boundary and the City of Amman in the south. The area covers approximately (7454) square kilometers and consists of a sided area having its corner points as indicated on the accompanying maps.



Detailed Block Map



MAP AND COORDINATES

Geographic Coordinate Northern Highlands Block

Points	NORTH	EAST
A	31° 57' 4.53"	35° 32' 59.28"
M1	31° 57' 33.60"	36° 57' 54.70"
M	31° 57' 0.00"	36° 57' 59.00"
N	32° 19' 1.90"	36° 50' 31.87"
O	32° 39' 23.01"	35° 38' 37.70"

ANNEX B

ACCOUNTING PROCEDURES

ARTICLE I GENERAL PROVISIONS

ARTICLE II EXPENDITURE AND RECEIPTS

ARTICLE III INVENTORIES AND INVENTORY STATEMENTS

ARTICLE IV MEASUREMENT OF PRODUCTION AND PRODUCTION STATEMENT

ARTICLE V VALUE OF PRODUCTION STATEMENT

ARTICLE VI COST RECOVERY STATEMENT

ARTICLE VII STATEMENT OF EXPENDITURES AND RECEIPTS

ARTICLE VIII PROFIT OIL AND LIFTINGS STATEMENT

ARTICLE I

GENERAL PROVISIONS

1. Definitions

The definitions contained in Article I of the Production Sharing Agreement dated _____ shall apply to this Accounting Procedure and have the same meaning.

2. Precedence of Documents

Notwithstanding the provisions of Article II of the Agreement, in the event of any inconsistency or conflict between the provision of this Accounting Procedure and the provisions of the Agreement, the provisions of the Agreement shall prevail.

3. Statements of Activity

(a) During the Exploration Period, CONTRACTOR shall supply NRA within forty five (45) days from the end of each Calendar Quarter:

- (i) a statement of expenditure and receipts; and
- (ii) a detailed accounting statement.

These statements shall be in accordance with this Accounting Procedure. A summary of this information shall be provided on a yearly basis, within seventy five (75) days of the termination of each Calendar Year.

(b) During the Development and Production Periods, CONTRACTOR shall supply NRA within forty five (45) days from the end of each Calendar Quarter or, in the case of the Production Statement, within forty five (45) days from the end of each month:

- (i) a production statement;
- (ii) a value of production statement;
- (iii) a cost recovery statement;
- (iv) a statement of expenditure and receipts;
- (v) a profit oil and lifting statement; and
- (vi) a detailed accounting statement.

These statements shall be in accordance with this Accounting Procedure. A summary of this information shall be provided on a yearly basis within seventy five (75) days of the termination of each Calendar Year.

4. Adjustments and Audits

(a) Each Statement of Petroleum Activity submitted by CONTRACTOR to NRA as provided in Article 25(e) of the Agreement and each statement of expenditure and receipts shall, with regard to the matter of whether or not the cost items are recoverable, conclusively be presumed to be true and correct as to the items charged forty five (45) days after receipt by NRA unless within the said forty five (45) days. NRA takes written exceptions thereto and, as to the level of expenses allowed to be recoverable, each Statement of Petroleum Activity and statement of expenditure and receipts shall

conclusively be presumed to be true and correct three (3) months after receipt by NRA, unless within said three (3) months period NRA takes written exceptions thereto.

(b) Each production statement, value of production statement, cost recovery statement and profit oil and lifting's statement shall, with regard to the produced quantities of Petroleum and the values per unit produced pursuant to Article 13(c) of the Agreement, conclusively be presumed to be true and correct forty five (45) days after receipt by NRA and CONTRACTOR of such statement unless within such forty five (45) days period NRA or CONTRACTOR takes written exceptions thereto, and, as to the calculation of the total production values and of the aggregate sums charged as expenses or credits, these statements shall conclusively be presumed to be true and correct three (3) months after receipt, unless within such three (3) months period NRA or CONTRACTOR takes written exceptions thereto.

(c)(1)

NRA and, if applicable CONTRACTOR, shall have the right to instruct an independent firm of auditors to examine and report on the accounting records of CONTRACTOR with respect to any Calendar Year at any time within three (3) months after the end of such Calendar Year. The cost of such audit will be borne by the requesting party. Notice of any exception to Contractor's accounts must be submitted to CONTRACTOR within the time periods specified in paragraphs (a) and (b) above.

(2)

For the purposes of auditing, the auditors may examine and verify at reasonable times and on reasonable notice all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices, contracts and sub-contracts of any kind related directly to the Agreement and any other documents, correspondence and records of CONTRACTOR necessary to audit and verify charges and credits. Furthermore, the auditors shall have the right in connection with such audit to visit and inspect at reasonable times and on reasonable notice all sites, plants, facilities, warehouses and offices of CONTRACTOR in JORDAN or elsewhere serving the Petroleum Operations including visiting personnel associated with those operations.

(d) Contractor's administrative overheads pursuant to Article II (k)(ii) of this Annex B shall not be subject to audit except as to their application in calculating sums charged as expenses. However all other charges levied by Contractor's head office and affiliates shall be subject to audit as provided in paragraph (c) above, as long as they reflect and being charged to the Jordan operation..

(e) Non Jordanian employee benefits pursuant to Article II (c) of this Annex B shall be in accordance with the normal rules in application for worldwide operations of CONTRACTOR as reasonably evidenced by CONTRACTOR and, as such, not be subject to audit; provided that, if necessary, NRA shall have the right to inspect relevant documentation to ensure compliance with such normal rules.

(f) All documents must be maintained and made available for inspection for five (5) years following their date of issue or such longer period as may be required under any legislation applicable. This being the legal retention period of past records.

