

**PETROLEUM  
PRODUCTION SHARING  
CONTRACT FOR OFFSHORE LIBERIA  
BLOCK LB-15**

**BETWEEN**

**THE REPUBLIC OF LIBERIA  
REPRESENTED BY  
THE NATIONAL OIL COMPANY OF LIBERIA,**

**THE NATIONAL OIL COMPANY OF LIBERIA**

**AND**

**WOODSIDE WEST AFRICA PTY. LTD.**



**AN ACT RATIFYING THE PRODUCTION SHARING CONTRACT WITH ADDENDUM FOR OFFSHORE LIBERIA BLOCK LB- 15 SIGNED BETWEEN THE REPUBLIC OF LIBERIA REPRESENTED BY THE NATIONAL OIL COMPANY OF LIBERIA (NOCAL) AND WOODSIDE WEST AFRICA PTY. LTD.**

It is enacted by the Senate and House of Representatives of the Republic of Liberia in Legislature assembled:

**SECTION I:** That from and immediately after the passage of this Act, "AN ACT RATIFYING THE PRODUCTION SHARING CONTRACT WITH ADDENDUM FOR OFFSHORE LIBERIA BLOCK LB- 15 SIGNED BETWEEN THE REPUBLIC OF LIBERIA REPRESENTED BY THE NATIONAL OIL COMPANY OF LIBERIA (NOCAL) AND WOODSIDE WEST AFRICA PTY. LTD.", as herein recited below word for word in the equally authentic English Version be, and the same is hereby ratified.

**SECTION II: SHORT TITLE:** This Act Ratifying the Production Sharing Contract with Addendum for Block LB- 15 signed between The Republic of Liberia Represented by the National Oil Company of Liberia (NOCAL) and Woodside West Africa PTY. LTD. may also be officially cited as the **PRODUCTION SHARING CONTRACT ACT OF LIBERIA AND WOODSIDE WEST AFRICA PTY. LTD.**

**SECTION III:** That any and all obligations, covenants, terms and conditions as contained in the above mentioned Production Sharing Contract shall be carried to full completion unless otherwise modified, amended or repealed.


**SECTION IV:** This Act shall take effect immediately upon the publication into hand-bill.

**ANY LAW TO THE CONTRARY NOTWITHSTANDING.**


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ATTESTATION TO:

"AN ACT RATIFYING THE PRODUCTION SHARING CONTRACT WITH ADDENDUM FOR OFFSHORE LIBERIA BLOCK LB-15 SIGNED BETWEEN THE REPUBLIC OF LIBERIA REPRESENTED BY THE NATIONAL OIL COMPANY OF LIBERIA (NOCAL) AND WOODSIDE WEST AFRICA PTY. LTD."

  
VICE PRESIDENT OF THE REPUBLIC OF LIBERIA/ PRESIDENT OF THE SENATE

  
SECRETARY, LIBERIAN SENATE, R.L.

  
SPEAKER, HOUSE OF REPRESENTATIVES, R.L.

  
CHIEF CLERK, HOUSE OF REPRESENTATIVES, R.L.

## TABLE OF CONTENTS

ARTICLE		PAGE
1.	DEFINITIONS	4
2.	SCOPE OF THE CONTRACT	7
3.	DURATION OF EXPLORATION PERIODS AND SURRENDERS	8
4.	EXPLORATION WORK COMMITMENTS	10
5.	ESTABLISHMENT AND APPROVAL OF ANNUAL WORK PROGRAMS AND BUDGETS	12
6.	CONTRACTOR'S OBLIGATIONS	14
7.	CONTRACTOR'S RIGHTS	16
8.	ACTIVITY REPORTS DURING THE EXPLORATION PERIODS AND SUPERVISION OF PETROLEUM OPERATIONS	18
9.	OCCUPATION OF LAND	20
10.	USE OF FACILITIES	21
11.	APPRAISAL OF A PETROLEUM DISCOVERY	22
12.	GRANT OF AN EXCLUSIVE EXPLOITATION AUTHORIZATION	25
13.	DURATION OF THE EXPLOITATION PERIOD	26
14.	EXPLOITATION OBLIGATION	27
15.	CONTRACTOR'S OBLIGATIONS AND RIGHTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORIZATIONS	28
16.	RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING	30
17.	TAXATION	32
18.	VALUATION OF PETROLEUM	36
19.	BONUSES	39
20.	OWNERSHIP AND ABANDONMENT OF ASSETS	40
21.	NATURAL GAS	41
22.	FOREIGN EXCHANGE CONTROL	46
23.	APPLICABLE LAW	47
24.	MONETARY UNIT	48
25.	ACCOUNTING METHODS AND AUDITS	49
26.	IMPORT AND EXPORT	60
27.	DISPOSAL OF PRODUCTION	62
28.	PROTECTION OF RIGHTS	63
29.	PERSONNEL, TRAINING AND SOCIAL WELFARE	64
30.	ACTIVITY REPORTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORIZATIONS	66
31.	ARBITRATION	67
32.	FORCE MAJEURE	68
33.	JOINT AND SEVERAL OBLIGATIONS AND GUARANTEES	69
34.	RIGHTS OF ASSIGNMENT	69
35.	STABILITY OF CONDITIONS	61
36.	IMPLEMENTATION OF THE CONTRACT	62
37.	EFFECTIVE DATE	65

### APPENDIX

1.	DELIMITED AREA	66
2.	ACCOUNTING PROCEDURE	67
3.	TAX CERTIFICATE	78

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## PRODUCTION SHARING CONTRACT

DATED            day of            2005.

### BETWEEN

The Republic of Liberia, (STATE) represented for the purposes of this Contract by the National Oil Company of Liberia (NOCAL),

The National Oil Company of Liberia, a company incorporated under the laws of Liberia ("NOCAL");

### AND

Woodside West Africa Pty Ltd, a company incorporated under the laws of Australia, hereinafter referred to as (the "Contractor").

### WHEREAS

- The discovery and exploitation of Petroleum are important for the interest and the economic development of the country and its people;
- NOCAL wishes to undertake operations for exploration for exploitation, transportation, storage, processing and marketing of Petroleum;
- NOCAL has the mining rights in respect of Petroleum exploration and exploitation over the entirety of available areas in Liberia including the Delimited Area defined hereinafter;
- NOCAL wishes to promote the development of the Delimited Area, and the Contractor wishes to cooperate with NOCAL by assisting it in the exploration for and production of the potential resources within the Delimited Area, and thereby encouraging the economic growth of the country;
- The Contractor represents that it has the financial resources, the technical competence and the organization capacity necessary to carry out in the Delimited Area the Petroleum Operations specified hereinafter.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

## ARTICLE 1

### DEFINITIONS

The following terms used in this Contract shall have the following meaning:

- 1.1. **CALENDAR YEAR** means a period of twelve (12) consecutive months beginning on January first (1st) and ending on the following December thirty-first (31st), according to the Gregorian calendar.
- 1.2. **CONTRACT YEAR** means a period of twelve (12) consecutive months beginning on the Effective Date or on the anniversary thereof.
- 1.3. **FISCAL YEAR** means a period of twelve (12) consecutive months beginning on January first (1st) and ending on the following December thirty-first (31st).
- 1.4. **BARREL** means U.S. barrel, i.e., 42 U.S. gallons measured at a temperature of 60°F and under an atmospheric pressure.
- 1.5. **BUDGET** means the itemized cost estimates of the Petroleum Operations described in an Annual Work Program.
- 1.6. **EFFECTIVE DATE** means the date on which this Contract comes into force and effect, as defined in Article 37.
- 1.7. **CONTRACTOR** means Woodside West Africa Pty Ltd and its successors and permitted assigns.
- 1.8. **CONTRACT** means this Production Sharing Contract and its appendices forming an integral part hereof, together with any extension, renewal, replacement or modification hereto which may be mutually agreed between the Parties.
- 1.9. **PETROLEUM COSTS** means all costs actually incurred or accrued by the Contractor for the purposes of the Petroleum Operations under this Contract, and determined in accordance with the Accounting Procedure attached hereto as Appendix 2.
- 1.10. **DOLLAR** means dollar of the United States of America.
- 1.11. **NATURAL GAS** means the following when in a gaseous state under standard temperature and pressure conditions: methane, ethane, propane, butane and dry or wet gaseous hydrocarbons, whether or not associated with Crude Oil, as well as all gaseous products extracted in association with Crude Oil, such as, without limitation, nitrogen, hydrogen sulfide, carbon dioxide, helium and water vapor.

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- 1.12. **ASSOCIATED NATURAL GAS** means Natural Gas which exists in a reservoir in solution with Crude Oil which is or could be produced in association with Crude Oil or as a gas cap in contact with Crude Oil.
- 1.13. **NON-ASSOCIATED NATURAL GAS** means Natural Gas other than Associated Natural Gas.
- 1.14. **FIELD** means an accumulation of Petroleum in one or several overlaying horizons.
- 1.15. **PETROLEUM** means Crude Oil and Natural Gas.
- 1.16. **PETROLEUM OPERATIONS** means all the Petroleum exploration, appraisal, development, production (including treating, dehydrating, compressing, processing, liquefying and storing Natural Gas), transportation and marketing operations, abandonment and decommissioning, and more generally, any other operations directly associated therewith, carried out under this Contract.
- 1.17. **PARTIES** means the STATE, NOCAL and the Contractor; and **PARTY** means either, the STATE, NOCAL or the Contractor.
- 1.18. **APPRAISAL PERIMETER** means any part of the Delimited Area where one or more Petroleum discoveries have been made, and in respect of which NOCAL has granted to the Contractor an exclusive appraisal authorization for the purpose of appraising the extent of said discoveries.
- 1.19. **EXPLOITATION PERIMETER** means any part of the Delimited Area in respect of which NOCAL has granted to the Contractor an exclusive exploitation authorization.
- 1.20. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite, and all kinds of petroleum and bitumen, either solid or liquid at standard temperature and pressure conditions or obtained from Natural Gas by condensation or extraction, including condensates and Natural Gas liquids.
- 1.21. **DELIVERY POINT** means the point connecting the loading facilities to the vessel then loading Crude Oil in the Republic of Liberia or any other transfer point mutually agreed between the Parties.
- 1.22. **TOTAL PRODUCTION** means the total production of Crude Oil or the total production of Natural Gas obtained from the whole Delimited Area less the quantities used for the requirements of the Petroleum Operations and any losses.



1.23. **ANNUAL WORK PROGRAM** means the document describing, item by item, the Petroleum Operations to be carried out during a Calendar Year within the Delimited Area and in each Exploitation Perimeter, if any, established in accordance with the Contract.

1.24. **DELIMITED AREA** means the area in respect of which NOCAL under this Contract, grants to the Contractor an exclusive exploration right.

The areas surrendered by the Contractor in accordance with the provisions of Articles 3.5 and 3.6 shall be deemed as excluded from the Delimited Area which shall be reduced accordingly. Conversely, the Appraisal Perimeter(s) shall be an integral part of the Delimited Area during the term of the relevant exclusive appraisal authorisation and the Exploitation Perimeter(s) shall be an integral part of the Delimited Area during the term of the relevant exclusive exploitation authorization.

1.25. **AFFILIATED COMPANY** means:

- a company or any other entity which directly or indirectly controls or is controlled by any entity constituting the Contractor; or
- a company or any other entity which directly or indirectly controls or is controlled by a company or entity which itself directly or indirectly controls any entity constituting the Contractor.

Such "control" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the shares, conferring voting rights, forming the stock of another company.

1.26. **THIRD PARTY** means a company or any other entity, other than the Contractor or an Affiliated Company, NOCAL or the STATE.

1.27. **CALENDAR QUARTER** means each 3 month period commencing on the first day of January, April, July and October respectively.

1.28. **OPERATOR**: means Woodside West Africa Pty Ltd and its successors and permitted assigns.

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## ARTICLE 2

### SCOPE OF THE CONTRACT

- 2.1. This Contract is a Production Sharing Contract and includes all the provisions of the agreement between NOCAL and the Contractor.
- 2.2. NOCAL authorizes the Contractor to carry out the Petroleum Operations in the Delimited Area, on an exclusive basis and authorizes the Operator to carry out those Operations as agent for the Contractor. The Operator may be changed with the approval of NOCAL.
- 2.3. The Contractor undertakes, for all the work necessary for carrying out the Petroleum Operations provided for hereunder, to comply with good international petroleum industry practice and to be subject to the laws and regulations in force in Liberia unless otherwise provided under this Contract.
- 2.4. The Contractor shall supply all financial and technical means necessary for the proper performance of the Petroleum Operations.
- 2.5. The Contractor shall bear alone the financial risk associated with the performance of the Petroleum Operations. The Petroleum Costs related thereto shall be recoverable by the Contractor in accordance with the provisions of Article 16.2.
- 2.6. During the term hereof, in the event of production, the Total Production arising from the Petroleum Operations shall be shared between the Parties according to the terms set forth in Articles 16.2 and 16.3.
- 2.7. On the Effective Date, the Delimited Area shall be the area as defined in Appendix 1.
- 2.8. The Contractor shall furnish NOCAL with all reports, information and data as required by this Contract.

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## ARTICLE 3

### DURATION OF EXPLORATION PERIODS AND SURRENDERS

- 3.1 The exclusive exploration authorization is hereby granted to the Contractor for a first period of four (4) Contract Years (commencing from the Effective Date) in respect of the entire Delimited Area.
- 3.2 If during the first exploration period set forth above the Contractor has fulfilled the exploration work commitments defined in Article 4 as ascertained by NOCAL, the exclusive exploration authorization shall, at the Contractor's request, be renewed for a second exploration period of two (2) Contract Years.
- 3.3 If, at the end of such second exploration period and provided that it has fulfilled its work commitments as set forth above as ascertained by NOCAL, the Contractor so requests, a third exploration period shall be authorized for two (2) Contract Years.
- 3.4 The applications referred to in Articles 3.2 and 3.3 shall be made at least sixty (60) days prior to the expiration of the current exploration period.
- 3.5 The Contractor shall surrender at least the following surfaces:
- (a) twenty-five (25%) of the initial surface of the Delimited Area at the expiration of the first exploration period.
  - (b) twenty-five percent (25%) of the initial surface of the Delimited Area at the expiration of the second exploration period.

Such surrenders shall be constituted of one area or a limited number of areas of a simple geometrical shape delimited by north-south, east-west lines or by natural boundaries of the area concerned.

For the purpose of computing the surface to be surrendered, the surface in respect of any Exploitation Perimeter obtained or applied for or any area of any Discovery, shall be deducted from the initial surface of the Delimited Area.

The surfaces previously surrendered pursuant to the provisions of Article 3.6 shall be deducted from the surfaces to be surrendered.

Subject to its compliance with the above-mentioned requirements, the Contractor shall have the right to determine the size, shape and location of the area(s) to be surrendered.

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The Contractor undertakes to furnish NOCAL with a precise description and a map showing the details of the surrendered areas and those retained, together with a report specifying the work carried out in the surrendered areas from the Effective Date and the results obtained.

- 3.6. During any exploration period, the Contractor may, at any time, notify NOCAL that it surrenders on the whole or any part of the Delimited Area the rights granted to it by giving sixty (60) days' notice to that effect.

No surrender during or at the expiration of any exploration period shall reduce the work commitments and the investment obligations set forth in Article 4 for the current exploration period. However, if the portion of the Delimited Area retained at the end of any exploration period is only an Appraisal perimeter and/or Exploration perimeter, (obtained or applied for), the Contractor shall have no further work or investment obligations in respect of any succeeding exploration periods.

Notwithstanding any surrender, the Contractor shall have the exclusive right to retain, for their respective term, Appraisal Perimeters and Exploitation Perimeters which have been granted or applied for and to carry out the Petroleum Operations therein.

- 3.7. At the expiration of the third exploration period set forth in Article 3.3, the Contractor shall surrender the whole remaining the Delimited Area except as to any Appraisal Perimeters and Exploitation Perimeters which have then been granted or applied for.
- 3.8. If at the expiration of all the exploration periods the Contractor has not obtained or applied for an exclusive appraisal authorization or an exclusive exploitation authorization, this Contract shall terminate.

If an exploration well is underway at the time of the expiry of an exploration period, NOCAL shall grant to the Contractor an extension of the exploration period of sixty (60) days after the well is terminated and the rig released, in order to apply for an exclusive appraisal authorization or an exclusive exploitation authorization.

- 3.9. The termination of this Contract, whatever the reason thereof, shall not relieve the Contractor of any obligations under this Contract incurred prior to, or arising from, said termination and which shall be fulfilled.

