

PRODUCTION SHARING CONTRACT
BETWEEN
THE REPUBLIC OF EQUATORIAL GUINEA
AND
GUINEA ECUATORIAL DE PETROLEOS
AND
[THE COMPANY]
FOR
BLOCK "•"

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THIS PRODUCTION SHARING CONTRACT is dated this [*insert day*] day of [*insert month*] 200●

BETWEEN:

- (1) **THE REPUBLIC OF EQUATORIAL GUINEA** (hereinafter referred to as the **State**), represented for the purposes of this Contract by the Ministry of Mines, Industry and Energy, represented for purposes of its execution by His Excellency Mister _____, the Minister;
- (2) **GUINEA ECUATORIAL DE PETRÓLEOS** (hereinafter referred to as the **National Company**), acting in its own name and legal right for the purposes of this Contract and represented for purposes of its execution by Don _____, in his capacity as Director General; and
- (3) [*INSERT NAME*], a company organized and existing under the laws of [*insert jurisdiction*], under company registration number [*insert number*] and having its registered office at [*insert address*] (hereinafter referred to as [**the Company**]), represented for the purposes of this Contract by [*insert name*], in his capacity as [*insert position*].

RECITALS:

- (A) **WHEREAS**, all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, as set forth in the Hydrocarbons Law, are national resources owned exclusively by the State;
- (B) **WHEREAS**, the State wishes to promote the development of Hydrocarbon deposits within the Contract Area and the Contractor desires to associate itself with the State with a view to accelerating the Development and Production of Hydrocarbons within the Contract Area;
- (C) **WHEREAS**, the Contractor has the financial ability, technical competence and professional skills necessary to carry out Petroleum Operations in accordance with this Contract and good oil field practices; and
- (D) **WHEREAS**, the Parties desire to enter into this Contract in accordance with the Hydrocarbons Law, which allows for agreements to be entered into between the State and foreign investors in the form of a production sharing contract, through direct negotiation or by international public tender.

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

ARTICLE 1 DEFINITIONS AND SCOPE

1.1 Definitions

Except where the context otherwise indicates or as defined in the Hydrocarbons Law or Petroleum Regulations, the following words and expressions shall have the following meanings:

- 1.1.1 **Joint Operating Agreement** or **JOA** means the joint operating agreement that regulates the internal relations of the Parties comprising the Contractor for the conduct of Petroleum Operations in the Contract Area.
- 1.1.2 **Calendar Year** or **Year** means a period of twelve (12) months commencing on 1 January and ending on the following 31 December of the same year according to the Gregorian Calendar.
- 1.1.3 **Contract Year** means a period of twelve (12) consecutive months according to the Gregorian calendar, counted from the Effective Date of this Contract or from the anniversary of such Effective Date.
- 1.1.4 **Contract Area** or **Area** means the geographic area within the territory of Equatorial Guinea, which is the subject of this Contract. Such Contract Area shall be described in Annex A and illustrated in Annex B, as it may be changed by relinquishments of the Contractor in accordance with this Contract.
- 1.1.5 **Development and Production Area** means an area within the Contract Area encompassing the geographical extent of a Commercial Discovery subject to a Development and Production Plan in accordance with Article 5.5.
- 1.1.6 **Appraisal Area** means an area within the Contract Area encompassing the geographical extent of a Discovery that is subject to an Appraisal work program and corresponding budget in accordance with Article 5.2.
- 1.1.7 **Barrel** means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) and at one (1) atmosphere of pressure.
- 1.1.8 **Field** means a Discovery or an aggregation of Discoveries that is established as a Field in accordance with Article 5 and can be developed commercially after taking into account all pertinent operational, economic and financial data collected during the performance of the Appraisal work program or otherwise, in accordance with generally accepted international petroleum practices. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs all grouped on or related to the same individual geological structural or stratigraphic conditions. All deposits superimposed, adjacent to or underlying a Field in the Contract Area shall form part of the said Field.
- 1.1.9 **CIF** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2000.