5. Currency Exchange

Contractor's books for Petroleum Operations shall be kept in United States Dollars. All U.S. Dollar expenditure shall be charged in the amount expended. All expenditures in Jordanian currency shall be translated into U.S. Dollars in conformity with Article 28(c) of the Agreement, and all other non-U.S. Dollar expenditure shall be translated into U.S. Dollars at the cost of purchase of that currency if such currency was purchased from one of Contractor's U.S. Dollars accounts and, in any other event, at the then prevailing rate of exchange as quoted by The Central Bank of Jordan.

A record shall be kept of the exchange rates used in translating Jordanian currency or other non-U.S. Dollar expenditures to U.S. Dollars.

Any loss or gain resulting from the exchange of currency shall be charged or credited to the accounts.

6. Books

CONTRACTOR shall keep their books in English and on the accrual method. The books shall be kept in accordance with the generally accepted accounting principles prevailing in the international petroleum industry.

7. Revision of Accounting Procedure

By mutual written agreement between NRA and CONTRACTOR, this accounting procedure may be revised from time to time in the light of future arrangements.

8. Detailed Outline of Accounting System

Within ninety (90) days after the Effective Date, CONTRACTOR shall present to and discuss with NRA a proposed outline of chart of accounts, detailed classifications of costs, detailed nature of cost centers to be used, operating records and reports to be established in accordance with the Agreement and this Accounting Procedure. Such outline shall be in accordance with generally accepted accounting systems, normal practices in the international petroleum industry and the laws and regulations of JORDAN. Following such discussions CONTRACTOR shall prepare and provide NRA with formal copies of the comprehensive charts of accounts and the manuals to be used.

ARTICLE II.

EXPENDITURE AND RECEIPTS

1. Expenditures

Subject to the provisions of the Agreement, CONTRACTOR shall bear and directly pay the following costs and expenses, which costs and expenses shall be classified and recovered by CONTRACTOR in accordance with Article 13 of the Agreement.

1(a) Surface Rights

All direct costs attributable to the acquisition, renewal of relinquishment of surface rights in force for the Area.

It is understood that CONTRACTOR will acquire surface rights only for those areas required by CONTRACTOR for installations and operations forming part of Petroleum Operations. It is further understood that no charge shall be payable to NRA and JORDAN in respect of the acquisition, renewal or relinquishment of such surface rights and that NRA will render all assistance to CONTRACTOR in obtaining such surface rights from the owners or occupiers of the area concerned.

1(b) Labor

1(b)(1) Gross salaries and wages including cost of holiday leaves, vacation, sickness and disability benefits applicable to such salaries and wages of Contractor's, Contractor's Affiliates or employees engaged in the various activities under the Agreement, including salaries and wages paid to geologists and other employees who are temporarily assigned to and employed in such activities, regardless of whether such assignment or the work performed occurred inside or outside JORDAN.

1(b)(2) Cost of living and housing allowances and other customary allowances applicable to salaries and wages of such expatriate employees chargeable under sub-paragraphs (b)(1), (k)(1) of this Article II. Paid bonuses, overtime and other customary allowances applicable to salaries and wages of national employees chargeable under the same sub-paragraphs (b)(1), (k)(1) of this Article II.

1(b)(3) Cost of expenditures or contributions made pursuant to law or assessments imposed by governmental authorities which are applicable to labor cost of salaries and wages as provided under sub-paragraphs (b)(1), (k)(1) of this Article II.

1(c) Employee Benefits

Cost of established plans and policies for employee group, life insurance, social security, hospitalization, pension, retirement, stock purchase, thrift, expatriate tax equalization and other benefits of a like nature which are applicable to labor cost of salaries and wages of expatriate employees and for national employees, all as chargeable under sub-paragraphs (b)(1), (k)(1) of this Article II. As to Jordanian employees, severance pay will be charged at a fixed rate applied to payrolls which will equal an amount equivalent to the maximum liability for severance payments as required under Jordanian laws. Severance pay for non-Jordanian employees shall be in line with the practice in the international petroleum industry.

1 (d) Material, Equipment and Supplies

Material, equipment and supplies purchased, rented or furnished as such by CONTRACTOR.

1 (d)(1) Purchased

Material, equipment and supplies purchased shall be at the price paid by CONTRACTOR after deduction of all discounts actually received according to the valuation principles established in Paragraph 3(a) of this Article II.

1 (d)(2) Material Furnished by CONTRACTOR or an Affiliate

Material, equipment and supplies required for operations shall be purchased directly whenever practicable, except that CONTRACTOR may furnish such material, equipment and supplies from its stocks or the stocks of an Affiliate, provided that the cost of such item shall not materially exceed the cost of a similar item purchased from third parties under similar conditions of insurance and delivery. The value of such material, equipment and supplies shall be established according to the provisions of Paragraph 3(b) of this Article II.

1 (d) (3) Warranty

CONTRACTOR does not warrant the material, equipment or supplies furnished beyond or back of the dealer's or manufacturer's warranty and, in case of defective material, equipment or supplies credit shall not be recorded until adjustment has been received by CONTRACTOR from the manufacturers or their agents.

1 (d)(4) Rentals

Materials, equipment and supplies rented shall be charged at actual cost.

1(e) Transportation

1 (e) (1) Transportation of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations.

1 (e) (2) Business travel and transportation expenses to the extent covered by established policies of CONTRACTOR or with regard to expatriates and nationals, as incurred and paid by, or for, employees in the conduct of the Petroleum Operations.