*Abin S. Singh*

## ARTICLE 4

### EXPLORATION WORK COMMITMENTS

- 4.1. The Contractor shall commence the Petroleum Operations within three months from the Effective Date.
- 4.2. The Contractor, during the first exploration period defined in Article 3.1, shall carry out the following minimum work:
- 1600 square kilometers of 3D seismic survey;  
600 kilometers of 2D seismic survey; and  
marine studies, geological and geophysical studies.
- 4.3. The Contractor, during the second exploration period defined in Article 3.2, shall carry out the following minimum work:
- 1 exploratory well.
- 4.4. The Contractor, during the third exploration period defined in Article 3.3, shall carry out the following minimum work:
- 2 exploratory wells.
- 4.5. Each of the exploratory wells referred to above shall be drilled to a minimum depth of 1,000 meters, after deduction of the water depth, or to a lesser depth if the continuation of drilling performed in accordance with good international petroleum industry practice is prevented for any of the following reasons:
- (a) the basement is encountered at a lesser depth than the minimum contractual depth;
  - (b) continuation of drilling presents an obvious danger due to the existence of abnormal formation pressure;
  - (c) rock formations are encountered the hardness of which prevents, in practice, the continuation of drilling by the use of appropriate equipment;
  - (d) petroleum formations are encountered the crossing of which requires, for their protection, the laying of casings preventing the minimum contractual depth from being reached.

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in the event that any of the above reasons occurs, the exploratory well shall be deemed to have been drilled to the minimum contractual depth.

Notwithstanding any provision in this Article to the contrary, NOCAL and the Contractor may, at any time, agree to abandon the drilling of a well at a lesser depth than the minimum contractual depth.

4.6. In order to carry out the exploration work defined in Articles 4.2 to 4.4 in the best technical conditions in accordance with good international petroleum industry practice, the Contractor undertakes to spend the following minimum amounts determined with minimum expenditure of:

(a) 8.4 million Dollars during the first exploration period defined in Article 3.1;

(b) 10.5 million Dollars during the second exploration period defined in Article 3.2;

(c) 20.5 million Dollars during the third exploration period defined in Article 3.3.

If during the exploration period the Contractor has performed its work commitments for an amount lesser than the amount specified above, it shall be deemed to have fulfilled its investment obligations relating to that period. Conversely, the Contractor shall perform the entirety of its work commitments set forth in respect of an exploration period even if it results in exceeding the amount specified above for that period.

4.7. If at the expiration of any of the three (3) exploration periods defined in Articles 3.1, 3.2 and 3.3 or upon the date of surrender of the whole Delimited Area, or upon the date of termination of this Contract, the Contractor has not fulfilled its work commitments set forth in this Article, it shall pay as compensation to NOCAL, within thirty (30) days after that date of expiration, surrender or termination, the unspent balance of exploration work commitments above-defined for the current exploration period. For the avoidance of doubt, the Contractor is not obliged to carry out the work commitments or pay any investment obligations for the second or third exploration periods if it does not exercise its renewal rights under Article 3.2 or 3.3 respectively.

4.8. If the Contractor carries out work commitments/investment obligations in an exploration period beyond the requirements for that period set out in this Article, the additional work/investment will be carried forward into the next exploration period and offset against that next period's work commitments and investment obligations.

## ARTICLE 5

### ESTABLISHMENT AND APPROVAL OF ANNUAL WORK PROGRAMS AND BUDGETS

- 5.1. At least three (3) months before the beginning of each Calendar Year, or for the first year, within one (1) month from the Effective Date, the Contractor shall prepare and submit for approval to NOCAL an Annual Work Program together with the related Budget for the entire Delimited Area, specifying the Petroleum Operations that the Contractor proposes to perform during that Calendar Year and their cost.
- 5.2. If NOCAL wishes to propose any revisions or modifications to the Petroleum Operations specified in said Annual Work Program, it shall, within thirty (30) days after receipt of that Program, so notify the Contractor, presenting all justifications deemed useful. In that event, NOCAL and the Contractor shall meet as soon as possible to consider the proposed revisions or modifications and to mutually establish the Annual Work Program and the related Budget in its final form, in accordance with good international petroleum industry practice. However, during the Exploration period, the Annual Work Program and the related Budget established by the Contractor after the above mentioned meeting shall be deemed to be approved provided that they comply with the obligations set forth in Article 4.

Each part of the Annual Work Program and Budget in respect of which NOCAL has not proposed any revision or modification within the period of thirty (30) days above-mentioned, shall be carried out by the Contractor within the stated time.

Should NOCAL fail to notify the Contractor of its wish for revision or modification within the period of thirty (30) days above-mentioned, such Annual Work Program and the related Budget submitted by the Contractor shall be deemed to be approved by NOCAL.

- 5.3. It is agreed by NOCAL and the Contractor that the Contractor may acquire knowledge as and when the work is implemented, or certain events may justify changes to the details of the Annual Work Program. In that event, after notification to NOCAL, the Contractor may make such changes provided that the basic objectives of said Annual Work Program are not modified.
- 5.4. Whenever NOCAL is required to exercise its discretion or give its approval, consent, authorization or the like under this Contract, it shall act reasonably in so doing and on the basis of the efficient and economic conduct of the Petroleum Operations and in accordance with good international oil industry practice.

- 5.5. At the commencement of the first Exploration Period, NOCAL and the Contractor shall form a Joint Operations Committee ("JOC") consisting of not more than three (3) members and one alternate representative appointed by NOCAL and not more than three (3) members and one alternate representative appointed by the Contractor. Each Party shall, as soon as possible after the Effective Date of this Contract, give notice in writing to the other Party of the name and address of its representatives and alternate representative. Each Party shall have the right to change its representative and alternate at any time by giving 30 days notice to such effect to the other Parties.
- 5.6. The purpose of the JOC will be to review present and future Petroleum Operations and report jointly to NOCAL and the Contractor. The JOC is an advisory body to assist NOCAL in the administration of the Contract. The JOC does not exercise any decision making authority in relation to the conduct of the Petroleum Operations.
- 5.7. The JOC shall meet twice every calendar year or as otherwise agreed by the members. No meeting shall be held unless two (2) members each appointed by the Contractor and NOCAL are present. The Contractor shall appoint the first Chairman of the JOC who shall hold office until the second anniversary of the Effective Date. Thereafter NOCAL's appointee and the Contractor's appointee shall alternate as Chairman of the JOC, who shall hold office for two years. Members of the JOC shall be entitled to attendance fees (payable by the Contractor) in an amount to be approved by NOCAL and the Contractor for attendance in person at meetings of the JOC and, for JOC meetings held outside Liberia, the costs approved by NOCAL and the Contractor, for travel and accommodation of the JOC members will also be payable by the Contractor. The Contractor shall select the location of JOC meetings. All costs of the meetings, including attendance fees, travel and accommodation costs, shall be recoverable as Petroleum Costs.



## ARTICLE 6

### CONTRACTOR'S OBLIGATIONS

- 6.1. The Contractor shall provide all the necessary funds and purchase or hire all the equipment, facilities and materials required to carry out the Petroleum Operations.
- 6.2. The Contractor shall provide all technical assistance, including the personnel required to carry out the Petroleum Operations.
- 6.3. The Contractor shall be responsible for the preparation and performance of the Annual Work Programs which shall be carried out in the most appropriate manner in observance of good international petroleum industry practice.
- 6.4. The Contractor undertakes to take all the reasonable and practical steps, in accordance with good international petroleum industry practice, to
  - (a) ensure the protection of water-bearing strata encountered during its work,
  - (b) carry out the tests necessary for determining the value of any hydrocarbon show encountered during drilling and the exploitability of any possible Petroleum discoveries,
  - (c) avoid losses and discharges of Petroleum produced in the Petroleum Operations,
  - (d) discharge product in compliance with the requirements of Article 6.7
- 6.5.
  - (a) Subject to Article 6.5(b), all works and facilities erected by the Contractor hereunder shall, according to their nature and to the circumstances, be built, placed, signaled, marked, fitted and preserved so as to allow at any time and in safety free passage to navigation within the Delimited Area, and without prejudice to the foregoing, the Contractor shall, in order to facilitate navigation, install the sound and optical devices approved or required by the competent authorities and maintain them in a manner satisfactory to said authorities.
  - (b) During the term of this Contract, the region which is 5km spherical radius around any work or facilities erected on or above the seabed shall be a no navigation zone for vessels not performing activities in

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connection with the Petroleum Operations except for State vessels in circumstances where national security requires access to that zone.

6.6. In the exercise of its rights to build, carry out work and maintain all facilities necessary for the purposes hereof, the Contractor shall not disturb any existing graveyard or building used for religious purposes, nor cause a nuisance to any government or public building, except with the prior consent of NOCAL, and shall make good the damage caused by it in that event.

6.7. In its conduct of Petroleum Operations, the Contractor undertakes to take all necessary precautions to prevent marine pollution.

In order to prevent pollution, NOCAL and Contractor agree that the Contractor shall in accordance with the Contractor's approved environmental management plan, observe the applicable laws of Liberia, international environmental conventions to which Liberia is a signatory and good international oil industry practice to prevent pollution and preserve the environment. NOCAL and the Contractor shall meet and consider any measure which may be necessary to preserve the environment.

6.8. The Contractor and its subcontractors shall be obligated to give preference to enterprises and goods from Liberia, if conditions of price, quality, delivery time and terms of payment are equivalent.

6.9. The Contractor shall commission periodic environmental audits as required to ensure compliance with the environmental management plans. The JOC will determine the frequency to ensure that these audits do not prevent or hinder Petroleum Operations.

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## ARTICLE 7

### CONTRACTOR'S RIGHTS

- 7.1. Without prejudice to the provisions hereof, the Contractor shall have the exclusive right to carry out the Petroleum Operations within the Delimited Area. Such right includes, inter alia:
- (a) full responsibility for, management of and control over all the Petroleum Operations;
  - (b) authority to exercise any of the rights conferred hereby through agents and independent contractors, and to pay accordingly any of their expenses and costs in the place and in the currency chosen by the Contractor.
- 7.2. The Contractor shall have the right to clear the ground, dig, perforate, drill, build, erect, place, supply, operate, manage and maintain ditches, pools, wells, trenches, excavations, dams, canals, water conduits, plants, tanks, basins, maritime and other storage facilities, primary distillation units, first extraction gasoline separator units, sulfur plants, and other facilities for Petroleum production, together with the pipelines, pumping stations, generator units, power plants, high voltage lines, telephone, telegraph, radio and other communication facilities, factories, warehouses, offices, employees' housing, hospitals, premises, ports, docks, harbors, dikes, jetties, dredges, sea walls, under water piers and other facilities, ships, vehicles, railways, warehouses, workshops, foundries, repair shops and all the auxiliary services which are necessary for or useful to the Petroleum Operations or in connection therewith; and all additional facilities which are or may become necessary for or reasonably subsidiary to the carrying out of the Petroleum Operations.
- 7.3. The agents, employees and representatives of the Contractor or its subcontractors shall have the right, for the purposes of the Petroleum Operations to enter into or leave the Delimited Area and shall have free access to all the facilities set up by the Contractor.
- 7.4. The Contractor shall have the right, subject to the payment of fees ordinarily applicable in Liberia, to remove and use the surface soil, mature timber, clay, sand, limestone, gypsum, stones and other similar materials which may be necessary for the performance of the Petroleum Operations.

With the consent of the competent administrative services, the Contractor may make reasonable use of such materials for the performance of the Petroleum Operations, subject to payment of fees applicable in Liberia.

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when they are located on land owned by the STATE and placed in the vicinity of the land where said Operations are taking place.

The Contractor may, free of charge, take or use the water necessary for the Petroleum Operations, provided that existing irrigation or navigation are not impaired and that land, houses or watering places for livestock are not deprived of a reasonable quantity of water.

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## ARTICLE 8

### ACTIVITY REPORTS DURING THE EXPLORATION PERIODS AND SUPERVISION OF PETROLEUM OPERATIONS

- 8.1. NOCAL shall own and may freely use all the original technical data and documents relating to the Petroleum Operations such as, but without limitation, records, samples, geological, geophysical, petrophysical, drilling and operating reports.
- 8.2. The Contractor undertakes to furnish NOCAL with the following periodic reports:
- (a) daily reports on drilling operations;
  - (b) weekly reports on seismic operations;
  - (c) within sixty (60) days after each Calendar quarter, a report on the Petroleum Operations carried out together with a detailed statement on Petroleum Costs in respect of the preceding quarter;
  - (d) prior to the end of February of each Calendar Year, an annual report on the Petroleum Operations carried out together with a detailed statement on Petroleum Costs in respect of the preceding Calendar Year.
- 8.3. In addition, the following reports or documents shall be furnished to NOCAL as soon as they are prepared or obtained:
- (a) a copy of all geological surveys and syntheses together with the related maps;
  - (b) a copy of all geophysical surveys, measurement and interpretation reports, map profiles, sections or other documents related thereto, as well as, at NOCAL's request, the originals of all recorded seismic magnetic tapes;
  - (c) a copy of the drilling location and completion report for each well together with a complete set of recorded logs;
  - (d) a copy of all drill tests or production tests together with any study relating to the flow or production of a well;
  - (e) a copy of all reports relating to core analyses.

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All such maps, sections, profiles, logs and all other geological or geophysical documents shall be supplied on an appropriate transparent support in view of subsequent reproduction.

A representative portion of the cores and cuttings removed from each well, as well as samples of fluids produced during drill tests or production tests shall also be supplied to NOCAL within a reasonable period.

Upon expiration or in the event of surrender or termination of this Contract, the original documents and samples relating to the Petroleum Operations shall be provided to NOCAL.

- 8.4 The Contractor shall keep NOCAL informed of its activities through the duly designated representative of the latter, in particular, the Contractor shall notify NOCAL as soon as possible and in any event at least fifteen (15) days in advance of all geological surveys, seismic surveys, commencement of drilling and installation of a platform.

In the event the Contractor decides to abandon a drilling operation it shall notify NOCAL thereof within at least seventy-two (72) hours prior to such abandonment unless operational safety demands a faster response.

## ARTICLE 9

### OCCUPATION OF LAND

- 9.1. The STATE shall make available to the Contractor, free of charge, and only for the purposes of the Petroleum Operations, any land which it owns and which is necessary for said operations. The Contractor shall have the right to build and the obligation to maintain, above and below the ground, the facilities necessary for the Petroleum Operations.

The Contractor shall indemnify the STATE for any damage caused to the land by the construction, use and maintenance of its facilities on such land.

The STATE shall authorize the Contractor to build, use and maintain telephone, telegraph and piping systems above and below the ground and along the land not belonging to the STATE, provided that the Contractor pays to the land-owners, a reasonable compensation mutually agreed upon.

- 9.2. The rights on land owned by private persons, which would be necessary for the carrying out of the Petroleum Operations, shall be acquired by direct agreement between the Contractor and the private person concerned.

In the event of disagreement, the Contractor shall notify the STATE thereof, and the latter shall proceed to expropriation for a public purpose, at Contractor's expense. When determining the value of those property rights, no consideration shall be given to the Contractor's purpose for acquiring them and the STATE agrees that no law or procedure for said acquisition shall have the effect of giving them an excessive value or a confiscation value. Those rights acquired by the STATE shall be registered in its name, but the Contractor shall be entitled to benefit therefrom for the purposes of the Petroleum Operations. During the entire term of this Contract, the STATE guarantees that the Contractor shall be protected in the use and occupation of such land just as if it owns the property rights thereto.

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## ARTICLE 10

### USE OF FACILITIES

10.1. For the purposes of the Petroleum Operations, the Contractor shall have the right to use, in accordance with the applicable laws, any railroad, tramway, road, airport, landing strip, canal, river, bridge, waterway, power line or sources of power and any telephone or telegraph network in Liberia whether owned by the STATE or by any private enterprise, subject to the payment of fees then in effect or mutually agreed upon which will not be in excess of the prices and tariffs charged to Third Parties for similar services.

The Contractor shall also have the right to use for the purposes of the Petroleum Operations any land, sea or air transportation means for the transportation of its employees or equipment, subject to compliance with the laws and regulations which generally govern the use of such means of transportation.

10.2. The STATE shall have the right to use for emergencies any transportation and communication facility installed by the Contractor, subject to a fair compensation mutually agreed upon which will not be in excess of the prices and tariffs charged to Third Parties for similar services and provided it does not interfere with the safe and efficient conduct of the Petroleum Operations.

10.3. Nothing in this Contract shall limit the STATE's right to build, operate and maintain on, under and along the land made available to the Contractor for the purposes of the Petroleum Operations, roads, railroads, airports, landing strips, canals, bridges, pipelines, useful telephone and telegraph lines, provided that such right is not exercised in a manner which restricts or hinders the Contractor's rights hereunder, or the Petroleum Operations.

10.4. The STATE and NOCAL shall assist and facilitate the acquisition of land, rights of access, the obtaining of any licences, permits or authorizations (including work permits), communications and other facilities set out in this Article 10 and otherwise reasonably requested by the Contractor to enable it to perform the Petroleum Operations.





## ARTICLE 11

### APPRAISAL OF A PETROLEUM DISCOVERY

- 11.1. In the event the Contractor discovers Petroleum, it shall, as promptly as possible, notify NOCAL thereof and submit to it, within thirty (30) days after the date of the temporary plugging or abandonment of the discovery well, a report including all information relating to said discovery.
- 11.2. If the Contractor wishes to undertake appraisal work relating to the above-mentioned Petroleum discovery, it shall submit for approval to NOCAL, within six (6) months after the date of notification of said discovery, the appraisal work program and the estimate of the related Budget.