- 1.1.10 **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control of such Person.
- 1.1.11 **Contractor** means [the **Company**] and the National Company.
- 1.1.12 **Contract** means this production sharing contract, including its Recitals and Annexes.
- 1.1.13 **Material Contract** means a contract with an Affiliate and/or a contract for the provision of goods and/or services having a value exceeding [*insert amount*] Dollars (\$[*insert amount*]).
- 1.1.14 **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an ordinary shareholders meeting. The terms **Controlling** and **Controlled** have meanings correlative to the foregoing.
- 1.1.15 **Exploration Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Exploration Operations in the Contract Area, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.16 **Development and Production Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Development and Production Operations in a Development and Production Area, excluding all Exploration Costs incurred in the Development and Production Area prior to the establishment of any Field, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.17 **Petroleum Operations Costs** means Exploration Costs and/or Development and Production Costs (as the context may require) incurred by the Contractor in the carrying out of Petroleum Operations, as determined in accordance with this Contract and the Accounting Procedure.
- 1.1.18 **Discovery** means the finding by the Contractor of Hydrocarbons whose existence within the Contract Area was not known prior to the Effective Date or Hydrocarbons within the Contract Area which had not been declared a Commercial Discovery prior to the Effective Date and which are measurable by generally accepted international petroleum industry practices.
- 1.1.19 **Commercial Discovery** means a Discovery that the Contractor has determined to be economically viable and so submits a Development and Production Plan for such Discovery for the approval of the Ministry.
- 1.1.20 **Business Day** means a day on which the banks are generally open for business in Equatorial Guinea and [*insert jurisdiction*].
- 1.1.21 **Dollars** or **\$** means the legal tender of the United States of America.
- 1.1.22 **Effective Date** means the date of receipt by the Contractor of the ratification by the State of this Contract.

- 1.1.23 **FOB** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2000.
- 1.1.24 **Reserve Fund** has the meaning ascribed to it in Article 24.3.1.
- 1.1.25 **Natural Gas** means those Hydrocarbons that, at atmospheric conditions of temperature and pressure, are in a gaseous state including dry gas, wet gas and residual gas remaining after extraction, treatment, processing, or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons.
- 1.1.26 **Associated Natural Gas** means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Hydrocarbons extracted from such gas either by normal field separation, dehydration or in a gas plant.
- 1.1.27 **Net Natural Gas** has the meaning ascribed to in Article 13.3.5.
- 1.1.28 **Unassociated Natural Gas** means all gaseous Hydrocarbons produced from Natural Gas reservoirs, and includes wet gas, dry gas and residual gas remaining after the extraction of liquid Hydrocarbons from wet gas.
- 1.1.29 **Equatorial Guinea** means the Republic of Equatorial Guinea.
- 1.1.30 **Hydrocarbons** means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas that may be found and extracted from, or otherwise produced and saved from the Contract Area.
- 1.1.31 **Gross Revenues** means the total income from sales of Total Disposable Production plus the equivalent monetary value of any other disposal of Total Disposable Production from the Contract Area during any Calendar Year.
- 1.1.32 **Participation Interest** means for each Party comprising the Contractor, the undivided percentage share of such Party in the rights and obligations under this Contract, as is specified in Article 1.3.
- 1.1.33 **National Company's Participation Interest** means the Participation Interest of the National Company as set forth in Article 1.3.
- 1.1.34 **Income Tax** means that tax levied on the each of the Parties comprising the Contractor and all other applicable Persons pursuant to and in accordance with the Tax Law.
- 1.1.35 **Hydrocarbons Law** means Decree-Law No. 8/2006 dated 3 November 2006 of Equatorial Guinea.
- 1.1.36 **Tax Law** means Decree-Law No. 4/2004 dated 28 October 2004 of Equatorial Guinea, and any law that amends it or replaces it.
- 1.1.37 **LIBOR** means the interest rate at which Dollar deposits of six (6) months duration are offered in the London Inter Bank Market, as published in the Financial Times of

London. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the interest rate published in the Financial Times of London on the last Business Day of the immediately preceding calendar month. If no such rate is quoted in the Financial Times of London during a period of five (5) consecutive Business Days, another rate (for example, the rate quoted in the Wall Street Journal) chosen by mutual agreement between the Ministry and the Contractor will apply.