1 (e) (3) Employee relocation and repatriation costs to the extent covered by established policy of CONTRACTOR. This will include travel and relocation expenses for employees and their families to and from the employees' point of origin at the time of employment, at the time of separation and for vacation and travelling expenses for employees and their families incurred as a result of transfer from one location to another. Relocation costs chargeable for employees and their families incurred as a result of a transfer from JORDAN to a location other than the point of origin shall be the lower of the cost of travel to the point of origin and the actual cost of the transfer to the location.

(1)(f) Services

1 (f)(1)The actual cost of consultants, contract services and utilities procured from third parties, provided that such costs are competitive with those generally charged by international or domestic suppliers for comparable work and services.

1 (f)(2) Cost of services, including laboratory analysis, drafting, geophysical treatment and interpretation, geological interpretation, engineering and data processing performed by NRA or by CONTRACTOR or its Affiliates in facilities inside or outside JORDAN. Use of NRA's or Contractor's or an Affiliate's wholly owned equipment shall be charged at a rental rate commensurate with the cost of ownership and operation and in line with competitive rates currently prevailing in the Middle East, at the time of usage.

Services rendered to the Petroleum Operations by CONTRACTOR or its Affiliates will be charged on the basis of costs without profits. The charges will be no higher than the normal prices charged to other Affiliates and to third parties for comparable services under similar terms and conditions elsewhere.

If necessary, certified evidence regarding the basis of prices charged, consisting of certification of the amount of such charges which are direct costs of providing the services concerned and of the amount which contribute an allocated proportion of the overheads, may be obtained from the auditors of CONTRACTOR or its Affiliate, as the case may be, by NRA.

NRA reserves the right to disallow for cost recovery purposes in accordance with the provision of paragraph 5 of this Article II charges for services rendered by CONTRACTOR or its Affiliates if they are significantly higher than the average overall cost charged by petroleum companies to their Affiliates for similar services in the international petroleum industry.

(1)(g) Damages and Losses

Except as made good by insurance charged under subparagraph (h) below, all costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident or other cause not controlled by CONTRACTOR through the exercise of reasonable diligence. CONTRACTOR shall furnish NRA written notice of damages or losses incurred in excess of fifty thousand U.S. Dollars (\$50,000) per occurrence, as soon as practicable after report of the same has received by CONTRACTOR. However, it is understood that all costs and losses shall be considered a recoverable expense.

(1) (h) Insurance and Claims

The cost of insurance, including public liability, property damage and other insurance, including the coverage against liabilities of CONTRACTOR to its employees and/or outsiders as may be carried by CONTRACTOR or required by the laws, rules and regulations of JORDAN or as NRA and CONTRACTOR may agree upon. The proceeds of any such insurance or claim collected shall be credited against the appropriate expenditure account. If, with the agreement of NRA and CONTRACTOR, no insurance is carried for a particular risk, all related actual expenditure incurred and paid by CONTRACTOR in settlement of any and all losses, claims, damages, judgments and any other expenses, including legal services, shall be charged to the appropriate expenditure account, as provided in sub-paragraph (g) above.

(1)(i) Offices, Camps, Warehouses and Miscellaneous Facilities

Camp overheads and facilities such as shore bases, warehouses, water systems and road or other transportation systems, salaries and expenses of field personnel indirectly serving

the Area. In addition, all rentals cost for offices, camps, warehouse, and miscellaneous are charged at cost.

(1)(j) Legal Expenses

All costs and expenses of litigation or legal services otherwise necessary or expedient for the protection of the Area, the Petroleum Operation and facilities including attorney's fees and expenses and the pro rata portion of in-house counsel's salaries and expenses, together with all judgments obtained against the parties or any of them on account of the operations under the Agreement and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged in connection with the operations or the subject matter of the Agreement. In the event actions or claims affecting the interests hereunder shall be handled by the legal staff of one or more of the parties hereto, a charge commensurate with cost of providing and furnishing such services may be made to operations.

(1)(k) Administrative Overhead and General Expense

(1) With respect to Petroleum Operations conducted by CONTRACTOR:

- (i) Cost of staffing and maintaining Contractor's head office in JORDAN and other offices established in JORDAN (except field offices which will be charged according to paragraph (i), above) except salaries of employees of CONTRACTOR or an Affiliate who are assigned to the various activities under the Agreement which will be charged as provided in sub-paragraph (b)(1) above.
- (ii) Contractor's administrative overhead outside JORDAN applicable to the Petroleum Operations under this Agreement shall be charged annually in accordance with the following rates with respect to all cost and expenditures, excluding administrative overhead charges (such administration overhead charges shall include the overhead charges of the Affiliate as referred to in sub-paragraph (f)(2) above).

Percentage cumulative total expenditure per Calendar Year:

Five (5%) First five hundred thousand U.S. Dollars (\$500,000)

Three (3%) Next five hundred thousand U.S. Dollars (\$500,000)

One (1%) All Over one million U.S. Dollars (\$1,000,000).

CONTRACTOR shall make provisional quarterly charges to the accounts based on the above rates. These costs / charges shall be presented to the NRA for approval.

The percentage under this sub-paragraph (k) (1) (ii) may be reviewed in the event of a Commercial Discovery and appropriate adjustments may be made, if necessary, for future use. Pending mutual agreement the above rates will continue to be applied.

Such overhead charges shall be considered compensation for services received by CONTRACTOR from Contractors and Contractors' Affiliates' offices outside JORDAN not otherwise directly chargeable under this Annex B.