The provisions of Article 5 shall be applicable, mutatis mutandis, to said program as regards its approval and performance, it being understood that the submitted program shall comply with good international petroleum industry practice.

- 11.3. If the Contractor meets the conditions referred to in Article 11.2 and on request to NOCAL, the latter shall grant to it an exclusive appraisal authorization for a duration of two (2) years from the date of approval of the appraisal work program and the related Budget, in respect of the Appraisal Perimeter specified in said program. Except as otherwise provided by this Article, the Contractor shall, during the term of said exclusive appraisal authorization, be subject to the same regime as that applicable to the exclusive exploration authorization.

- 11.3.1. The Contractor shall then diligently carry out the appraisal work program for the discovery in question; in particular it shall drill the appraisal wells and carry out the production tests specified in said program.

At the Contractor's request, notified at least thirty (30) days prior to the expiration of the appraisal period above-defined, the duration of said period may be extended by a maximum of six (6) months, provided that such extension is justified by the continuation of the drilling and production tests specified in the appraisal program.

Further extensions of the appraisal period may be requested by the Contractor and granted by NOCAL in the event that further (i) exploration is being or will be conducted to enable the discovery to be aggregated with other Fields; or (ii) technical or commercial

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work is considered necessary by the Contractor in order to establish whether a Field is commercial.

- 11.3.2. Within three (3) months after the completion of appraisal work but in any event no later than thirty (30) days prior to the expiration of the appraisal period, as it may be extended, the Contractor shall provide NOCAL with a detailed report giving all the information relating to the discovery and the appraisal thereof.
- 11.3.3. If, after having carried out the appraisal work, the Contractor considers that the Field corresponding to the Petroleum discovery is commercial, it shall submit to NOCAL, within 6 months of the submission of the report referred to in Article 11.3.2, an application for an exclusive exploitation authorization accompanied by a detailed development and production plan for said Field, specifying inter alia:
- (a) the planned delimitation of the Exploitation Perimeter applied for by the Contractor, so that it covers the area defined by the seismic closure of the Field concerned, together with all the technical justifications with respect to the extent of said Field;
  - (b) an estimate of the reserves in place; the proven and probable recoverable reserves and the corresponding annual production, together with a study on the methods of recovery and the possible valorization of the products associated with Crude Oil, such as any Associated Natural Gas;
  - (c) item by item, the description of equipment and work anticipated for the development and production, such as the number of development wells, the number of platforms, pipelines, production, processing, storage and loading facilities together with their specifications;
  - (d) the estimated schedule for its implementation and the projected date of production start-up;
  - (e) the estimates of investments and exploitation costs together with an economic evaluation demonstrating the commercial nature of the discovery in question.
- 11.3.4. The commercial nature of one or more Petroleum Fields shall be determined by the Contractor, provided that it shall, at the end of appraisal work, submit to NOCAL the economic study referred to in Article 11.3.3.(e) demonstrating the commercial nature of said Field or Fields.

A Field may be declared commercial by the Contractor if, after taking into account the provisions of this Contract and the submitted development and production plan, the projected incomes and expenses determined in accordance with good international petroleum industry practice confirm the commercial nature of said Field.

- 11.3.5. For the purposes of evaluating the commercial nature of said Field or Fields, NOCAL and the Contractor shall meet within thirty (30) days after the submission of the development and production plan accompanied by the economic evaluation.
- 11.3.6. The development and production plan submitted by the Contractor shall be subject to the approval of NOCAL. Within ninety (90) days after the submission of said plan, NOCAL may propose revisions or modifications hereto by notifying the Contractor thereof with all the useful justifications. In that event, the Parties shall meet as soon as possible in order to consider the proposed revisions or modifications and establish by mutual agreement the plan in its final form; the plan shall be deemed to be approved by NOCAL upon the date of such agreement.

Should NOCAL fail to notify the Contractor of its wish for revision or modification within the above-mentioned ninety (90) day period, the plan submitted by the Contractor shall be deemed to be approved by NOCAL at the expiration of said period.

- 11.4. If for reasons not technically or commercially justified, the Contractor, within twelve (12) months after notification to NOCAL of a Petroleum discovery, has not applied for an exclusive appraisal authorization or if, within twelve (12) months after its granting, it has not commenced the appraisal work in respect of said discovery, or if the Contractor, within eighteen (18) months after completion of the appraisal work, does not declare the discovery as commercial, NOCAL may thereafter give written notice to the Contractor that it requires that the Contractor surrenders all its rights in respect of the area deemed to encompass said discovery without any compensation for the Contractor. If, within sixty (60) days after NOCAL's notice, the Contractor has not notified its decision, it shall surrender said area and will forfeit all its rights on Petroleum which could be produced from said discovery, and any area so surrendered shall be deducted from the surfaces to be surrendered under Article 3.5.

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## ARTICLE 12

### GRANT OF AN EXCLUSIVE EXPLOITATION AUTHORIZATION

- 12.1. A commercial Petroleum discovery shall entitle the Contractor to an exclusive right, if it so requests pursuant to the conditions set forth in Article 11.3.3, to obtain, in respect of the Field concerned, an exclusive exploitation authorization covering the related Exploitation Perimeter. Said authorization shall be granted by NOCAL as soon as possible. The Contractor is entitled to carry out exploration and appraisal activities in the Exploitation Perimeter.
- 12.2. If the Contractor makes several commercial discoveries in the Delimited Area, each such discovery shall, in accordance with the provisions of Article 12.1 give rise to an exclusive exploitation authorization each corresponding to an Exploitation Perimeter. The number of exclusive exploitation authorizations and related Exploitation Perimeters within the Delimited Area shall not be limited.
- 12.3. If in the course of work carried out after the grant of an exclusive exploitation authorization, it appears that the area defined by the seismic closure of the Field concerned is larger than originally estimated pursuant to Article 11.3.3, NOCAL shall grant to the Contractor, as part of the exclusive exploitation authorization already granted, an additional area so that the entirety of said Field is included in the Exploitation Perimeter, provided, however, that the Contractor supplies NOCAL, together with its application with the technical evidence of the extension so required and provided, further, that the above mentioned extension is an integral part of the Delimited Area as defined at the time of said application.
- 12.4. Where a Field extends beyond the boundaries of the Delimited Area, NOCAL may require the Contractor and the right holder of the adjacent area to exploit said Field under the provisions of a unification agreement.

Within six (6) months after NOCAL has notified its request, the Contractor shall submit for its approval the development and production plan of the Field concerned which shall be prepared in agreement with the right holder of the adjacent area. The provisions of Article 11.3.6 shall also apply to this development and production plan.

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## ARTICLE 13

### DURATION OF THE EXPLOITATION PERIOD

- 13.1. The duration of an exclusive exploitation authorization during which the Contractor is authorized to carry out the exploitation of a Field declared commercial is set at twenty-five (25) years from its date of issue.

If upon expiration of the exploitation period of twenty-five (25) years above-defined, a commercial exploitation of a Field remains possible NOCAL shall authorize the Contractor, at the latter's request submitted at least twelve (12) months prior to said expiration, to continue under this Contract the exploitation of said Field during an additional period of no more than ten (10) years, provided that the Contractor has fulfilled all its obligations set out in the Annual Work Programmes which have fallen due prior to the date of the request for the current exploitation period.

If, upon expiration of that additional exploitation period, a commercial exploitation of said Field remains possible, the Contractor may request NOCAL, at least twelve (12) months prior to said expiration that it be authorized to continue the exploitation of said Field under this Contract, during an additional period to be agreed upon.

- 13.2. The Contractor may, at any time, fully or partially surrender any exclusive exploitation authorization by giving at least twelve (12) months' prior notice which may be reduced with NOCAL's consent. That notice shall be accompanied by the list of steps which the surrendering Contractor undertakes to take, in accordance with good international petroleum industry practices arising out of its surrender.
- 13.3. Interruption of development work or production of a Field declared commercial, for a consecutive period of at least six (6) months, decided by the Contractor without NOCAL's consent, or abandonment of the exploitation of a Field, may give rise to the withdrawal of the exclusive exploitation authorization concerned together with the termination of this Contract.
- 13.4. Upon expiration surrender or withdrawal of the last exclusive exploitation authorization granted to the Contractor, this Contract shall terminate.
- 13.5. The termination of this Contract, whatever the reason thereof, shall not relieve the Contractor of any obligations incurred prior to, or arising from, said expiration or termination and which shall be fulfilled.

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## ARTICLE 14

### EXPLOITATION OBLIGATION

- 14.1. For any Field in respect of which an exclusive exploitation authorization has been granted, the Contractor undertakes to perform, at its sole cost and its own financial risk, all the Petroleum Operations useful and necessary for the exploitation of said Field in accordance with good international oil field practice.
- 14.2. However, if the Contractor can provide technical, commercial or financial evidence, during either the development period or the production period, that the exploitation of a Field cannot be commercially profitable, notwithstanding that an exclusive exploitation authorization has been granted in accordance with the provisions of Article 12.1, NOCAL agrees not to force the Contractor to continue the exploitation of such Field.

In that event, NOCAL, in its discretion, may withdraw the exclusive exploitation authorization, to the extent it selects, to that Field from the Contractor without any compensation for the latter, by giving a sixty (60) days' prior notice.

## ARTICLE 15

### CONTRACTOR'S OBLIGATIONS AND RIGHTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORIZATIONS

- 15.1. The Contractor shall commence development work not later than six (6) months after approval of the development and production plan referred to in Article 11.3.6 and shall continue it with the maximum diligence.
- 15.2. The provisions of Articles 5, 6, 7, 8, 9 and 10 are also applicable, mutatis mutandis, in respect of any exclusive exploitation authorization.
- 15.3. The Contractor shall have the right to build, use, operate and maintain all the Petroleum storage and transportation facilities which are necessary for the production transportation and sale of Petroleum produced, pursuant to the conditions specified in this Contract.

The Contractor may determine the route and location of any pipeline inside Liberia which is necessary for the Petroleum Operations, provided that it shall submit plans to NOCAL for approval prior to the commencement of work; any pipeline crossing or running alongside roads or passageways (other than those used exclusively by the Contractor) shall be built so as not to hinder the passage on those roads or passageways. If NOCAL does not provide any changes to the plans within thirty (30) days of submission, the plans will be deemed to have been approved.

- 15.4. The Contractor may, to the extent and for the duration of the excess capacity of a pipeline or processing, transportation or storage facility built for the purposes of the Petroleum Operations, be obligated to accept the flow of Petroleum coming from exploitations other than that of the Contractor, provided that such flow shall not cause prejudice to the Petroleum Operations, and provided, further, that a reasonable tariff covering a normal remuneration for the costs and risks relating to the construction, ownership, operation and abandonment/reclamation in respect of the pipeline or facility concerned shall be paid by the user.
- 15.5. Following the grant of an exclusive exploitation authorization, the Contractor undertakes to proceed diligently with the carrying out of the development and production plan to ensure, in accordance with good international petroleum industry practice, the maximum economic recovery of the Petroleum contained in the Field in question.
- 15.6. The Contractor shall, in the conduct of development and production operations, comply with all good international petroleum industry practice

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which in particular ensures the good conservation of Fields and maximum economic recovery of Petroleum.

The Contractor shall, if appropriate, carry out enhanced recovery studies and use such recovery processes if in the Contractor's reasonable opinion they may lead to an increase in Petroleum recovery rate under economic conditions and allowing for technical risks.

- 15.7. The Contractor shall provide NOCAL with all the reports, studies, measurement results, tests and documents enabling the monitoring of the proper exploitation of each Field.

The Contractor shall, in particular, carry out the following measures on each producing well:

- (a) monthly testing of production and gas/oil ratio;
- (b) half-yearly measurement of the Field reservoirs pressure or other suitable methods to monitor reservoir performance.

- 15.8. The Contractor undertakes to produce every year from each Field quantities of Petroleum in accordance with the provisions of Article 15.6.

The estimated annual production rates of each Field shall be submitted by the Contractor together with the Annual Work Programs for the approval of NOCAL which shall not be withheld provided that the Contractor gives proper technical and economic grounds.

- 15.9. The Contractor shall measure, in a point mutually agreed between the Parties, Total Production after extraction of the water, associated substances and sediments, by using the measurement appliances and procedures customarily used in the international petroleum industry.

The authorized NOCAL's representatives shall have the right to examine those measurements and inspect or cause to be inspected the appliances or procedures used.

If the Contractor wishes to change said measurement appliances or procedures, it shall obtain prior approval from NOCAL.

Where the appliances and procedures used therefore have caused an overstatement or understatement of measured quantities, the error shall be deemed to have existed since the date of the last calibration of the appliances, unless the contrary can be justified, and the proper adjustment shall be made for the period of existence of such error.



## ARTICLE 18

### RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING

- 16.1. From the commencement of regular production of Crude Oil, the Contractor shall market all the production of Crude Oil obtained from the Delimited Area, in accordance with the provisions hereinafter defined.
- 16.2. For the purposes of recovery of the Petroleum Costs, the Contractor may freely take each Calendar Year a portion of the production in no event greater than eighty percent (80%) of the Total Production of Petroleum from the Delimited Area, or such lesser percentage which would be necessary and sufficient to enable the Contractor to recover its then accrued unrecovered Petroleum Costs.

The value of such portion of Total Production allocated to the recovery of the Petroleum Costs by the Contractor, as defined in the preceding paragraph, shall be calculated in accordance with the provisions of Article 18 and 21.3.3.

If during a Calendar Year the Petroleum Costs not yet recovered by the Contractor under the provisions of this Article 16.2 exceed the equivalent in value of eighty percent (80%) of the Total Production of Petroleum from the Delimited Area, as calculated above, the balance of the Petroleum Costs which cannot be recovered in that Calendar Year shall be carried forward in the following Calendar Year or Years until full recovery of the Petroleum Costs or until the expiration of this Contract.

- 16.3. The quantity of Petroleum from the Delimited Area remaining during each Calendar Year after the Contractor has taken from the Total Production the portion necessary for the recovery of the Petroleum Costs, hereinafter referred to as "Remaining Production," shall be shared between NOCAL and the Contractor as follows:

The Remaining Production shall be shared according to the daily Total Production from the Delimited Area as follows:

(a) Crude Oil:

increments of daily Total Production (in Barrels per day)	NOCAL's Share	Contractor's share
from 0 to 100,000	40%	60%



from 100,001 to 150,000	50%	50%
over 150,001	60%	40%

(b) Natural Gas:

All Production	Remaining	NOCAL's Share	Contractor's share
		30%	70%

For the purpose of this Article, the daily Total Production shall be the average rate of Total Production during the Calendar Quarter in question.

For the purposes of the tax legislation of the Republic of Liberia, the quantity of Petroleum that NOCAL will receive during each Calendar Year pursuant to this Article 16.3 shall be deemed to include the portion necessary to pay any tax(es) of the Contractor in Liberia which will be assessed on its incomes. NOCAL agrees to pay from this portion any income tax on behalf and in the name of the Contractor and to deliver to the latter official receipts of such payments.

- 16.4. NOCAL may receive its share of production defined in Article 16.3 either in kind or in cash.
- 16.5. If NOCAL wishes to receive in kind all or part of its share of production defined in Article 16.3 it shall so notify in writing to the Contractor at least ninety (90) days prior to the beginning of the Calendar Quarter concerned specifying the precise quantity that it wishes to receive in kind during said Quarter.
- 16.6. If NOCAL wishes to receive in cash all or part of its share of production defined in Article 16.3 or if NOCAL has not notified the Contractor of its decision to receive its share of production in kind pursuant to Article 16.5, the Contractor shall market NOCAL's share of production to be taken in cash for the quarter concerned, lift said share during such quarter and pay to NOCAL within thirty (30) days following the date of each lifting, an amount equal to the quantity corresponding to NOCAL's share of production multiplied by the actual sale price of such NOCAL production less the Contractor's reasonable expenses of marketing and selling NOCAL's share as approved by NOCAL.

NOCAL will be paid, for sales of its share of production sold by the Contractor, in Dollars or in the foreign currency in which the sale has been made.

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## ARTICLE 17

### TAXATION

- 17.1. Unless otherwise provided for in this Contract the Contractor shall, in respect of its Petroleum Operations, be subject to the laws generally applicable and the regulations in force in Liberia concerning taxes which are or may be levied on incomes, or determined thereto.

It is specifically acknowledged that the provisions of this Article shall apply individually to each entity comprising the Contractor under this Contract.

The Contractor shall keep separate accounts for each Fiscal Year in respect of the Petroleum Operations, in accordance with the regulations in force in Liberia, enabling in particular the establishment of a profit and loss account as well as a balance sheet showing both the results of said Petroleum Operations and the asset and liability items allocated or related thereto.

- 17.2. For the purposes of Article 17.1 the Contractor shall in respect of its net profit arising from Petroleum Operations, be liable to an income tax under the laws and regulations in force in Liberia. Income tax applicable to Petroleum Operations carried out under this Contract shall be thirty-five percent (35%).

In accordance with the provisions of Article 16.3 under which NOCAL shall pay, for and on behalf of the Contractor, Contractor's income tax from NOCAL's share of Petroleum, the Contractor shall not be liable for any payment to the STATE (or any of its departments or instrumentalities) with respect to said tax. As regards the tax authorities of Liberia, the share of Total Production, which the Contractor is entitled to receive under the provisions of Article 16.3 is considered as representing the net profit obtained by the Contractor.

NOCAL will be responsible for any penalty or interest due to the late payment of Contractor's income tax.

- 17.3. For the purposes of assessing the total Contractor's taxable income in respect of a Fiscal Year, the profit and loss account shall, inter alia, be credited by the following:

- (a) the Contractor's annual gross income recorded in its accounting books, arising from the marketing of the quantity of Crude Oil to which it is entitled under Articles 16.2 and 16.3 all other incomes or proceeds related to the Petroleum Operations, including inter alia those arising from:

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- the sale of related substances;
- processing, transportation or storage of products for Third Parties in the facilities dedicated to the Petroleum Operations.

17.4. Such profit and loss account shall be debited with all charges necessary for the purposes of the Petroleum Operations in respect of the Fiscal Year concerned, which may be deducted under the applicable laws of Liberia and the provisions of this Contract and particularly Appendix 2.

In particular the following items shall be debited from the income of the Fiscal Year:

- (a) In addition to the charges specifically set forth below in this Article 17.4, all other Petroleum costs, including the costs of supplies, personnel and manpower expenses, costs of services provided to the Contractor in respect of the Petroleum Operations; provided, however, that costs of supplies, personnel and services rendered by Affiliated Companies shall be deductible provided that they do not exceed those which would be normally charged in arm's length transactions between independent buyer and seller for identical or similar supplies or services.
- (b) Overhead costs relating to the Petroleum Operations performed under this Contract, including without limitation:
  - Rentals for movable and immovable properties as well as insurance premiums;
  - In light of the services rendered to the Petroleum Operations performed in Liberia, wages and salaries paid to managers and employees residing abroad, and the general and administrative overhead costs of the central services of the Contractor and its Affiliated Companies working for its account, located abroad, and indirect costs incurred by said central services abroad for their account. Overhead costs paid abroad shall in no event be greater than the limits specified in the Accounting Procedure.
- (c) Interest paid to creditors of the Contractor, for their actual amount, subject to the limits specified in the Accounting Procedure.
- (d) Losses of materials or assets resulting from destruction or damage, assets which are renounced or abandoned during the year, bad debts, indemnities paid to Third Parties as compensation for damage.

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- (e) Reasonable and justified reserves made for clearly identified future losses or liabilities which current events render probable.
- (f) Any other losses or charges directly related to the Petroleum Operations, including exchange losses realized in connection with the Petroleum Operations as well as bonuses and amounts paid during the Fiscal Year.
- (g) Surface rentals as set out in Article 17.9.
- (h) Any other cost incurred by the Contractor provided for in the Accounting Procedure.

17.5. The Contractor's taxable profit shall be equal to the difference, if positive, between all the amounts credited and all the amounts debited in the profit and loss account. If this amount is negative, it shall constitute a loss. The Contractor's after tax profit shall include the taxable profit plus an amount equal to the Contractor's Liberian income tax paid by NOCAL for and on behalf of the Contractor.

17.6. Within three (3) months after the end of a Fiscal Year, each entity constituting the Contractor shall submit to the competent tax authorities its annual tax return together with financial statements, as required by applicable regulations.

NOCAL shall, after submission of said annual tax return and acknowledgement of tax payment, furnish to the Contractor within a reasonable period (not to exceed 60 days) the tax receipts (in the form set out - Appendix 3) evidencing the payment of Contractor's Liberian income tax and all other documents certifying that the Contractor has, for the Fiscal Year in question, complied with all its tax obligations with respect to the income tax as defined in this Article.

17.7. Except for the income tax defined in this Article and the bonuses provided for in Article 19, the Contractor shall be exempt from the Government Agency Fees as described in Chapter 21, Part 6 of the Revenue Code, value added tax, withholding tax, sales tax and all other levies, duties, taxes or contributions of any nature whatsoever arising from the Petroleum Operations and any revenues related thereto (including interest, dividends, profit transfers) or, more generally, on Contractor's property, activities or actions, including its establishment and its operation hereunder.

In particular, the Contractor's suppliers, subcontractors and Affiliated Companies shall be exempt from the same fees, levies, duties, taxes or contributions as the Contractor which would be payable in connection with sales made by, work performed for and services rendered to the Contractor under this Contract.

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17.8. Assignments of any kind between the companies signing this Contract and their Affiliated Companies as well as any assignment otherwise made in accordance with this Contract shall be exempt from any duties or taxes payable in such respect.

17.9. Surface rentals shall be payable to NOCAL per square kilometer of the area remaining at the beginning of each Calendar Year as part of the Defined Area, in the amounts as set out below:

Phase of Operation	Surface Rentals Per Annum
First Exploration period	US\$ 30 per sq. km.
Second Exploration period	US\$ 50 per sq. km.
Third Exploration period	US\$ 75 per sq. km.
Development & Exploitation Perimeter	US\$100 per sq. km.

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## ARTICLE 18

### VALUATION OF PETROLEUM

18.1. For the purposes of cost recovery under this Contract, the Crude Oil price shall be the F.O.B. "Market Price" at the Delivery Point, expressed in Dollars per Barrel and payable within thirty (30) days after the date of the bill of lading, as determined hereinafter for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or Crude Oil mix.

18.2. The Market Price applicable to liftings of Crude Oil made during a Calendar Quarter shall be calculated at the end of said quarter and shall be equal to the weighted average of the prices obtained for Crude Oil from the Delimited Area during said quarter by the Contractor and by NOCAL, from independent purchasers, as adjusted to take into account the differences in quality and gravity as well as in F.O.B. delivery terms, contract terms and payment conditions.

18.3. In the event such sales are not made, the Market Price shall be determined on the basis of the prices obtained on the international and domestic market during said quarter between independent buyers and sellers for sales of crude oils of quality similar to the Crude Oil from the Delimited Area in the same markets as those in which the Liberian Crude Oil would normally be sold, as adjusted to take into account the differences in quality, quantity, gravity, transportation as well as in sales and payment conditions.

18.4. The following transactions shall be excluded from the calculation of the Market Price of Crude Oil:

- (a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities constituting the Contractor;
- (b) sales in exchange for other than payment in freely convertible currencies and sales fully or partially made for reasons other than the usual economic incentives involved in Crude Oil sales on the international market (such as exchange contracts, sales from government to government or to government syndicates).

18.5. Within ten (10) days following the end of each Calendar Quarter, the Parties shall advise each other of the prices obtained for their share of production of Crude Oil from the Delimited Area sold to independent purchasers during the quarter in question, indicating for each sale the identity of the purchaser, the quantities sold, the delivery and payment terms.

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Within twenty (20) days following the end of each quarter, the Contractor shall determine in accordance with the provisions of Article 18.2 or Article 18.3, as the case may be, the Market Price applicable for the quarter concerned, and shall notify NOCAL of that Market Price, indicating the method of calculation and all data used in the calculation of that Market Price.

Within thirty (30) days following receipt of the notice referred to in the preceding paragraph, NOCAL shall verify that the calculation of Market Price complies with the provisions hereof and shall notify the Contractor of its acceptance or objections. Failing notification from NOCAL within that thirty (30) day period the Market Price provided for in the Contractor's notice referred to in the preceding paragraph shall be deemed to have been accepted by NOCAL.

In the event that NOCAL has notified objections to the Market Price, the Parties shall meet within fifteen (15) days following NOCAL's notification to mutually agree on the Market Price. If the Parties fail to agree on the Market Price applicable to a given quarter within seventy-five (75) days after the end of that quarter, NOCAL or the Contractor may immediately submit to an expert, appointed in accordance with the following paragraph, the determination of the Market Price (including the determination of reference crude oils if the Parties have not determined them). The expert shall determine the price within thirty (30) days after his appointment and his conclusions shall be final and binding on the Parties. The expert shall decide in accordance with the provisions of this Article.

The expert shall be selected by agreement between the Parties or, if no agreement is reached, by the International Centre of Expertise of the International Chamber of Commerce in accordance with its Rules for Expertise, at the request of either Party. The expertise costs shall be charged to the Contractor and included in the Petroleum Costs.

18.5. In the event it would be necessary to calculate on a provisional basis during a Calendar Quarter the Crude Oil price applicable to the liftings made during said quarter, that price shall be established as follows:

- (a) For any sale to independent buyers, the price applicable to that sale shall be the price obtained for the Crude Oil for said sale, as adjusted to take into account the F.O.B. delivery terms and thirty (30) days payment terms.
- (b) For any lifting other than those which are the subject of a sale to independent buyers, the price applicable to that lifting shall be the Market Price determined for the preceding quarter or, if that Market



Price has not been determined, a price set up by agreement between the Parties or, failing agreement, the last known Market Price.

Once the Market Price for a quarter has been determined on a final basis, adjustments, if required, shall be made within thirty (30) days.

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## ARTICLE 19

### BONUSES

19.1. The Contractor shall pay to NOCAL the following bonuses:

- (a) US\$2 million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of thirty thousand (30,000) Barrels per day during a period of thirty (30) consecutive days.
- (b) US\$3 million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of fifty thousand (50,000) Barrels per day during a period of thirty (30) consecutive days.
- (c) US\$5 million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of one hundred thousand (100,000) Barrels per day during a period of thirty (30) consecutive days.

Each of the amounts referred to in (a), (b) and (c) above shall be paid within thirty (30) days following the expiration of the reference period of thirty (30) consecutive days.

19.2. The payments referred to in Article 19.1 will be recoverable and, therefore, shall be considered as Petroleum Costs.

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## ARTICLE 20

### OWNERSHIP AND ABANDONMENT OF ASSETS

- 20.1. Upon expiration, surrender or termination of this Contract, whatever the reason thereof, in respect of all or part of the Delimited Area, or at the end of exploitation of a Field if they are not otherwise required for the Petroleum Operations under this Contract, the Contractor shall transfer at no cost to NOCAL, on an 'as is where is basis', the ownership of assets, movables and immovables owned by the Contractor used for the requirements of the Petroleum Operations carried out in the area so surrendered, located whether inside or outside the Delimited Area (but within Liberia), such as wells and their equipment, buildings, warehouses, docks, lands, offices, plants, machinery and equipment, bases, harbors, wharfs, jetties, buoys, platforms, pipelines, roads, bridges, railroads and other facilities.

Such transfer of ownership shall cause the automatic cancellation of any security or surety concerning those assets, or which those assets constitute.

However, the Contractor may continue to use those assets beyond the date referred to in the first paragraph, for the requirements of its Petroleum Operations in Liberia governed by other contracts.

Within sixty (60) days after the Contractor commences production operations in respect of a Field, NOCAL will notify the Contractor which, if any, assets it will want to have transferred to it at the end of the exploitation of a Field (subject to Article 20.1). The Contractor shall make provision for the anticipated costs of abandonment, decommissioning and reclamation for the remaining assets in accordance with internationally accepted accounting standards to enable cost recovery of such costs over the producing life of the Field. At least two (2) years before any assets would be abandoned and decommissioned, the Contractor will notify NOCAL and NOCAL will, within sixty (60) days, confirm whether or not it wishes to have those assets transferred to it. Appropriate adjustments to the cost provisioning will be made should NOCAL change the assets it requires to have transferred to it from those notified to the Contractor at the commencement of production operations of a Field.

- 20.2. If NOCAL decides not to accept, for all or part of the assets, the transfer of ownership provided for in Article 20.1, it may, not later than ninety (90) days following the date specified in said Article, require the Contractor, in accordance with good international petroleum industry practice, to perform abandonment operations and to remove, at the cost of the Contractor, the facilities relating to the surrendered area.

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## ARTICLE 21

### NATURAL GAS

#### 21.1. Non-Associated Natural Gas

21.1.1. In the event of a Non-Associated Natural Gas discovery, the Contractor shall engage in discussions with NOCAL with a view to determining whether the appraisal and exploitation of said discovery have a potentially commercial nature.

21.1.2. If the Contractor, after the above-mentioned discussions, considers that the appraisal of such Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery.

The Contractor shall have the right, for the purposes of evaluating the commerciality of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days prior to the expiration of the third exploration period set forth in Article 3.3 to be granted an exclusive appraisal authorization concerning the Appraisal Perimeter of the above-mentioned discovery, for a term of three (3) years.

In addition, the Parties shall jointly evaluate the possible outlets for the Natural Gas, both on the local market and for export, together with the necessary means for its marketing, and they shall consider the possibility of a joint marketing of their shares of production in the event the Natural Gas discovery would not otherwise be commercially exploitable. For that purpose, a Consultative Committee for Natural Gas shall be established by the Parties to ensure the coordination of the upstream and downstream components of the Natural Gas project and facilitate its evaluation and implementation.

21.1.3. If, despite their reasonable endeavours, the Parties are not able to develop a market for a Non-Associated Natural Gas discovery, the Contractor may, prior to the expiry of the term of the exclusive appraisal authorization, request a further three (3) year extension of the exclusive appraisal authorization for the Appraisal Perimeter of the discovery. Further extensions of the exclusive appraisal authorization may be requested by the Contractor prior to the expiry of the then current authorization. NOCAL will not unreasonably withhold its approval for those extensions.

Following completion of appraisal work, in the event the Parties should jointly decide that the exploitation of that discovery is justified to supply the local market, or in the event the Contractor should undertake to develop



and produce that Natural Gas for export, the Contractor shall submit prior to the expiration of the appraisal period an application for an exclusive exploitation authorization which NOCAL will grant under the terms provided by Article 12.1.

The Contractor shall then have the right and obligation to proceed with the development and production of that Natural Gas in accordance with the approved development plan referred to in Article 11.3 and the provisions of this Contract applicable to Crude Oil shall apply, *mutatis mutandis*, to Natural Gas, unless otherwise specifically provided under Article 21.3, or in other provisions of this Contract.

- 21.1.4 If the Contractor considers (and informs NOCAL accordingly) that the appraisal of the Non-Associated Natural Gas discovery concerned is not justified, other than due to a lack of a market for the gas on commercial terms in accordance with international industry practice, NOCAL may, by giving twelve (12) months prior notice which may be reduced either with Contractor's consent or automatically in the event the exclusive exploration authorization expires earlier, require the Contractor to surrender its rights in respect of the area encompassing said discovery.

In the same manner, if the Contractor, after completion of appraisal works, considers (and informs NOCAL accordingly) that the Non-Associated Natural Gas discovery is not commercial, other than due to a lack of a market for the gas on commercial terms in accordance with international industry practice, NOCAL may, by giving three (3) months prior notice, unless the exclusive exploration authorization expires earlier, require the Contractor to surrender its rights on the area encompassing said discovery.

In both cases, the Contractor shall forfeit its right to all Non-Associated Natural Gas which could be produced from said discovery, and NOCAL may then carry out, or cause to be carried out, all the appraisal, development, production, processing, transportation and marketing work relating to that discovery, without any compensation for the Contractor.

- 21.1.5 If the Contractor is of the view that Non-Associated Gas discovery in question is non-economic as a standalone development but can demonstrate that there is sufficient prospectivity in the region to support a combined development of current discovered reserves and future exploration prospects as a combined economic development, then the prior notice to be given by NOCAL under Article 21.1.4 (in both paragraphs 1 and 2) will be no less thirty six (36) months during which time the Contractor will have the same rights as under an exclusive appraisal authorization (and whether or not the Contractor has an exclusive appraisal authorization which is otherwise scheduled to and prior to the expiry of that 36 month period).

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**21.2 Associated Natural Gas**

**21.2.1.** In the event of a commercial discovery of Crude Oil, the Contractor shall state if it considers that the production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of the Petroleum Operations related to the production of Crude Oil (including reinjection operations), and if it considers that such excess is capable of being produced in commercial quantities. In the event the Contractor shall have informed NOCAL of such an excess, the Parties shall jointly evaluate the possible outlets for that excess of Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of production of that excess of Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.

In the event the Parties should decide that the development of the excess of Natural Gas is justified, or in the event the Contractor would wish to develop and produce that excess for export, the Contractor shall indicate in the development and production program referred to in Article 11.3.3 the additional facilities necessary for the development and exploitation of that excess and its estimate of the costs related thereto.

The Contractor shall then have the right to proceed with the development and exploitation of that excess in accordance with the development and production program approved by NOCAL under the terms provided by Article 11.3.6., and the provisions of the Contract applicable to Crude Oil shall apply, mutatis mutandis, to the excess of Natural Gas, unless otherwise specifically provided by Article 21.3.