- (iii) Examples of the types of costs CONTRACTOR is incurring and charging hereunder due to the activities under the Agreement and covered by said percentages are:
- (a) Executive - Time of executive officers.
 - (b) Treasury - Financial and exchange problems.
 - (c) Purchasing - Procuring materials, equipment and supplies.
 - (d) Exploration and Production - Directing, advising and controlling the entire project.
 - (e) Other departments, such as administrative, legal, tax, employee relations, accounting and audit which contribute time, knowledge and experience to the operation.

The foregoing does not preclude charging for direct services under sub-paragraph (f)(2) of this Article II.

(2) Any time CONTRACTOR is conducting Petroleum Operations, Contractor's personnel engaged in general clerical and office work, supervisors and officers whose time is generally spent in the main office and not in the field, and all employees generally considered as general and administrative and not charged to other types of expenses.

(3) Such general and administrative expenses as provided under sub-paragraph (k)(1) and (k)(2) above, shall be allocated each month among Operating Expenses, Exploration Expenditures and Development Expenditures according to accepted accounting practices generally used in the international petroleum industry.

(i) Production Area Expenses

Costs of CONTRACTOR activities with respect to Production Area(s) after operations will be charged provided such costs are required by the Agreement.

(m) Other Expenditure

Any justifiable costs, expenses or expenditures, other than those which are covered and dealt with by the foregoing provisions of this Article II, incurred by CONTRACTOR for the necessary and proper conduct of the Petroleum Operations.

(n) No Charge for Interest

No interest on investment or other financing expense incurred by CONTRACTOR may be charged as a recoverable cost for the cost recovery purpose except that bank charges related to bank guarantees or performance bond required under Articles 20 and 22 of the Agreement and usual bank costs, including transfer costs, exchange commissions and other commissions may be charged. The foregoing provision does not prejudice any recoverability of interests or other financing expense under any tax law applicable in JORDAN or in any other country.

2. Receipts

Receipts received by CONTRACTOR as a result of the Petroleum Operations or incidental thereto shall be credited to the respective accounts. Such receipts shall include the following transactions:

(a) Claims Recovery

The proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts.

(b) Third Party Revenues

Revenues received from third parties for the use of property or assets, for the delivery of any services by CONTRACTOR or for any information or data.

(c) Adjustments

Any adjustments received by CONTRACTOR from the suppliers/manufacturers or their agents in connections with defective equipment or materials, the costs of which was previously charged to the accounts.

(d) Refunds

Rentals, refunds or other credits received by CONTRACTOR which apply to any charge which has been made to the accounts.

(e) Sale or Export of Material, Equipment and Supplies

Without prejudice to the provisions of Article 10 of the Agreement, in case CONTRACTOR sells or exports or transfers to Affiliates or other entities or persons, any material, equipment and supplies, the cost of which was previously charged to the accounts, the value of such transfers shall be credited to the accounts.

3. Valuation of Material, Equipment and Supplies

The valuation of material, equipment and supplies either charged to the accounts pursuant to sub-paragraph 1(d) of this Article II or credited to the accounts pursuant to sub-paragraph 2(e) of this Article II shall be valued in accordance with the following principles:

(a) Except as otherwise provided in sub-paragraph (3)(b) below, the costs of material, equipment and supplies purchased shall be in line with the international market price for goods of similar quality supplied on similar terms prevailing in the Middle East at the time such goods were contracted by CONTRACTOR. In case of purchasing of material, equipment and supplies the purchase price shall reflect, where applicable, trade and cash discounts, purchase and procurement fees, freight, forwarding charges, insurance, taxes, customs duties, consular fees and other items chargeable against imported material, equipment and supplies to the extent that these items have not been charged already under other accounts.

(b) Material, equipment and supplies purchased from or sold to Affiliates shall be charged at the prices specified in (1) and (2) below as follows:

(1) New Material, Equipment and Supplies (Condition A) shall be in line with the international market price for goods of similar quality supplied on similar terms prevailing in the Middle East at the time such goods were contracted by CONTRACTOR.

(2) Used Material, Equipment and Supplies (Conditions B and C).

(i) Material, equipment and supplies which are in sound and serviceable condition and are suitable for reuse without reconditioning shall be classified as Condition B and priced at seventy-five per cent (75%) of the current price of new material, equipment and supplies defined in (1) above.

(ii) Material, equipment and supplies which cannot be classified as Condition B but which:

I. after reconditioning will be further serviceable for original function as good as second-hand material, equipment and supplies (Condition B); or

II. Are serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition C and priced at fifty per cent (50%) of the current price of new material, equipment and supplies as defined in (1) above. The cost of reconditioning shall be charged to the reconditioned material, equipment and supplies provided that the value of Condition C material, equipment and supplies plus the cost of reconditioning do not exceed the value of Condition B material, equipment and supplies.

(iii) Material, equipment and supplies which cannot be classified as Condition B or C shall be priced at a value commensurate with its use.

(iv) When the use of material, equipment and supplies are temporary and the service to the Petroleum Operations does not justify the reduction in price provided for in sub-paragraph (b) (2)(ii)(II) hereof, such material, equipment and supplies shall be priced on a basis that will result in a net charge to the accounts consistent with the value of the services rendered.

4. Cost Centre

In order to provide for an efficient control of the recoverable costs under the Agreement, all costs must be presented for NRA's review on the basis of cost centre and sub-divisions of this cost centre. Furthermore, all costs should be presented to the NRA in the CONTRACTORS annual work program and budget.

The detailed division shall be agreed upon pursuant to Article I of this Annex B. However, as a minimum the following divisions shall be established.

(a) The costs shall be allocated per area in the following manner:

(i) Exploration area.