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

**21.2.2.** In the event the Contractor should not consider the exploitation of the excess of Natural Gas as justified and if NOCAL, at any time thereafter, would wish to utilize it, NOCAL shall notify the Contractor thereof, in which event:

- (a) the Contractor shall make available to NOCAL free of charge at the Crude Oil and Natural Gas separation facilities all or part of the excess that NOCAL wishes to lift;
- (b) NOCAL shall be responsible for the gathering, processing, compressing and transporting of that excess from the above mentioned separation facilities, and shall bear any Petroleum Costs related thereto;

- (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the lifting of that excess by NOCAL, shall be carried out in accordance with good international petroleum industry practice and in such a manner as not to hinder the production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any excess of Associated Natural Gas which would not be utilized under Articles 21.2.1. and 21.2.2, shall be reinjected by the Contractor. However, the Contractor shall have the right to flare said gas in accordance with good international petroleum industry practice, provided that the Contractor furnishes NOCAL with a report demonstrating that said gas cannot be economically utilized to improve the rate of recovery of Crude Oil by means of reinjection pursuant to the provisions of Article 15.6., and provided, further, that NOCAL approves said flaring, which approval shall not be unreasonably withheld.

### 21.3 Provisions common to Associated and Non-Associated Gas

21.3.1. In addition to the provisions of Article 16, in order to encourage the exploitation of Natural Gas, NOCAL may grant to the Contractor further specific benefits when they are duly justified concerning, inter alia, the recovery of the Petroleum Costs relating to Natural Gas.

21.3.2. The Contractor shall have the right to dispose of its share of production of Natural Gas, in accordance with the provisions of this Contract. It shall also have the right to proceed with the separation of liquids from all Natural Gas produced, and to transport, store as well as sell on the local market or for export its share of liquid Petroleum so separated which will be considered as Crude Oil for the purposes of their sharing between the Parties under Article 16.

21.3.3. For the purposes of cost recovery under this Contract, the Natural Gas price, expressed in Dollars per million BTU, shall be equal to:

- (a) with respect to Natural Gas export sales to Third Parties, the price obtained from purchasers;
- (b) with respect to sales on the local market of Natural Gas as a fuel, such price as NOCAL and the Contractor shall agree.

The above-mentioned equivalent price for the utilization of Natural Gas as a fuel shall be determined on the basis of the same calorific value with respect to commercial gas delivered at the entry point of the main gas transportation network, if any, or otherwise where delivered to large consumers. In the event of transfer of the gas at a delivery point located upstream, the selling price shall be adjusted accordingly.

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21.3.4. In the event of the discovery of a Natural Gas field which may not be commercial at that time, the Contractor shall not be required to proceed with the appraisal and development of the Natural Gas field until it is commercial to develop. An exclusive Appraisal Perimeter will be agreed by the Parties around the discovery of the Natural Gas field. The Contractor shall consult with NOCAL every five (5) years from the date of the discovery to examine alternatives for the economic and efficient development of the field. Notwithstanding anything in the Contract to the contrary, the Contractor shall not be required to surrender such Appraisal Perimeter for a period of five (5) years from the expiration of the exclusive exploration authorization or the date on which the exclusive appraisal authorization (as it may be extended in accordance with this Contract) for the discovery ends, whichever is the later, and provided that, if the discovery is of Non Associated Natural Gas, the requirements for surrender set out in Articles 21.1.4 and 21.1.5 have been met.

21.3.5. Notwithstanding any other provision of the Contract, if after the surrender or relinquishment of any Natural Gas discovery by the Contractor in accordance with this Contract, NOCAL or the State (or any agency or instrumentality of the State) either (a) identifies a market for the said gas or (b) proposes to assign to, transfer to, grant or otherwise permit a Third Party to exercise any rights in relation to the appraisal, development and/or marketing of the gas, NOCAL shall promptly give written notice (the "Marketing Notice") to the Contractor giving detailed particulars of the market (if (a) applies) and the terms on which it is proposed to assign, transfer or otherwise permit a Third Party to exercise any rights in relation to the appraisal, development and/or marketing of the gas (if (b) applies) giving the Contractor the first right of refusal in relation thereto. Within 6 months of receipt of the Marketing Notice, the Contractor shall notify NOCAL whether it elects to pursue the market identified and/or exercise any rights in relation to the appraisal, development and/or marketing of the gas. If the Contractor so elects, NOCAL shall within 60 days enter into a contract with the Contractor on the same terms as this Contract as they relate to the appraisal, development and marketing of the Field comprising the Natural Gas discovery.

21.3.6. To the extent of any inconsistency between the provisions of this Article 21 and the provisions of Articles 11, 12 and 13, the provisions of this Article 21 will prevail.

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## ARTICLE 22

### FOREIGN EXCHANGE CONTROL

- 22.1. The Contractor shall comply with the foreign exchange control regulations, subject to the provisions of this Article.
- 22.2. The Contractor shall have the right to retain abroad all the foreign currencies arising from export sales of all Petroleum to which it is entitled under this Contract, or from assignments, as well as equity, incomes from loan and more generally, all assets acquired abroad by it, and to freely dispose of such foreign currencies or assets to the extent that they may exceed its requirements for its operations in Liberia.
- 22.3. No restriction shall be exercised on importation by the Contractor of funds intended for the performance of the Petroleum Operations.
- 22.4. The Contractor shall have the right to purchase currencies of Liberia with foreign currencies, and freely exchange into foreign currencies of its election any funds held by it in Liberia in excess of its local requirements at exchange rates which shall not be less favorable than those generally applicable to any other buyer or seller of foreign currencies.

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**ARTICLE 23**

**APPLICABLE LAW**

The laws and regulations in force in the Republic of Liberia (including any laws of other jurisdictions which the laws of the Republic of Liberia make applicable) shall apply to the Parties to this Contract and to the Petroleum Operations which are the purpose thereof, unless otherwise provided by the Contract. In the event of any conflict between the provisions of this Contract and the provisions of any laws and regulations in force in the Republic of Liberia, the provisions of this Contract shall prevail.

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## ARTICLE 24

### MONETARY UNIT

- 24.1. The registers and accounting books relating to this Contract shall be maintained and recorded in Dollars. Said registers and accounting books shall be used to determine the Petroleum Costs, gross income, exploitation costs and net profits for the purpose of the preparation of the Contractor's tax return; they shall contain, inter alia, Contractor's accounts showing the sales of Petroleum under this Contract.
- 24.2. Whenever it is necessary to convert into Dollars expenses and incomes expressed in another currency, the exchange rates to be used shall be equal to the arithmetic average of the daily closing rates, as published in the London Financial Times, for the purchase and sale of said currency during the month when the expenses were paid and the income received.
- 24.3. The originals of the registers and accounting books referred to in Article 24.1 shall be kept in Liberia.

The registers and accounting books shall be supported by detailed documents with respect to receipts and Petroleum Costs.

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## ARTICLE 25

### ACCOUNTING METHODS AND AUDITS

- 25.1. The Contractor shall maintain its accounts in accordance with the regulations in force and with the provisions of the Accounting Procedure set out in Appendix 2 attached hereto forming an integral part of this Contract.
- 25.2. After giving the Contractor notice thereof in writing, the STATE shall have the right to cause the registers and accounting books relating to the Petroleum Operations to be inspected and audited by its own agents or by experts of its election, and shall have a period of two (2) years following the end of each Calendar Year to carry out those inspections or audits relating to said Year and may submit its objections to the Contractor for any contradictions or errors found during such inspection or audits:

Should the STATE fail to make any claim within the above-mentioned period of two (2) years, no further objection or claim shall be made by the Liberian administration for the Calendar Year concerned.



## ARTICLE 26

### IMPORT AND EXPORT

- 26.1. (a) The Contractor and its agents, contractors and subcontractors shall have the right to import into Liberia, free of all taxes and duties, all the technical equipment, materials, machinery and tools, goods and supplies necessary in the Contractor's opinion for the proper conduct and achievement of the Petroleum Operations; such imports include but are not limited to, drilling, exploration, development, production, transportation, sales and marketing, equipment, pipelines, tanks, geological and geophysical tools, boats, ships, barges, drilling barges, ships and platforms, production platforms, civil engineering and telecommunication equipment, power plants and all related equipment, aircraft, automotive equipment and other vehicles, instruments, tools, spare parts, alloys and additives, camping equipment, protective clothing and equipment, medical, surgical and sanitary equipment, supplies and instruments necessary for the installation and operation of hospitals and dispensaries, documentation equipment, construction materials of all types, lumber, office furniture and equipment, automobiles, explosives, chemicals, fuels, ship supplies, pharmaceutical products, medicines.
- (b) The Contractor and its agents, contractors and its subcontractors shall have the right to import into Liberia, free of all taxes and duties, the furniture, clothing, household appliances and all personal effects for all the foreign employees and their families assigned to work in Liberia for the Contractor or its contractors or subcontractors.
- (c) However, the Contractor, its agents, contractors and subcontractors undertake not to proceed with the imports mentioned in Article 26.1.(a) insofar as such items are available in Liberia under equivalent conditions of quantity, quality, price, delivery and terms of payment, unless specific requirements or technical emergencies are presented by the Contractor.
- (d) The Contractor, its agents, contractors and subcontractors shall have the right to re-export from Liberia, free of all duties and taxes and at any time, all the items imported under Article 26.1. (a) and (b) which are no longer necessary for the Petroleum Operations except the items which have become the property of the State under the provisions of Article 20.
- 26.2. All the items specified in Article 26.1(a) and (b) which the Contractor, its agents, contractors and subcontractors, their foreign employees and their

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families will have the right to import in one or more shipments to Liberia, shall be fully exempt of all duties and taxes payable as a result of the importation ("entry duties and taxes").

As the case may be, the applicable administrative formalities will be those of the following regimes:

- (a) Exceptional temporary admission regime in full suspension of entry duties and taxes for equipment, materials, machinery and tools, goods and supplies necessary for the proper progress of the Petroleum Operations, for the entire duration of their use in Liberia including the continental shelf, it being understood that for the equipment, materials, machinery and tools, and goods and supplies consumed during the operations or left in place, the exceptional temporary admission discharge will be automatic by simple quarterly declaration and without payment of duties and taxes.

In the event of a duly justified emergency, the equipment, materials, tools and machinery, goods and supplies will be placed at the disposal of the users as soon as they arrive in Liberia and the administrative regularization relating to their admission will be made later and as soon as possible.

- (b) Supply regime for consumable goods and foodstuffs, fuels and lubricants used at sea, in particular on all ships, aircraft and machinery used for petroleum exploration and exploitation.
- (c) Exempt admission regime according to the regulations in force, for furniture, clothing, household appliances and personal effects.

25.3. The Contractor, its agents, contractors and subcontractors shall, provided that they inform the STATE in advance of their intent to sell and subject to the provisions of Article 20, have the right to sell in Liberia, all equipment, materials, machinery and tools, goods and supplies which they have imported when they are considered as surplus and no longer necessary for the Petroleum Operations. In that event, the seller shall be responsible for paying all duties and taxes applicable on the date of the transaction and for filing all the formalities prescribed by the regulations in force.

26.4. During the term of this Contract, the Contractor, its customers and their carriers shall have the right to export freely at the export point selected for that purpose, free of all duties and taxes and at any time, the portion of Petroleum to which the Contractor is entitled in accordance with the provisions of this Contract, after deduction of all deliveries made to the STATE.

## ARTICLE 27

### DISPOSAL OF PRODUCTION

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil Remaining Production to which the Contractor is entitled, shall be sold to NOCAL by the Contractor for the purpose of satisfying the needs of the domestic market of Liberia. The actual percentage contribution of the Contractor shall be in proportion to the ratio of its share of Remaining Production, to the total Crude Oil Production in Liberia in any Calendar Year.

The quantity of Crude Oil the Contractor shall be obligated to sell to NOCAL shall be notified to it by NOCAL at least three (3) months prior to the beginning of each Calendar Quarter.

27.2. The price of the Crude Oil sold to NOCAL, under Article 27.1 for the needs of the domestic market shall be the Market Price defined in Article 18.2.

That Crude Oil price shall be payable to the Contractor in Dollars forty-five (45) days after receipt of the invoice unless otherwise agreed between the Parties.

27.3. The transfer of title to, and risk of, the share of Petroleum production to which each party is entitled shall be made at the Delivery Point, or at any other transfer point agreed between the Parties.

27.4. Each of the Parties shall have the right and obligation, to dispose of and lift the share of Petroleum to which it is entitled under this Contract.

Such share shall be lifted on as regular a basis as possible, it being understood that each of the Parties, within reasonable limits, will be authorized to lift more (overlift) or less (underlift) than its share of Petroleum produced and unlifted by the lifting day to the extent that such overlift or underlift does not infringe on the rights of the other Party and is compatible with the production rate and the storage capacity. In the establishment of the sequence of liftings, priority will be given to the Party with the largest share of produced and unlifted quantity of Petroleum at a given time. The Parties shall periodically meet to establish a provisional lifting program on the basis of the principles above-described and taking into account the wishes of the Parties as regards the dates and quantities of their liftings, provided that those wishes are compatible with said principles.

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## ARTICLE 28

### PROTECTION OF RIGHTS

- 28.1. The Contractor shall take all necessary steps to achieve the objectives of this Contract in its conduct of Petroleum Operations:
- 28.2. NOCAL shall take all necessary steps to facilitate the implementation by the Contractor of the objectives of this Contract, and the STATE shall protect the property and operations of the Contractor, its employees, contractors, subcontractors and agents in the territory of Liberia.
- 28.3. At the request of the Contractor, the STATE shall prohibit the construction of dwelling or business buildings in the vicinity of installations which the Contractor may declare dangerous as a result of its operations. It shall take all necessary precautions to prohibit anchoring in the vicinity of submerged pipelines at river passages, and to prohibit any hindrance to the use of any other installation necessary for the Petroleum Operations whether on land or offshore.
- 28.4. The Contractor shall take out and cause to be taken out by its contractors and subcontractors, in respect of the Petroleum Operations, all insurances of the type and for such amounts customarily used in the international petroleum industry, including without limitation, third party liability insurance and insurances to cover damage to property, facilities, equipment and materials, without prejudice to any additional insurances which would be required under Liberian legislation.

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## ARTICLE 29

### PERSONNEL, TRAINING AND SOCIAL WELFARE

29.1. The Contractor shall, for the purposes of the Petroleum Operations, employ nationals of Liberia whenever qualified for requirements of the employment.

Managers, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled workers, secretaries and executive employees may be hired outside Liberia if similarly qualified specialists cannot be hired in Liberia.

29.2. Upon commencement of the Petroleum Operations, the Contractor shall organize a training program for Liberian nationals. For that purpose the Contractor shall devote a minimum annual training Budget of:

(a) \$125,000 Dollars during each year of the exploration periods;

(b) \$150,000 Dollars during each year of the exploitation periods.

The training expenses borne by the Contractor shall be included in the recoverable Petroleum Costs.

29.3. Upon commencement of the Petroleum Operations, the Contractor shall provide funding for social welfare programmes in Liberia for Liberian nationals. For that purpose the Contractor shall devote a minimum annual Budget of:

(a) \$150,000 Dollars during each year of the exploration periods;

(b) \$250,000 Dollars during each year of the exploitation periods.

The expenses borne by the Contractor shall be included in the recoverable Petroleum Costs.

29.4. An escrow account shall be established by both Parties for the purpose of receiving monies and making payment of the monies referred to in Article 29.2 and 29.3. The signatures of both Parties shall be required for payments made out of the account. Payments to the account shall be made by the Contractor within 30 days of the Effective Date for the first year of the exploration period and on the anniversary of that date thereafter if and as required by Articles 29.2 and 29.3. For the training program, the Contractor may appoint up to 30% of the training candidates (by expenditure) and NOCAL may appoint up to 70%. The Contractor may allow NOCAL to appoint candidates for part or all of the Contractor's 30% if the Contractor

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does not have the required candidates. Both Parties shall agree on the training and social welfare programs.

- 29.5 The entry into Liberia of all foreign personnel shall be authorized and the STATE shall issue the documents necessary for that entry to all members of the foreign personnel, such as entry visas, working permits and exit visas, in compliance with the immigration regulations in force in Liberia.

At the request of the Contractor, the STATE shall facilitate any immigration formalities with the Immigration Bureau, at the points of entry into and exit from Liberia, in respect of the Contractor's employees, contractors, subcontractors and agents, and their families, all without undue delays.

- 29.6 All the employees required for the conduct of the Petroleum Operations shall be under the Contractor's authority or that of its contractors, subcontractors and agents, in their capacity as employers. Their work, number of working hours, salaries and any other matters relating to their employment conditions shall be determined by the Contractor or its contractors, subcontractors and agents.

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## ARTICLE 30

### ACTIVITY REPORTS IN RESPECT OF EXCLUSIVE EXPLOITATION AUTHORISATIONS

30.1. The provisions of Article 8 shall apply, mutatis mutandis, to any exclusive exploitation authorizations. In addition, the following periodic activity reports shall, inter alia, be furnished in respect of each Field:

- (a) daily production reports;
- (b) monthly reports stating the quantities of Petroleum produced and those sold during the previous month together with information on such sales.

Unless the Contractor gives its written consent, the information relating to a Field under exploitation, except statistical data about activity, shall be considered as confidential by NOCAL and the STATE during the term of this Contract.

30.2. The Contractor shall forthwith notify the STATE of any material damage whatsoever caused to the Petroleum Fields or facilities, and shall take all necessary steps to terminate it and carry out the necessary repairs.

30.3. From the year of granting an exclusive exploitation authorization, the annual report referred to in Article 8.2 shall also include the following:

- (a) information on all development and production operations carried out during the previous Calendar Year, including the quantities of Petroleum produced and those sold, if any;
- (b) information on all transportation and sales operations together with the location of the main facilities built by the Contractor, if any;
- (c) a statement specifying the number of employees and workers, their qualification and their nationality, together with a report on the medical care and training provided to them.

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## ARTICLE 31

### ARBITRATION

- 31.1. In the event of any dispute between the STATE or NOCAL and the Contractor relating to, or arising out of, the interpretation, application, validity, performance or execution of the provisions of this Contract, the Parties shall make their best efforts to settle such dispute amicably.

If within three (3) months from the date of notice of such dispute by either Party to the other, the Parties have not reached settlement, the dispute shall, except where this Contract expressly provides for the final determination of a dispute by an expert, at the request of either Party, be referred for arbitration to the International Chamber of Commerce in accordance with its rules and regulations.

- 31.2. The arbitration shall be held in London, England. The language used during the procedure shall be the English language. The arbitration shall be determined by three (3) arbitrators. The arbitrators shall not have the same nationality as the Parties.

The arbitration tribunal's award shall be final; it shall be binding on the Parties and shall be enforceable in any court of appropriate jurisdiction.

- 31.3. The expenses of any arbitration shall be borne as determined by the arbitration.

The performance by the Parties of their obligations under this Contract shall not be suspended during the course of the arbitration.



## ARTICLE 32

### FORCE MAJEURE

- 32.1. No delay or default of a Party in performing any of the obligations resulting from this Contract shall be considered as a breach of this Contract if such delay or default is caused by a case of Force Majeure.

If in the event of Force Majeure the performance of any of the obligations under this Contract is delayed, that delay extended by the period of time required to repair the damage caused during such delay and to resume the Petroleum Operations, shall be added to the period provided by this Contract for the performance of said obligation, and the exclusive exploration, appraisal, or exploitation authorizations shall be extended by that period as regards the area concerned by Force Majeure.

- 32.2. Force Majeure means any event reasonably unforeseeable and beyond the reasonable control of a Party, such as: earthquake, flood, accident, strike, lockout, riot, delay in obtaining the rights-of-way, insurrection, civil disturbances, sabotages, acts of war or conditions attributable to war, or any other cause beyond its control, similar to or different from those already mentioned.
- 32.3. Where a Party considers it is prevented or hindered from performing any of its obligations by the occurrence of Force Majeure, it shall forthwith notify the other Party thereof by specifying the grounds for establishing Force Majeure, and take all reasonable steps to ensure the normal resumption of the performance of the concerned obligations upon termination of the event constituting the Force Majeure.

Obligations other than those affected by Force Majeure shall continue to be performed in accordance with the provisions of this Contract.

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## ARTICLE 33

### JOINT AND SEVERAL OBLIGATIONS AND GUARANTEES

- 33.1. All the clauses, conditions and provisions of this Contract shall be binding on the Parties and their respective successors and assignees. This Contract constitutes the only agreement between the Parties and no previous communication, promise or agreement, whether oral or written, between the Parties, related to the purpose of this Contract may be asserted to amend the clauses hereof.

The STATE certifies and guarantees that there is no other applicable agreement with respect to the petroleum rights within the Delimited Area, that it will perform its obligation in fairness and good faith and that this Contract will not be cancelled, amended or modified except by agreement between the Parties.

- 33.2. Where the Contractor is constituted by several entities, the obligations and liabilities of those entities under this Contract shall be joint and several.

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## ARTICLE 34

### RIGHTS OF ASSIGNMENT

- 34.1. All or part of the rights and obligations arising from this Contract may be assigned by any of the entities constituting the Contractor to Third Parties who are capable of performing their assigned obligations; the assignees with the other entities constituting the Contractor shall thereafter be jointly and severally liable for the obligations arising from this Contract.

The terms of any assignment shall be subject to the prior approval of NOCAL, which approval shall not be unreasonably withheld.

If within thirty (30) days following notification to NOCAL of a projected assignment accompanied by all the related information and the draft assignment deed, NOCAL has not given its decision, that assignment shall be deemed to be approved by NOCAL.

From the date of approval of an assignment, the assignee shall comply with the terms and conditions of this Contract.

- 34.2. All or part of the joint and several rights and obligations arising from this Contract may be freely assigned at any time by any of the entities constituting the Contractor to one or more Affiliated Companies or other entities constituting the Contractor.

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## ARTICLE 35

### STABILITY OF CONDITIONS

- 35.1. This Contract is executed between the Parties in accordance with the laws and regulations in force at the date of its signing and on the basis of the provisions of said laws and regulations, as regards, *inter alia*, the economic, fiscal and financial provisions of this Contract.
- 35.2. Consequently, should new or amended laws or regulations modify the provisions of the laws and regulations in force at the date of signing of this Contract and should those modifications bring about a material change in the respective economic situation of the Parties resulting from the original provisions of said Contract, the Parties shall in good faith enter into an agreement with a view to modifying those provisions in order to restore the economic balance of the Contract as intended at the signing thereof. If the Parties fail to agree on such modifications the matter shall thereafter be referred at the option of either Party to arbitration under Article 31 hereof.
- 35.3. In the event of adverse material changes in circumstances from those existing at the Effective Date, except as provided in clauses 35.1 and 35.2, that have a material adverse effect on the terms of this Contract (Profound Changes in Circumstance), NOCAL and the Contractor shall, at the request of either Party, consult together. If it is established that such Profound Changes in Circumstances have occurred, then the Parties shall effect such changes in or clarifications to this Contract that they agree are necessary. The Parties shall meet in good faith to make the necessary revisions and adjustments to the Contract in order to offset or alleviate the said economic hardship caused by such change, maintain such expected economic benefits to each of the Parties, recognizing the risk which is or has been undertaken by the Contractor under this Contract, provided that the economic benefits to the Parties shall not be reduced as a result of exercising the terms of this Article. For the purposes of this Contract the term "Profound Changes in Circumstances" shall mean such material adverse changes in the economic conditions of the petroleum industry world wide or in Liberia or such changes that result in such a material and fundamental alteration of the conditions and assumptions relied upon by the Parties at the Effective Date of this Contract (or the time after any subsequent review under this Article) to the effect that the overall balance of equities and benefits reasonably anticipated by the Parties will no longer be achievable.



## ARTICLE 36

### IMPLEMENTATION OF THE CONTRACT

36.1. The Parties agree to cooperate in every possible manner to achieve the objectives of this Contract.

NOCAL shall facilitate the Contractor's performance of its activities by granting it any permits, licenses, access rights necessary for the performance of the Petroleum Operations and by making available to it any appropriate services and facilities, so that the Parties can obtain the best benefit from a sincere cooperation. However, the Contractor shall observe the applicable procedures and formalities, and shall apply to the competent Ministries and/or Agencies of the Administration.

36.2. Any notices or other communication under this Contract shall be delivered to an authorized representative of the Party concerned at the location of said Party's principal office in Liberia, or sent by telegram, cable or facsimile with all expenses paid, or deposited as registered letters with the Postal administration of Liberia with postage prepaid.

Notifications shall be deemed to have been made on the date when the addressee shall receive them.

Notices to the STATE and NOCAL shall be given to:

President and CEO  
National Oil Company of Liberia  
Episcopal Church Plaza, 3<sup>rd</sup> Floor  
Corner Ashmun and Randall Streets,  
1000 Monrovia,  
10 Liberia  
E-Fax: +1 703 852-7265  
Tel: +37 747 510-519

Notices to the Contractor shall be given to:

Woodside West Africa Pty Ltd  
Woodside Plaza  
240 St George's Tce  
PERTH WA 6000

*POWER OF ATTORNEY*  
*3/21/11*

The Parties may by prior written notice to the other Parties, change the above details.

- 36.3. If NOCAL considers that the Contractor has committed a breach in the performance of any of its obligations, it shall so notify the Contractor in writing and the Contractor shall have sixty (60) days to remedy the breach, but if sixty (60) days is not practicable, will promptly commence and diligently pursue the remedy of the breach. The Contractor shall notify NOCAL of its plan to remedy the breach and keep NOCAL regularly informed as to the steps taken to remedy the breach.
- 36.4. The terms and conditions of this Contract may be modified only in writing and by mutual agreement between the Parties.
- 36.5. Unless otherwise specified in writing, NOCAL shall represent the STATE under this Contract and is empowered to grant, in the name and on behalf of the STATE, any consent necessary or useful for the implementation of this Contract.
- 36.6. Headings in this Contract are inserted for purposes of convenience and reference and in no event shall define, restrict or describe the scope or object of the Contract or of any of its clauses.
- 36.7. Appendices 1, 2 and 3 attached hereto shall form an integral part of this Contract.
- 36.8. Any waiver of by a Party concerning the performance of any obligation of another Party shall be in writing and signed by the Party giving the waiver, and no waiver shall be implied if a Party does not exercise any of its rights to which it is entitled under this Contract.
- 36.9. Any Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by the laws of any applicable jurisdiction. This waiver includes immunity from (i) any expert determination, mediation, or arbitration proceeding commenced pursuant to this Contract; (ii) any judicial, administrative or other proceedings to aid the expert determination, mediation, or arbitration commenced pursuant to this Contract; and (iii) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from an expert determination, mediation, arbitration or any judicial or administrative proceedings commenced pursuant to this Contract. Each Party acknowledges that its rights and obligations hereunder are of a commercial and not a governmental nature.
- 36.10 Confidentiality:

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- (a) All data, reports, statistics including interpretation and analysis and other documents or information (whether written or electronic) supplied by the Contractor pursuant to this Contract shall be treated as confidential and shall not be disclosed by any other Party to any person without the express written consent of the Contractor during the term of the Contract and for 5 years thereafter.
- (b) The provisions of Article 39.10(a) shall not prevent disclosure by NOCAL or the STATE:
- i. To any agency of the STATE or to any adviser or consultant to NOCAL provided the recipients of that information have undertaken to keep any such disclosure confidential, or
  - ii. For the purpose of complying with the STATE's international obligations for the submission of statistics and related data.

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ARTICLE 37  
EFFECTIVE DATE

The Effective Date is the date when NOCAL delivers to the Contractor notice of the enactment by the legislature of the Republic of Liberia that this Contract has been promulgated as the law of the Republic of Liberia, and said Contract shall become binding on the Parties on that Effective Date.

IN WITNESS WHEREOF, the Parties have signed this Contract on the date as set forth below:

*Pax*  
\_\_\_\_\_  
On behalf of the Republic of Liberia

Date:

*J. Neant*  
\_\_\_\_\_  
President of NOCAL

*15-08-05*

Date:

*[Signature]*  
\_\_\_\_\_  
For the Contractor: *Woodside West Africa Pty Ltd*

Date: *15-08-05*

Woodside West Africa Pty Ltd,  
By its duly appointed Attorney  
in the presence of:

*[Signature]*  
\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Attorney

*H. HIRSCHMANN*  
\_\_\_\_\_  
Name of Witness (print)

*[Signature]*  
\_\_\_\_\_  
Name of Attorney (print)

*A*

*Musa Taylor*

Witnessed By:  
Chairman of Board of Directors of NOCAL

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Date

Attested by:  
Minister of Justice, Republic of Liberia

Date

Approved:  
Chairman National Transitional Government of Liberia

Date

Ratified:  
National Transitional Legislative Assembly

Date



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**ARTICLE 37**  
**EFFECTIVE DATE**

The Effective Date is the date when NOCAL delivers to the Contractor notice of the enactment by the legislature of the Republic of Liberia that this Contract has been promulgated as the law of the Republic of Liberia, and said Contract shall become binding on the Parties on that Effective Date.

IN WITNESS WHEREOF, the Parties have signed this Contract on the date as set forth below:

\_\_\_\_\_  
For the Republic of Liberia

\_\_\_\_\_  
Date

\_\_\_\_\_  
National Oil Company of Liberia

\_\_\_\_\_  
Date

For the Contractor:  
Woodside West Africa Pty Ltd,  
By its duly appointed Attorney  
in the presence of:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Attorney

\_\_\_\_\_  
Name of Witness (print)

\_\_\_\_\_  
Name of Attorney (print)

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T.A.P.

## APPENDIX 1

Attached to and made part of this Contract between the Republic of Liberia, NOCAL and the Contractor,

### DELIMITED AREA

On the Effective Date, the Delimited Area, designated as Block LB-15, is formed by the area included inside the perimeter constituted by the points indicated on the map attached hereto.

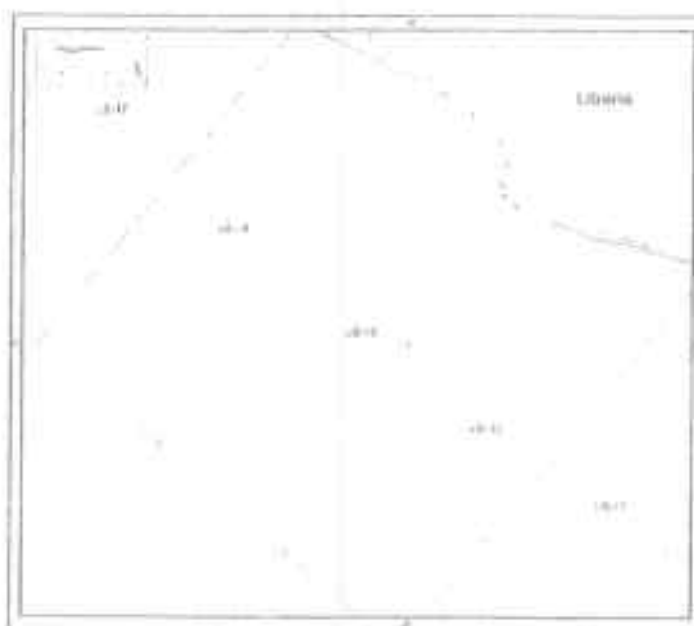
The geographical coordinates of those points are the following, with reference to the Greenwich meridian:

Point	Latitude	Longitude
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Refer to map below

Those coordinates are only given for purposes of illustration and shall not be considered as the boundaries of the national jurisdiction of Liberia.

The surface of the Delimited Area above-defined is deemed to be equal to about 3400sq. km.



Block LB-15 3400 sq km

	Lat	Long
A	07°40'00" N	11°20'00" W
B	07°30'00" N	10°50'00" W
C	07°30'00" N	10°40'00" W
D	07°34'00" N	10°30'00" W
E	07°34'00" N	10°20'00" W
F	07°34'00" N	10°10'00" W
G	07°22'00" N	10°00'00" W
H	07°00'00" N	10°00'00" W
I	07°00'00" N	10°10'00" W
J	07°00'00" N	10°20'00" W
K	07°00'00" N	10°30'00" W
L	07°00'00" N	11°00'00" W

Coordinate System  
Datum: WGS84  
Projection: UTM  
Spheroid: Everest

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## APPENDIX 2

Attached to and made part of this Contract between the Republic of Liberia, NOCAL and the Contractor.

### ACCOUNTING PROCEDURE

#### Article I - General Provisions

##### 1.1. Object

This Accounting Procedure shall be followed and observed in the performance of the obligations under the Contract to which this Appendix is attached.

##### 1.2. Accounts and statements

The registers and accounting books of the Contractor shall be in conformity with accounting rules and regulations for business applicable in Liberia. However, the Contractor may apply the accounting rules and procedures (including Accrual Basis) customarily used in the petroleum industry.

In accordance with the provisions of Article 25 of the Contract, accounts, books and registers shall be maintained and recorded in Dollars. Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency transactions for expenditures and receipts shall be recorded in accordance with the provisions of the Contract and Operator's normal procedures. Any gain or loss resulting from the translation or exchange of currency shall be credited or charged to the Joint Account. These accounts shall be used, inter alia, to determine the amount of Petroleum Costs, the recovery of said Costs, the production sharing, as well as for the purposes of Contractor's Income Tax return.

The Contractor shall record all operations connected with the Petroleum Operations in accounts separate from those relating to any other activities which it may carry out in the Republic of Liberia.

All accounts, books, records and statements, together with documents supporting expenses incurred, such as invoices and service contracts, shall be kept in the Republic of Liberia in order to be provided at the request of the competent authorities of Liberia.

##### 1.3. Interpretation

The definitions of the terms used in this Appendix 2 shall be the same as those of the same terms set forth in the Contract. In addition, certain terms used herein are defined as follows:

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Accrual Basis shall mean that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the right to benefits arises regardless of when invoiced, paid or received.

In the event of any conflict between the provisions of this Accounting Procedure and the Contract, the provisions of the Contract shall prevail.

**1.4. Modifications**

The provisions of this Accounting Procedure may be modified by mutual agreement between the Parties.

The Parties agree that if any provision of the Accounting Procedure proves inequitable to either Party, such provision shall be modified in good faith by the Parties.