(ii) Each individual Production Area.

(iii) Costs related to activities outside the Area, such as pipelines.

(iv) Costs that cannot be related to a certain area.

(b) The costs shall be allocated per Petroleum Operation in the following manner:

(i) Exploration Operations, subdivided further into:

(a) Aerial, geological, geochemical, paleontological, topographical and other surveys.

(b) Each individual seismic survey.

(c) Each individual Exploration or Appraisal Well.

(d) Infrastructure (roads, airstrips, etc.).

(e) Support facilities (warehouses, etc.), including an allocation of common service costs (costs related to various Petroleum Operations).

(f) An allocation of the administrative overhead and general expenses incurred in Jordan in relation to obligations under this Agreement.

(g) An allocation of the costs incurred in respect of office administrative or similar services located outside Jordan.

(h) Costs and expenses incurred for PSA training as per Article 14(b)

(i) Costs for data copying and transfer of data.

(J) Other costs.

(ii) Development Operations, sub-divided further into:

(a) Aerial, geological, geochemical, geophysical and other surveys.

(b) Each individual Development Well.

(c) Gathering lines.

(d) Field facilities.

(e) Tank farms and other storage facilities for Petroleum.

(f) Pipelines, trucks.

(g) Infrastructure.

(h) Support facilities, including an allocation of common service costs (cost related to various Petroleum Operations).

(i) An allocation of the administrative overheads and general expenses both within Jordan and overseas.

(j) Other costs.

(iii) Production Operations, sub-divided in the same manner as Development Operations.

(c) Cost shall be allocated to Crude Oil and Gas, where both products are being produced and saved. The allocation shall be in accordance with the following principles:

(i) Where costs are exclusively related to either Crude Oil or Gas, such costs shall be allocated completely to the respective fuel.

(ii) Where costs can be attributed to both Crude Oil and Gas, the costs shall be allocated on the basis of a method agreed by the parties in accordance with good international petroleum industry practices.

5. Non-Recoverable Costs

The following costs shall be non-recoverable for the purpose of determining Cost Oil or Cost Recovery Gas:

(a) Costs for which the records do not exist or are not correct in any material respect.

(b) Costs that were not incurred within the relevant work program and budget or authority for expenditure, or are of a category not permitted by this Agreement.

(c) Costs over twenty five percent (25%) in excess of those in line with the international market price for goods or services of similar quality supplied on similar terms prevailing in the Middle East at the time such goods or services were obtained or ordered by CONTRACTOR except costs incurred in cases of emergency. Unless prior approval for such expenses have been obtained from the NRA NSC.

(d) Charges for goods and services which are not in accordance with the relevant Agreement, as may be amended, with the sub-contractor or supplier.

(e) Where the condition of the materials is not in line with their prices in accordance with paragraph 3 above, excess costs related to such discrepancy.

(f) Any costs not reasonably required for the Petroleum Operations, including any costs attributable to activities after the Delivery Point such as costs associated with Crude Oil after it is loaded on tanker for shipment from JORDAN.

(g) Income taxes incurred outside JORDAN and other taxes incurred outside JORDAN.

(h) Production bonuses paid under Article 14 of the Agreement.

(i) Costs of arbitration and expert determination pursuant to Article 34 of the Agreement, unless the arbitrators or experts otherwise decide.

(j) Fines and penalties imposed by the Courts of Law of JORDAN.

(k) Donations or contributions, unless previously approved by NRA.

(l) Interest and financing expenses referred to in paragraph 1(O) hereof.

(m) Expenditures on research into and development of new equipment, materials and techniques for use in searching for, developing and producing petroleum, unless duly attributable to Petroleum Operations.

(n) Costs incurred prior to the Execution Date.

6. Duplication Of Charges And Credits

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

ARTICLE III
INVENTORIES AND INVENTORY STATEMENTS

1. Periodic Inventories, Notice and Representation

At reasonable intervals as agreed upon by NRA and CONTRACTOR inventories shall be taken by CONTRACTOR of the operations material, which shall include all such material, physical assets and construction projects.

Written notice of intention to take inventory shall be given by CONTRACTOR to NRA and CONTRACTOR at least fifteen (15) days before any inventory is to begin so that NRA and/or CONTRACTOR may be represented when any inventory is taken. Failure of NRA and/or CONTRACTOR to be represented at an inventory shall bind NRA and/or CONTRACTOR to accept the inventory taken by CONTRACTOR who shall, in that event, furnish NRA and CONTRACTOR with a copy. CONTRACTOR shall take the inventory at least once per year and upon the termination of the Agreement.

2. Reconciliation and Adjustment of Inventories

Reconciliation of Inventory shall be made by NRA and CONTRACTOR and a list of shortages and overages shall be jointly determined by NRA, CONTRACTOR and the inventory adjusted, accordingly by CONTRACTOR.

3. Inventory Statement

(a) CONTRACTOR shall maintain detailed records of property in use for the Petroleum Operations in accordance with normal international petroleum industry accounting practices.

(b) On a quarterly basis CONTRACTOR shall with respect to the operations for which they are respectively responsible, supply to NRA an Inventory Statement. Such Inventory Statement shall contain:

- (i) The description and codes or identification of all controllable assets and materials.
- (ii) The amount charged to the accounts for each asset.
- (iii) The date on which such asset was charged to the account; and
- (iv) Whether the costs of such assets has been recovered pursuant to Article 10(a)(2) of the Agreement.

4. Identification

To the extent possible and reasonable, in accordance with the agreed procedures under Article I of this Annex B, all assets shall be identified with the respective codes or identification for easy inspection.