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## Article II – Petroleum Costs

### II.1. Petroleum Costs Account

The Contractor shall maintain a "Petroleum Costs Account" which will record in detail the expenses incurred by the Contractor directly relating to the Petroleum Operations carried out under this Contract, and which will be recoverable in accordance with the provisions of Article 16 of the Contract.

This Petroleum Costs Account shall, inter alia, record separately, by Appraisal Perimeter or Exploitation Perimeter if any, the following expenses:

- (a) exploration expenditures;
- (b) appraisal expenditures;
- (c) development expenditures;
- (d) exploitation expenses;
- (e) financial costs;
- (f) overhead costs in Liberia;
- (g) overhead costs abroad.

The Petroleum Costs Account shall enable, inter alia, to identify at any time:

- (a) the total amount of Petroleum Costs since the Effective Date;
- (b) the total amount of Petroleum Costs recovered;
- (c) the total amount credited to the Petroleum Costs Account pursuant to Article II.4.(b) below;
- (d) the total amount of Petroleum Costs which remain to be recovered.

For the purposes of Article 16 of the Contract, Petroleum Costs shall be recovered in the following sequence:

- (a) exploitation expenses in respect of a Field incurred and paid from the date of commencement of regular production;
- (b) financial costs;
- (c) other Petroleum Costs.

In addition, within each of the foregoing categories, the costs shall be recovered in the sequence in which they are incurred.

Unless otherwise provided for in this Accounting Procedure the intent of the Parties is not to duplicate any item of the credit or debit of the accounts maintained under the Contract.

## **II.2. Items debited to the Petroleum Costs Account**

The following expenses and costs shall be debited to the Petroleum Costs Account.

### **II.2.1. Personnel expenses**

All payments in respect of the salaries and wages of the Contractor's employees directly assigned to the Petroleum Operations carried out under this Contract, in the Republic of Liberia, whether temporarily or permanently and irrespective of where such personnel are located, including amounts imposed by the applicable laws and costs of employees' benefits and all additional charges or expenses in accordance with the individual or collective employment contracts or pursuant to the Contractor's personnel policies (including, without limitation, relocation, insurance, vacation, travel, training, living/housing allowances, health benefits, company vehicles, hardship allowances). If employees are also engaged in activities other than the Petroleum Operations, the above costs shall be apportioned on an equitable basis.

### **II.2.2. Overhead costs in Liberia**

The following costs which have actually been incurred by the Contractor: wages and salaries and other costs of the kind set out in Article II.2.1. above, of the Contractor's personnel directly engaged in the Petroleum Operations in the Republic of Liberia, whose work time is not directly allocated to the programs, as well as costs of maintaining and operating in Liberia a main and administrative office and sub-offices necessary for the Petroleum Operations.

### **II.2.3. Overhead costs abroad**

The Contractor shall add a reasonable amount as overhead paid abroad, connected to the carrying out of the Petroleum Operations by the Contractor or its Affiliated companies, such amounts representing the estimated cost of services directly rendered for the benefit of the said Petroleum Operations.

Overhead costs paid abroad shall be charged as follows:



- (a) prior to the grant of an exclusive exploitation authorization three percent 3% of the expenses charged to the Petroleum Costs Account excluding overhead costs for the year in question;
- (b) from the grant of the first exclusive exploitation authorization three percent 3% of expenses charged to the Petroleum Costs Account excluding overhead costs for the year in question.

#### **II.2.4 Buildings**

Construction, maintenance expenses, as well as rents paid for all offices, houses, warehouses, and buildings of other types, including housing for employees, and cost of equipment, furniture, and fittings necessary for the operation of those buildings and communication systems and other utilities and facilities directly required for the performance of the Petroleum Operations.

#### **II.2.5 Materials, equipment and rentals**

Costs of equipment, materials machinery, and facilities purchased or provided for use in the Petroleum Operations, as well as rentals, lease payments or other compensations paid or incurred for the use of any equipment or facilities required directly for the performance of the Petroleum Operations.

#### **II.2.6. Services**

Costs of service directly related to Petroleum Operations rendered by subcontractors and consultants, as well as any costs directly related to services rendered by the STATE or NOCAL or any other authorities of the Republic of Liberia.

Costs of services directly related to Petroleum Operations rendered by Affiliated Companies, provided that such costs shall not exceed those normally charged by independent companies for an identical or similar service.

#### **II.2.7. Insurance Premiums**

Premiums paid for insurances customarily taken out for the Petroleum Operations to be carried out by the Contractor or required under this Contract.

#### **II.2.8 Legal Expenses**

All expenses payable to the Contractors' legal representatives or to other parties or Third parties relating to handling, investigation, pursuing, opposing

and settlement or determination of litigation or arbitration or other claims directly arising from the Petroleum Operations.

#### **II.2.9. Financial Costs**

All loan fees, finance establishment costs and interests paid by the Contractor in respect of the loans from Third Parties and advances obtained from Affiliated Companies, provided that those loans and advances shall be for the purpose of the financing of Petroleum Costs related only to the development of Petroleum Operations in respect of a Field. In the event such financing is provided by Affiliated Companies, the allowable interest rates shall not exceed the rates customarily used in the international financial markets for loans of a similar nature. For the purposes of this Article II.2.9 "development" means (i) any work referred to in, or required to carry out the requirements of, any development and production plan or any Annual Work Programme applying to the exploitation period for any Field; and (ii) any other work carried out by the Contractor during an exploitation period for the exploitation of a Field. In this Article II.2.9, "work" means any services performed or goods supplied, by the Contractor or by its agents, contractors or subcontractors.

#### **II.2.10. Damages and Losses**

All costs and expenses necessary for the repair or replacement of any property (including buildings, contents, plant, machinery, equipment of any kind) save where caused by the gross negligence of the Contractor.

#### **II.2.11. Ecological and Environmental Charges**

All costs incurred as a result of governmental or regulatory requirements and/or the Contractor's policies to comply with environmental rules applicable to Petroleum Operations. These costs may include ecological or archaeological surveys and pollution control procedures required by the applicable laws and regulations but do not include the costs incurred to clean up pollution resulting from a failure by the Contractor to comply with applicable laws relating to the environment.

#### **II.2.12 Other Expenses**

Any other expenses provided for in the Contract (including abandonment costs and provisioning in accordance with Article 20), incurred and paid by the Contractor for the purposes of the necessary and proper conduct of the Petroleum Operations under the approved Annual Work Programs and Budgets, other than the expenses covered and dealt with by the foregoing provisions of this Article and other than the expenses excluded from the Petroleum Costs.

### **II.3. Expenses not chargeable to the Petroleum Costs Account**

The expenses which are not directly necessary for the performance of the Petroleum Operations, and the expenses excluded by the provisions of the Contract or this Accounting Procedure as well as by the regulations in force in Liberia, are not chargeable to the Petroleum Costs Account and shall therefore not be recoverable. Notwithstanding the above, such expenses shall be considered as deductible expenses for income tax purposes.

Such expenses shall include, without limitation:

- (a) expenses relating to the period before the Effective Date;
- (b) any expenses relating to the operations carried out beyond the Delivery Point, such as transportation and marketing costs;
- (c) financial costs relating to the financing of exploration Petroleum Operations.

### **II.4. Items credited to the Petroleum Costs Account**

The following incomes and proceeds shall, inter alia, be credited to the Petroleum Costs Account:

- (a) income arising from the marketing of the quantity of Crude Oil to which the Contractor is entitled under Article 16 of the Contract for the purpose of recovery of the Petroleum Costs;
- (b) any other incomes or proceeds related to the Petroleum Operations, specifically those arising from:
  - sales of related substances;
  - any services rendered to Third Parties using the facilities dedicated to the Petroleum Operations, including, but not limited to, processing, transportation and storage of products for Third Parties in those facilities.

## **Article III – Cost Evaluation Basis For Services, Materials and Equipment Used in the Petroleum Operations**

### **III.1. Technical services**

A reasonable rate shall be charged for the technical services rendered by the Contractor or its Affiliated Companies for the direct benefit of the Petroleum Operations carried out under the Contract, such as gas, water, core analyses and any other analyses and tests, provided that such charges



shall not exceed those normally charged by independent technical service companies and laboratories for similar services.

### III.2. Purchase of materials and equipment

Materials and equipment purchased from Third Parties and directly necessary for the performance of the Petroleum Operations carried out under the Contract shall be charged to the Petroleum Costs Account at "Net Cost" incurred by the Contractor.

"Net Cost" shall include such items as taxes, shipping agent fees, transportation, loading and unloading costs, license fees, related to the supply of materials and equipment, as well as transit losses not recovered through insurance.

### III.3. Depreciation of equipment and facilities owned exclusively by the Contractor, for Tax purposes

Only for tax purposes, equipment and facilities owned by the Contractor and used directly for the Petroleum Operations shall be depreciated with Unit of Production method that is customary used in the petroleum industry. It is also understood that any expense regarding maintenance, repairs, and service required for the performance of the Petroleum Operations shall be deductible and charged to the Petroleum Costs Account as operating expenses.

### III.4. Valuation of materials

All materials transferred to Liberia from the Contractor's warehouses, or from those of any entity constituting the Contractor or their Affiliated Companies, shall be valued as follows:

#### (a) New Material

New material (condition "A") means new material which has never been used; one hundred percent (100%) of the current market price, which corresponds to the price normally charged for similar supplies in arm's length transactions between buyer and seller.

Material in good condition (condition "B") means material in good condition which is still usable for its original purpose without repair, at a maximum of seventy-five percent (75%) of the price of new material.

#### (b) Other used material

Other used material (condition "C") means material still usable for its

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original purpose; but only after repairs and reconditioning; at a maximum of fifty percent (50%) of the price of new material.

(c) **Material in poor condition**

Material in poor condition (condition "D") means material no longer usable for its original purpose but still usable for other purposes; at a maximum of twenty-five percent (25%) of the price of new material.

(d) **Scrap material**

Scrap material (condition "E") means material beyond usage and repair; prevailing price of scrap material.

**III.5. Materials and equipment disposed by the Contractor**

Materials and equipment purchased by all the entities constituting the Contractor shall be valued in accordance with the principles defined in Article III.4 above.

Materials and equipment purchased by any entity constituting the Contractor or by Third Parties shall be valued at the received sale price, which shall in no event be less than the price determined in accordance with the principles defined in Article III.4 above.

The corresponding amounts shall be credited to the Petroleum Costs Account.

**Article IV – Inventories**

**IV.1. Period**

The Contractor shall keep a permanent inventory both in quantity and value of all normally controllable materials used for the Petroleum Operations and shall proceed at reasonable intervals with the physical inventories as required by the Parties.

**IV.2. Notice**

A written notice of intention to take an inventory shall be sent by the Contractor at least thirty (30) days prior to the commencement of said inventory so that the STATE and the entities constituting the Contractor may be represented at their own expenses during the inventory operations.

**IV.3. Information**

In the event the STATE or any entity constituting the Contractor shall not be





represented at an inventory, such Party or Parties shall be bound to accept the inventory taken by the Contractor which shall furnish to such Party or Parties a copy of said inventory.

#### **Article V – Financial and Accounting Statements**

The Contractor shall furnish NOCAL with all the reports, records and statements provided by the provisions of the Contract and the applicable regulations and, inter alia, the following financial and accounting statements:

##### **V.1. Statement of exploration work obligations**

Such annual statement shall be submitted not later than one (1) month after the end of each Contract Year in respect of the exploration periods.

It shall present with details the exploration work and expenditures carried out by the Contractor to fulfill its obligations set forth in Article 4 of the Contract, excluding specifically appraisal wells and related appraisal expenditures as well as development expenditures, exploitation expenses, overhead costs and bonuses.

##### **V.2. Statement of recovery of Petroleum Costs**

A quarterly statement shall be submitted not later than two (2) months after the end of each Calendar Quarter. It shall present the following items of the Petroleum Costs Account:

- (a) the amount of Petroleum Costs which remain to be recovered at the beginning of the quarter;
- (b) the amount of Petroleum Costs in respect of that quarter and recoverable under the provisions of the Contract;
- (c) the quantity and the value of the production of Petroleum taken by the Contractor during the quarter for the purpose of recovery of the Petroleum Costs;
- (d) the amount of incomes or proceeds credited for the purpose of Article II.4.(b) above during the quarter;
- (e) the amount of Petroleum Costs which remain to be recovered at the end of the quarter.

In addition, an annual statement of the recovery of Petroleum Costs shall be submitted prior to the end of February of each Calendar Year.

##### **V.3. Statement of production**

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After commencement of production, such monthly statement shall be submitted not later than fifteen (15) days after the end of each month.

It shall present for each month the detailed production of each Exploitation Perimeter and, inter alia, the quantities of Petroleum:

- (a) stored at the beginning of the month;
- (b) lifted during the month;
- (c) lost and used for the requirements of the Petroleum Operations;
- (d) stored at the end of the month.

A handwritten signature in black ink, appearing to be 'R. G. J.', located in the bottom right corner of the page.

### APPENDIX 3

Attached to and made part of this Contract between the Republic of Liberia, NOCAL and the Contractor.

### TAX CERTIFICATE

Republic of Liberia  
Ministry of Finance

#### RECEIPT OF TAX PAYMENT

The Tax Authorities of the Republic of Liberia certify that WOODSIDE WEST AFRICA PTY. LTD. is a chargeable person under the Liberian Income Tax Law (LAW n<sup>o</sup> \_\_\_\_/2000).

Furthermore, the Tax Authorities of the Republic of Liberia also certify that the National Oil Company of Liberia (NOCAL) has settled, in the name and on behalf of WOODSIDE WEST AFRICA PTY. LTD. the Income Tax due, to the STATE under the Petroleum Production Sharing Contract dated \_\_\_\_/\_\_\_\_/\_\_\_\_, and in accordance with The New Petroleum Law of Liberia. The amounts paid for the period from 01/01/\_\_\_\_ to 31/12/\_\_\_\_ are as follows:

Income Tax :-----

Total Amount:-----

The Tax Authorities also certify that the Contractor has, for the Fiscal Year in question, complied with all its tax obligations with respect to the Income Tax.

Ministry of Finance

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

 78



**ADDENDUM TO PRODUCTION SHARING CONTRACT  
BETWEEN THE NATIONAL OIL COMPANY OF LIBERIA  
AND WOODSIDE WEST AFRICA PTY LIMITED, BLOCK LB-15**

**BETWEEN**

The Republic of Liberia, represented for the purposes of this Addendum by the National Oil Company of Liberia NOCAL, a company duly organized, existing and doing business under the laws of Liberia, represented by its Chairman of the board and President/CEO, hereinafter referred to as "NOCAL";

**AND**

Woodside West Africa Pty Ltd, a company incorporated under the laws of Australia hereinafter referred to as ("the Contractor").

**WITNESSETH:**

WHEREAS, a Production Sharing Contract (hereinafter, the "Contract") was entered into by and between NOCAL and the Contractor on August 18, 2005;

WHEREAS, the conditions of Article 37 of the Contract have not been satisfied up to and including the date hereof;

WHEREAS, pursuant to Article 33 of the Contract, the Parties have mutually agreed to amend the Contract on the terms and conditions set forth herein;

NOW THEREFORE, for and in consideration of the exchange of promises, the Parties hereto covenant and mutually agree to amend the articles and sub-articles to the Contractor as follows:

**ARTICLE 3**

**DURATION OF EXPLORATION PERIODS AND SURRENDERS**

- 3.1 The exclusive exploration authorization is hereby granted to the Contractor for a period of eight (8) consecutive years defined by three (3) consecutive periods.

A first Exploration Period of four (4) Contract Years, a second Exploration Period of two (2) Contract Years and a third Exploration Period of two (2) Contract Years in respect of the entire Delimited Area.

- 3.2 If during the first exploration period set forth above the Contractor has fulfilled the exploration work commitments defined in Article 4, as ascertained by the Government, the

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exclusive exploration authorization shall, at the Contractor's request, be renewed for a second exploration period of two (2) Contract Years.

#### ARTICLE 4

##### EXPLORATION WORK COMMITMENTS

- 4.2 The Contractor, during the first exploration period defined in Article 3.1, shall carry out a minimum work programme at a cost of no less than eight million four hundred thousand (8.4 million) Dollars which includes a 3D Seismic Survey of 1,500 square Km.

Contingent on a successful 3D seismic acquisition program and subsequent interpretation of the data, the Contractor undertakes to make reasonable efforts to drill one (1) exploratory well in the first period, but in any event not later than the middle of the second exploratory period, thereby satisfying the second exploration period minimum well commitment.

- 4.4 The Contractor, during the third exploration period defined in Article 3.1, shall carry out a minimum work programme at a cost of no less than twenty million five hundred thousand (20.5 million) Dollars which includes the drilling of two (2) exploratory wells.

- 4.5 Each of the exploratory wells shall be drilled to a minimum depth of two thousand (2000) meters, after deduction of the water depth, or to a lesser depth if the continuation of drilling performed in accordance with good international petroleum industry practice is prevented for any of the following reasons:

- (a) The basement is encountered at a lesser depth than the minimum contractual depth;
- (b) Continuation of drilling presents an obvious danger due to the existence of abnormal formation pressure;
- (c) Rock formations are encountered the hardness of which prevents, in practice, the continuation of drilling by the use of appropriate equipment;
- (d) Petroleum formations are encountered the crossing of which requires, for their protection, the laying of casings preventing the minimum contractual depth from being reached.

In the event that any of the above reasons occurs, the exploratory well shall be deemed to have been drilled to the minimum contractual depth.

Notwithstanding any provision in this Article to the contrary, NOCAL and the Contractor may, at any time, agree to abandon the drilling of a well at a lesser depth than the minimum contractual depth. *AK*

In order to carry out the exploration drilling defined in Articles 4.3 and 4.4 in the best technical conditions in accordance with good international petroleum industry practice, the Contractor undertakes to make the expenditure required to meet the objectives of the well work programme which will include drilling and, as appropriate, testing.

- 4.7 If at the expiration of any of the three (3) exploration periods defined in Articles 3.1, 3.2 and 3.3 or upon the date of surrender of the whole Delimited Area, or upon the date of termination of this Contract, the Contractor has not fulfilled its work commitments set forth in this Article, it shall pay a compensation to NOCAL, within thirty (30) days after the date of expiration, surrender or termination, the unspent balance of investment obligations above-defined for that current exploration period.
- 4.8 In a given exploration period, in the event where the Contractor drills, one or more additional exploration wells to those required under 4.2, 4.3 and 4.4 or exceeds its investment obligations relating to that period, then the excess well(s) or investment expenditure may be carried forward, into the next succeeding exploration period(s) and off-set against any other exploration well work commitments or investment obligations.

#### ARTICLE 6

##### CONTRACTOR'S OBLIGATIONS IN RESPECT OF THE EXPLORATION PERIODS AND ENVIRONMENTAL MANAGEMENT

- 6.4 The Contractor further undertakes to carry out all Petroleum Operations in accordance with the Environmental Protection and Management Laws of Liberia and all international environmental protocols. In this respect, the Contractor shall:
- (a) Submit to the Government, through NOCAL, an Environmental Impact Statement (EIS) prior to the commencement of exploration and production.
  - (b) Take reasonable preventative, corrective and restorative measures to protect from pollution, contamination or damage resulting from Petroleum Operations to water bodies, land surfaces and the atmosphere, and that any pollution, contamination and damage of such water bodies, land surface and atmosphere hereunder be rectified.

Subject to the foregoing, and at the conclusion of Petroleum Operations in the Delimited Area, the Contractor will undertake reasonable efforts to restore the Delimited Area to the state in which it was before the Petroleum Operations. However, the Contractor shall have no liability for any environmental damages caused after the transfer of such assets as per Article 20.1. *MC*

- 6.3 The Contractor and its subcontractors shall be obligated to give preference to enterprises and goods from Liberia, if conditions of proven experience, price, quality, delivery time and terms of payment are similar to those from other countries or from non-Liberian sources. If the above conditions are met, the Contractor commits itself to award to only Liberians, supply, construction or service contracts, the estimated value of which is under Two Hundred Thousand United States Dollars (US\$200,000.00). Subject to the above conditions, in the event that the contract for supply, construction or service is above Two Hundred Thousand United States Dollars (US\$200,000.00), and is awarded to a Non-Liberian contractor, then and in that event, such Non-Liberian contractor shall enter into a partnership arrangement with a Liberian company(ies).

## ARTICLE 16

### RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING

- 16.2 For the purposes of recovery of the Petroleum Costs, the Contractor may freely take each Calendar Year a portion of the production in no event greater than seventy percent (70%) of the Total Production of Crude Oil or Gas from the Delimited Area, or only any lesser percentage which would be necessary and sufficient to recover remaining cost.

The value of such portion of Total Production allocated to the recovery of the Petroleum Costs by the Contractor, as defined in the preceding paragraph, shall be calculated in accordance with the provisions of Article 13.

If during a Calendar Year the Petroleum Costs not yet recovered by the Contractor under the provisions of this Article 16.2 exceed the equivalent in value of seventy percent (70%) of the Total Production of Crude Oil or Total Production of Gas from the Delimited Area, as calculated above, the balance of the Petroleum Costs which cannot be recovered in that Calendar Year shall be carried forward in the following Calendar Year or Years until full recovery of the Petroleum Costs or until the expiration of this Contract.

- 16.3 The Remaining Oil Production shall be shared between NOCAL and the Contractor as follows:

<u>Increments of daily oil Total Production (In Barrels per day)</u>	<u>NOCAL's Share</u>	<u>Contractor's Share</u>
from 0 to 100,000	40%	60%
from 100,001 to 150,000	50%	50%
over 150,000	60%	40%

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In case of natural gas, NOCAL's share shall be 30% and the Contractor 70% of barrels of crude oil equivalent per day.

The last paragraph of Article 16.3 of the Contract is void and of no further force and effect.

## ARTICLE 17

### TAXATION

17.1 Unless otherwise provided for in this Contract, the Contractor shall, in respect of its Petroleum Operations, be subject to the laws generally applicable and the regulations in force in Liberia concerning taxes which are or may be levied on incomes, or determined thereto.

It is specifically acknowledged that the provisions of this Article shall apply solely to the Contractor under the Contract.

The Contractor shall keep separate accounts for each Fiscal Year in respect of the Petroleum Operations, in accordance with the regulations in force in Liberia, enabling in particular the establishment of a profit and loss account as well as a balance sheet showing both the results of said Petroleum Operations and the asset and liability items allocated or related thereto.

17.2 For the purposes of Article 17.1 the Contractor shall in respect of its net profit arising from Petroleum Operations, be liable to corporate income tax under the laws and regulations in force in Liberia. Income tax rate applicable to Petroleum Operations carried out under this Contract shall be thirty (30%) percent, which shall be paid directly by the Contractor to the Government of Liberia.

Notwithstanding the above, as a further incentive to the Contractor, the Government of Liberia specifically grants to the Contractor a tax holiday (waiver) on its corporate income tax for ten (10) consecutive years from the day of the first commercial production from the Delimited Area. Thereafter, the provisions of Article 17.2.1 shall apply and shall take effect.

The last paragraph of Article 17.2 of the Contract is void and of no further force and effect.

The Paragraph of Article 17.5 commencing with PLUS to the Contractor is void and of no further force and effect.

Paragraph 17.6 is void and of no further force and effect.

Paragraph 17.7 insert the words "During the Exploration Period", before In Particular.

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ARTICLE 19

BONUSES AND HYDROCARBON  
DEVELOPMENT FUND

- 19.1 The Contractor shall pay to NOCAL the following bonuses:
- (a) Two (2) million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of thirty thousand (30,000) Barrels per day during a period of thirty (30) consecutive days.
  - (b) Three (3) million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of fifty thousand (50,000) Barrels per day during a period of thirty (30) consecutive days.
  - (c) Five (5) million Dollars when the Total Production of Crude Oil from the Delimited Area first reaches the average rate of one hundred thousand (100,000) Barrels per day during a period of thirty (30) consecutive days.

Each of the amounts referred to in (a), (b) and (c) above shall be paid within thirty (30) days following the expiration of the reference period of thirty (30) consecutive days.

- 19.2 These bonuses shall not be recoverable and therefore shall not be treated as Petroleum Costs.

19.3 HYDROCARBON DEVELOPMENT FUND

- 19.3.1 To stimulate research in the field of hydrocarbon, most especially in continental areas, and to assist the Government in its overall goal of achieving energy sustainability, a Hydrocarbon Development Fund, to be managed by NOCAL, has been established.

Consequently, the Contractor shall make a contribution of Five Hundred Thousand US Dollars (US\$500,000.00) to this fund. The aforementioned amount shall be contributed by the Contractor in four (4) equal installments of One Hundred and Twenty-five Thousand US Dollars (US\$ 125,000.00) each, over the first exploration period, the first of which will be paid within thirty (30) days of the Effective Date of this Contract. Thereafter, installment payments shall be made within thirty (30) days of each subsequent anniversary of the first exploration period.

- 19.3.2 The contribution of the Hydrocarbon Development Fund referred to in Article 19.3.1 will be recoverable and therefore, shall be considered as Petroleum Costs.

- 19.3.3 The Parties agree that all payments made under this Contract shall be made in accordance with protocols laid down by the Extractive Industries Transparency Initiative (EITI).

ARTICLE 29

PERSONNEL AND TRAINING

29.2. Upon commencement of the Petroleum Operations, the Contractor shall provide funding for Training Programmes and for that purpose the Contractor shall devote an annual Training Budget of:

(a) One Hundred Thousand United States Dollars (US\$100,000.00) during each year of the exploration period;

(b) Two Hundred Thousand United States Dollars (US\$200,000.00) during each year of the exploitation period.

Additionally, the Contractor shall make an annual contribution of Seventy-five Thousand United States Dollars (US\$75,000.00) to the University of Liberia for the enhancement of programmes in Geology, Mining Engineering and Environmental Studies.

29.3. Upon commencement of the Petroleum Operations, the Contractor shall provide funding for Social and Welfare programmes in Liberia and for that purpose the Contractor shall devote an annual Social and Welfare Budget of:

(a) One Hundred Fifty Thousand United States Dollars (US\$150,000.00) during each year of the exploration period;

(b) Two Hundred Fifty Thousand United States Dollars (US\$250,000.00) during each year of the exploitation period.

As provided in Article 19.3.3, all payments made under this Contract shall be made in accordance with protocols laid down by the Extractive Industries Transparency Initiative (EITI).

29.4. An escrow account shall be established by both Parties for the purposes of receiving money and paying for the programmes detailed in Articles 29.2 and 29.3 and they shall both be signatories to such account, except for the contribution to the University of Liberia which shall be paid by the Contractor through NOCAL to the institution.

The Training requirements shall be developed by both Parties with the understanding that NOCAL shall provide 70% of the training candidates and the Contractor shall provide 30% of the candidates.

The Training and Social and Welfare Programmes shall be mutually agreed by the Parties.

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The Training and Social and Welfare expenses borne by the Contractor shall be included in recoverable Petroleum Costs. Funding for the Training and Social and Welfare Programmes shall be paid within thirty (30) days of the Effective Date of the Contract. Thereafter, payments shall be made within thirty (30) days of each subsequent anniversary of the Contract.

- 29.5 The entry into Liberia of all foreign personnel shall be authorized and the STATE shall issue the documents necessary for that entry to all members of the foreign personnel, such as entry visas, working permits and exit visas, in compliance with the immigration regulation in force in Liberia.

At the request of the Contractor, the STATE shall facilitate any immigration formalities with the Immigration Bureau, at the points of entry into and exit from Liberia, in respect of the Contractor's employees, contractors, subcontractors and agents, and their families, all without undue delays.

- 29.6 All the employees required for the conduct of the Petroleum Operations shall be under the Contractor's authority or that of its contractors, subcontractors and agents, in their capacity as employees. Their work, number of working hours, salaries and any other matter relating to their employment conditions shall be determined by the Contractor or its contractors, subcontractors and agents.

#### ARTICLE 32a

#### TERMINATION

- 32a.1 Termination by the Contractor. During the Exploration and Exploitation Periods, the Contractor may surrender, by not less than sixty (60) days notice to NOCAL, all of its rights and obligations hereunder in respect of all or any part of the Delimited Area, and the operator shall be relieved of all obligations to NOCAL in respect of the area so surrendered except those obligations arising out of or related to the surrender.
- 32a.2 Termination by NOCAL. Subject to the provisions of Article 31, NOCAL shall have the right to terminate this Agreement if any of the following events (hereinafter called "Events of Default") shall occur and be continuing:
- (a) Where the Contractor shall fail to make any of the payments described in this Contract on the due payment date, and such default is not cured within ninety (90) days after notice by NOCAL or within such longer periods as may be specified in said notice;
  - (b) Where the Contractor shall materially fail to comply with its work commitments and other conditions in this Contract and such failure is not cured within ninety (90) days after notice by NOCAL or within such longer period as may be specified in the notice.

- (c) Where the Contractor shall (i) voluntarily dissolve, liquidate or wind up its affairs, or make an assignment of all or substantially all of its assets for the benefit of creditors other than an assignment made to secure indebtedness incurred in the ordinary course of business; (ii) file a petition or application to any tribunal for the appointment of a trustee or receiver for all or any substantial part of the Contractor's assets; (iii) commence any proceedings for its bankruptcy, reorganization, arrangement, insolvency or readjustment of debt under the laws of any jurisdiction, whether now or hereafter in effect, or if any such petition or application is filed, or any such proceedings are commenced against it, shall indicate its approval thereof, consent thereto or acquiescence therein, or (iv) if any order is entered appointing any such trustee or receiver, or adjudicating the Contractor bankrupt or insolvent, or approving the petition in any such proceedings, and provided that the Contractor shall fail to take corrective measure (s) to have such order removed or lifted within sixty (60) days;
- (d) Where the Contractor shall fail to carry out Exploration as required by Article 4, or ceases Exploration for a period of twelve (12) consecutive months or cease Production with respect to all Production Areas for a period of twenty four (24) consecutive months, unless such failure or cessation is consented to by NOCAL or is caused by a state of *force majeure*.

32a.3 Opportunity to Cure. In the case of an alleged Event of Default described above, NOCAL, before taking any further action, shall provide Notice to the Contractor of the alleged occurrence of such Event of Default and of NOCAL's views in that regard and shall offer the Contractor a fair opportunity to consult with NOCAL to resolve the matter. If, after a reasonable period of time of consultation, NOCAL is of the reasonable opinion that the matter cannot be resolved by further consultation, NOCAL may then send to the Contractor Notice of NOCAL's intention to terminate this Contract. If the Event of Default is not cured within ninety (90) days after said Notice, or within such longer period as may be necessary to allow a reasonable period of time to effect such cure, then this Contract shall be terminated.

32a.4 Disputes Regarding Events of Default. Notwithstanding the provision of Articles 32a.2, if the Contractor disputes whether there has been an Event of Default described above and, within ninety (90) days after receipt by the Contractor of NOCAL's Notice of its intention to terminate this contract, refers such dispute to arbitration in accordance with Article 31, then the termination of this Contract shall not take effect until the finality of, and in accordance with, an arbitration award.

**ARTICLE 35  
STABILITY OF CONDITIONS**

- 35.3 **Periodic Review.** In the event of changes in circumstances from those existing at the Effective Date, that have an adverse material effect on the terms of this Contract (Profound Changes in Circumstances), either NOCAL or the Contractor shall at the request of the other consult together. If it is established that such Profound Changes in Circumstances have occurred, then the Parties shall effect such changes in or clarifications to this Contract that they agree are necessary. The Parties shall meet in good faith to make the necessary revisions and adjustments to the Contract in order to maintain such expected economic benefits to each of the Parties, provided that the economic benefits to the Parties shall not be reduced as a result of exercising the terms of this Article. For purposes of this Contract, the term "Profound Changes and Circumstances" shall mean such changes in the economic conditions of the petroleum industry world wide or in Liberia or such changes that result in such a material and fundamental alteration of the conditions and assumptions relied upon by the Parties at the Effective Date of this Contract (or the time after any subsequent review under this Article) to the effect that the overall balance of the equities and benefits reasonably anticipated by the Parties will no longer be achievable.

**ARTICLE 37  
EFFECTIVE DATE**

The Effective Date of the Contract shall be the date on which all of the Parties have signed the Addendum and the Addendum is approved by the President of the Republic of Liberia, and notification to and receipt thereof by the Contractor.

**GENERAL PROVISIONS**

1. Except as specifically amended herein, all the remaining terms and conditions of the Contract shall remain in full force and effect. In the event of inconsistency between the Contract and the Addendum, the Addendum shall apply.
2. Capitalized terms used in this Addendum that are defined in the Contract and not otherwise defined herein shall have the respective meanings ascribed to them in the Contract.
3. This Addendum modifies the Contract and shall have effect from the date of signing by all of the Parties.

IN WITNESS WHEREOF, the Parties have signed this Addendum to the Contract on the date as set forth below:

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*[Handwritten Signature]*

*[Handwritten Signature]*

*[Handwritten Signature]*

On Behalf of NOCAL:

Jodee Kromah  
Dr. Jodee Kromah  
President/CEO of NOCAL

November 14, 2007  
Date

Clemenceau B. Urey  
Hon. Clemenceau B. Urey  
Chairman of the Board, NOCAL

November 14, 2007  
Date

Eugene H. Shandri  
Dr. Eugene H. Shandri  
Minister of Lands, Mines & Energy, R.L.

November 14, 2007  
Date

Antoinette M. Sayah  
Dr. Antoinette M. Sayah  
Minister of Finance, R.L.

MARCH 1, 2008.  
Date

Richard V. Tolbert  
Hon. Richard V. Tolbert  
Chairman, National Investment Comm.

3/01/08  
Date

On behalf of Woodside West Africa Pty Ltd.  
Peter Grant  
Peter Grant  
International Exploration Manager

November 14, 2007  
Date

Attested by:



Hon. Phillip A. Z. Banks, Esq.  
Counsellor-at-Law &  
Minister of Justice, R.L.

03-03-08

Date

Approved:



President, Republic of Liberia

11-03-04

Date