ARTICLE IV.

MEASUREMENT OF PRODUCTION AND PRODUCTION STATEMENT

1. The Production Statement shall be prepared in accordance with the following principles:

(a) The Production Sharing Oil or Gas and Cost Oil or Cost Recovery Gas shall be determined on the basis of all Crude Oil and all Gas produced and saved from the Area as provided in Articles 13 and 15 of the Agreement.

The production of Crude Oil in barrels per day shall be determined by dividing the total measurements of Crude Oil for the Calendar Quarter by the number of days in such Calendar Quarter. Where different grades of Crude Oil are being delivered at the production sharing measurement point(s), the volumes of each grade shall be determined separately.

(b) The total volumes of Crude Oil and Gas produced and saved shall be determined on a daily basis at the shipment point in each Production Area and, where various grades of Crude Oil are being delivered to/at the delivery point(s), the volumes of such grades of Crude Oil shall be determined separately unless otherwise agreed by NRA and CONTRACTOR. The shipment point shall be the point in the Production Area where the Petroleum is being metered prior to transport by pipeline, railcar or truck from the Production Area.

(c) The volumes of Crude Oil shall be corrected for water and sediments and shall be determined on the basis of standard temperatures and pressures. The gravity, sulphur content and other quality indicators of the Crude Oil shall be determined and registered regularly.

(d) The volumes of Gas shall be determined on the basis of standard temperatures and pressures. The energy content, sulphur content and other quality indicators of the Gas shall be determined and registered regularly.

(e) The volume of Crude Oil and Gas used in the Petroleum Operations shall be measured and registered on a daily basis; such volumes being the volumes used:

(i) For re-injection.

(ii) For recycling; and

(iii) for energy for the exploration, development and field operations as well as for pipeline pumping requirements.

(f) The volumes of Crude Oil burned or Gas flared or vented shall be registered on a daily basis.

(g) The size of the Crude Oil stocks shall be determined as a minimum at the beginning and the end of each calendar month.

2. Following the commencement of Initial Commercial Production from the Area, CONTRACTOR shall submit a monthly Production Statement showing the following information for each Production Area:

- (a) The quantity of Crude Oil produced and saved.
- (b) The quantity of Gas produced and saved.
- (c) The quantities of Petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage.
- (d) The quantities of Gas flared.
- (e) The size of Petroleum stocks held at the beginning of the month.
- (f) The size of Petroleum stocks held at the end of the Month.

ARTICLE V

VALUE OF PRODUCTION STATEMENT

1. NRA and CONTRACTOR shall prepare each Calendar Quarter a statement providing calculations of the value of the Crude Oil and Gas produced and sold at the Delivery Point in accordance with this Agreement.

This value of Production Statement shall include:

(a) The quantities and prices realized by NRA and CONTRACTOR as a result of sales of Crude Oil to third parties during the Calendar Quarter in question.

(b) The quantities and prices realized by NRA and CONTRACTOR as a result of sales of Crude Oil during the Calendar Quarter in question to parties other than third parties.

(c) If Article 13(c)(3) of the Agreement is applicable, information available to CONTRACTOR concerning the prices of Crude Oil produced by the main Petroleum exporting countries of relevance for the determination of the value of the Crude Oil, including contract prices, discounts and premia and prices obtained in the spot market.

(d) The quantities and prices realized by NRA and CONTRACTOR as a result of the sales of Gas.

ARTICLE VI.

COST RECOVERY STATEMENT

1. CONTRACTOR shall prepare each Calendar Quarter in accordance with their respective obligations, a cost recovery statement showing:

- (a) Recoverable costs carried from the previous Calendar Quarter, if any.
- (b) Recoverable costs incurred during the Calendar Quarter.
- (c) Total recoverable costs for the Calendar Quarter.
- (d) Quantity and value of Cost Oil or Cost Recovery Gas taken and separately disposed of by CONTRACTOR during the Calendar Quarter.
- (e) Amount of costs recovered for the Calendar Quarter.
- (f) Amount of recoverable costs carried into the succeeding Calendar Quarter, if any.

2. Control Statements

CONTRACTOR will establish a cost recovery account and an offsetting contra-account to control therein the amount of costs remaining to be recovered and the amount of cost recovered; details of this account will be provided on a quarterly basis to NRA.

ARTICLE VII.

STATEMENT OF EXPENDITURES AND RECEIPTS

CONTRACTOR be shall prepare each Calendar Quarter, in accordance with their respective obligations, a Statement of Expenditure and Receipts. This statement shall show the following:

- (a) The expenditures and receipts contemplated for the Calendar Year in the budget, on the basis of the cost classification and cost centres as provided for in this accounting procedure.
- (b) The expenditures and receipts accrued during the Calendar Quarter in question, identified recoverable pursuant to this Agreement.
- (c) The cumulative expenditures and receipts for the Calendar Year under consideration.
- (d) Modifications to the budget agreed to in accordance with the agreement without prejudice to the provisions of Article 3(c)(6) of the Agreement which shall prevail.
- (e) The latest forecast of cumulative expenditures and receipt for year end.
- (f) Variations between budget forecast (as amended by paragraph (d) hereof, where applicable) and latest forecast and reasonable explanations thereof.

ARTICLE VIII.

PROFIT OIL AND LIFTINGS STATEMENT

Each Calendar Quarter, CONTRACTOR shall prepare a Profit Oil and Lifting's Statement containing the following information:

- (a) Crude Oil and Gas produced during the Quarter in question.
- (b) Total cumulative Crude Oil and Gas produced up to the end of the Quarter.
- (c) Volume of Profit Sharing Oil and Gas to NRA and CONTRACTOR during the Quarter in question.
- (d) Cumulative volume of Profit Sharing Oil and Gas to NRA and CONTRACTOR up to the end of the Quarter in question.
- (e) Volume of Cost Oil and Cost Recovery Gas due to CONTRACTOR during the Quarter in question.
- (f) Cumulative volume of Cost Oil and Cost Recovery Gas due to CONTRACTOR up to the end of the Quarter in question.
- (g) Lifting's by NRA and CONTRACTOR during the Quarter in question.
- (h) Cumulative lifting's by NRA and CONTRACTOR up to the end of the Quarter in question.
- (i) Over and under-lifting's by NRA and CONTRACTOR up to the end of the Quarter in question.

ANNEX C

CHARTER OF OPERATING COMPANY

(a)

Upon production of two thousand (2,000 bopd) (averaged over 1 month) the Parties shall hold discussions to establishing an Operating Company and unanimously agree the scope and authority and mandate and limitations of Operating Company.

(b)

The head office of the Operating Company shall be in Amman, Jordan; and it shall have the right to open branch offices in any other location in or outside of Jordan as determined by their Board of Directors and with approval from the NRA.

(c)

The object of the Operating Company is to act as the agency through which CONTRACTOR conducts Production Operations related to all Production Areas in the Area (all as defined in the Agreement) covered by the Agreement. The Operating Company is authorised and obliged to execute under the supervision of CONTRACTOR approved work and production programs and budgets and other work plans transmitted to the Board of Directors of the Operating Company by CONTRACTOR.

The CONTRACTOR / OPERATOR is still obligated to gain all approvals for annual work programmes and budgets from the NRA NSC as it was required to during the exploration phase of the contract.

The Operating Company shall keep account of all costs, expenses and expenditures for such operations under the terms of the Agreement and Annex B thereto.

The Operating Company shall not engage in any business or undertake any activity beyond the performance of said operations unless otherwise agreed upon by NRA and CONTRACTOR.

(d)

When for the first time, gross incremental production from the entire NORTHERN HIGHLANDS BLOCK reaches a level of two thousand (2,000 bopd) (averaged over 1 month) then both the CONTRACTOR and NRA shall establish an Operating Company.

(e)

In any event and for the avoidance of doubt and in relation to the foregoing of this Annex C, the implementation of the Operating Company shall not have any adverse impact on Contractor's operations and Contractor's decision making process in relation to the integrity of the commerciality of Contractor's operations under the terms of this Agreement, and hold CONTRACTOR free from economic and commercial harm.

ANNEX D

TAX IMPLEMENTATION PROVISIONS

CONTRACTOR shall be subject to a 15% flat rate of tax on taxable income and shall be exempt from all other Jordanian taxes and levies and will not be subject to any new taxes for the life of Contractor's Petroleum Operations under the terms of this Agreement.

ANNEX E

BANK GUARANTEE

From: Bank

To: Ministry of Finance/Customs
Hashemite Kingdom of Jordan
Amman
JORDAN

Dear Sirs,

The undersigned ("Bank"), as guarantor, hereby irrevocably guarantees to the Ministry of Finance/Customs ("Ministry"), the Government of the Hashemite Kingdom of Jordan, the payment without any need for material notice or judicial proceeding of any customs duties, fines and charges up to an amount of two hundred thousand U.S. Dollars (U.S. \$0.2 million) payable in Jordanian Dinars on any items imported into Jordan by..... (JORDAN) LTD ("CONTRACTOR"), its employees or its sub-contractors free from customs, duties or charges, which are disposed of in Jordan in a manner subject to duty pursuant to Article 20 of the Production Sharing Agreement ("the Agreement") dated _____ between NRA and CONTRACTOR.

The Ministry may demand and receive payment from us within ten (10) business days after presentation of a written statement signed by an authorized official of the Ministry, Amman, Jordan certifying that:

- (a) Such person is a duly authorized official acting on behalf of the Ministry.
- (b) The amount of the demand payment represents customs duties, fines and charges due and payable to the Ministry from CONTRACTOR.
- (c) CONTRACTOR has unduly neglected, failed or refused to pay such duties, fines and charges although requested to do so by the Ministry.
- (d) The duties, fines and charges due result from the dutiable disposition within Jordan of items imported into Jordan by CONTRACTOR, its employees or its sub-contractors free of customs, duties or charges.

The statement from the Ministry should list the items and applicable duties, fines or charges.

This Bank Guarantee shall be effective from the date of its issue and shall continue to be effective until the earlier of the date when CONTRACTOR and NRA provide a written statement that all the guaranteed items have been re-exported from Jordan or customs, duties, fines and charges have been paid on them, or the guaranteed items are disposed of duty free in Jordan in accordance with Article 20 of the Agreement.

(Bank)

ANNEX F

FORM OF PERFORMANCE BOND

From: Bank

To: Natural Resources Authority
Hashemite Kingdom of Jordan
Amman
JORDAN

Please be advised that we hereby open our irrevocably standby Performance Bond No. In the favor of the Natural Resources Authority of the Hashemite Kingdom of Jordan ("NRA") for the account of..... (JORDAN) LTD ("CONTRACTOR") for the aggregate amount of up to one million U.S. Dollars (U.S.\$1.0 million) with reference to securing compliance of CONTRACTOR with its performance obligation under Article 4 of the Agreement for Petroleum Exploration and Production Sharing signed between NRA and CONTRACTOR on _____ ("the Agreement").

This standby Performance Bond is available for payment without any need for notarial notice or judicial proceeding. Except those cases which are naturally entitled to a release, namely, when the Agreement has been terminated or when the initial exploration period (3 years) and the Performance Bond will be one million US Dollars (1000000) for any optional extensions have expired, NRA may give a written notice of breach to the CONTRACTOR if NRA determines that CONTRACTOR has not fulfilled its obligations under Article 4.

If CONTRACTOR has not satisfied NRA for such failure to perform and a period of ninety (90) days has elapsed since notice of breach NRA may then demand payment hereunder. Such payment shall be made to NRA within ten (10) business days after the receipt of written notice from NRA to us with a copy to the CONTRACTOR stating that:

- (a) CONTRACTOR has failed to perform all or part of its obligations under Article 4 of the Agreement and has not otherwise satisfied NRA for such failure to perform; and
- (b) A period of ninety (90) days has elapsed since notice of breach was given by NRA to CONTRACTOR.

This Performance Bond shall become effective upon written notification by NRA or CONTRACTOR to us that the Agreement has become effective and, unless extended by CONTRACTOR, shall continue to be effective for the duration of the First Term and for one hundred and twenty (120) days thereafter, or if earlier, until written notice is received by us from NRA that CONTRACTOR has fulfilled its obligations under the Contract.

ANNEX G

FORM OF PARENT COMPANY GUARANTEE

..... (PARENT COMPANY) hereby declares that (JORDAN) LTD (LOCAL COMPANY) is an affiliated company whose capital stock is directly and exclusively held by PARENT COMPANY.

PARENT COMPANY is fully aware of the content of the Production Sharing Agreement executed by NRA and LOCAL COMPANY the provisions of which it acknowledges and accepts.

Any alterations, amendments, extensions or waivers relating to the Production Sharing Agreement executed by NRA and LOCAL COMPANY shall be considered as being done with the consent of PARENT COMPANY.

PARENT COMPANY unconditionally guarantees to NRA the full and prompt fulfilment of the obligations assumed by LOCAL COMPANY under the said Production Sharing Agreement and those of any affiliated successors or affiliated assignees of LOCAL COMPANY, jointly and severally assuming the responsibility to carry out such obligations, waiving all benefit or right which may in any manner limit, restrict or annul this responsibility.

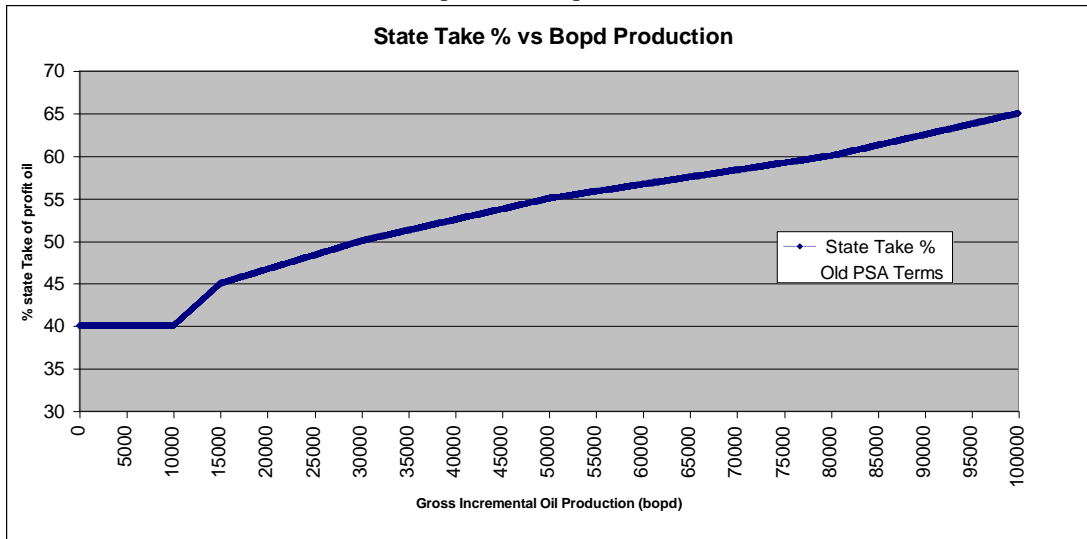
This guarantee will not be reduced or in any manner be affected by any delay or failure of the NRA to enforce its rights, nor by bankruptcy or dissolution of LOCAL COMPANY.

If LOCAL COMPANY shall fail in fulfilling any obligation under the Production Sharing Agreement and if NRA shall have communicated in writing to LOCAL COMPANY such failure and the latter has not remedied or taken the necessary steps to remedy such failure, then NRA may demand of PARENT COMPANY the fulfilment of the obligation in default.

ANNEX H

SHARING OF PROFIT OIL

The sharing of profit oil is displayed on the following chart. For detailed figures of exact production split, which list the actual production splits for each 10 barrel increment.



Barrels of Oil Per Day	Government Share (%)	Contractor Share (%)
0-10,000	40	60
10,001-15,000	40- 45	60- 55
15,001-30,000	45- 50	55- 50
30,001-50,000	50- 55	50- 45
50,001-80,000	55- 60	45- 40
80,001-100,000	60- 65	40- 35
100,001 and above	70	30
Thousand Standard cubic feet of Gas per day	Government Share (%)	Contractor Share (%)
0-56,000	40	60
56,056-84,000	40- 45	60- 55
84,056-168,000	45- 50	55- 50
168,056-280,000	50- 55	50- 45
280,056-448,000	55- 60	45- 40
448,056-560,000	60- 65	40- 35
560,056 and above	70	30