- 1.1.38 **Ministry** means the Ministry of Mines, Industry and Energy of Equatorial Guinea, the entity responsible for supervising Petroleum Operations in coordination with other Government bodies within the respective areas of their competence, and any successor.
- 1.1.39 **Exploration Operations** include geological and geophysical studies, aerial mapping, investigations relating to subsurface geology, stratigraphic test drilling, Exploration Wells, Appraisal Wells and related activities such as drill site preparation, surveying and all work connected therewith that is conducted in relation to the Exploration for and Appraisal of Hydrocarbon deposits in the Contract Area.
- 1.1.40 **Development and Production Operations** means all operations, other than Exploration Operations, conducted to facilitate the Development and Production of Hydrocarbons from the Contract Area to the Delivery Point, but excluding the refining and distribution of Hydrocarbon products.
- 1.1.41 **Petroleum Operations** means all operations related to Exploration, Development, Production, transportation, storage, conservation, decommissioning, sale and/or other disposal of Hydrocarbons from the Contract Area to the Delivery Point and any other work or activities necessary or ancillary to such operations; these operations and activities shall be carried out in accordance with this Contract and the Hydrocarbons Law and shall not include transport outside of Equatorial Guinea.
- 1.1.42 **Administrative Operator** means the National Company designated as such under the Joint Operating Agreement.
- 1.1.43 **Technical Operator** shall be [the Company], as approved by the Ministry and designated as such under the Joint Operating Agreement.
- 1.1.44 **Parties** or **Party** means the parties or a party to this Contract, as the context may require.
- 1.1.45 **Initial Exploration Period** means a period of [insert number] Contract Year(s) from the Effective Date, subdivided into two sub-periods of [insert number] Contract Year(s) each.
- 1.1.46 **Extension Period** means the First Extension Period and the Second Extension Period individually and/or jointly, as the context may require.
- 1.1.47 **Exploration Periods** means the Initial Exploration Period, an Extension Period and any further extensions thereof.

- 1.1.48 **Person** means any individual, firm, company, corporation, society, trust, foundation, government, state or agency of the state or any association or partnership (whether or not having separate legal personality) or two or more of these.
- 1.1.49 **Crude Oil** means Hydrocarbons which are produced at the wellhead in a liquid state at atmospheric pressure including asphalt and ozokerites, and the liquid Hydrocarbons known as condensate and/or Natural Gas liquids obtained from Natural Gas by condensation or extraction through field separation units.
- 1.1.50 **Net Crude Oil** has the meaning ascribed to it in Article 7.3.
- 1.1.51 **Cost Recovery Oil** has the meaning ascribed to it in Article 7.2.1.
- 1.1.52 **Development and Production Plan** has the meaning ascribed to it in Article 5.5.1.
- 1.1.53 **Platts** means Platts Crude Oil MarketWire.
- 1.1.54 **Well** means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of exploring and/or discovering, evaluating or producing Crude Oil or Natural Gas, or for the injection of any fluid or gas into an underground formation other than a seismic hole.
- 1.1.55 **Appraisal Well** means a Well drilled following a Discovery, with the objective of delimiting and mapping the reservoir, and also to estimate the quantity of recoverable Hydrocarbons.
- 1.1.56 **Exploration Well** means any Well whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Discovery.
- 1.1.57 **Development Well** means a Well, other than an Exploration Well or an Appraisal Well, drilled with the purpose of producing or improving the Production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as production or injection Wells.
- 1.1.58 **Market Price** means the FOB price for Crude Oil calculated in accordance with Article 10.
- 1.1.59 **Annual Budget** means the expenditure of the Contractor with respect to an Annual Work Program.
- 1.1.60 **First Extension Period** means the period of one (1) Contract Year commencing immediately after the conclusion of the Initial Exploration Period.
- 1.1.61 **First Exploration Sub-Period** means the first [*insert number*] Contract Year(s) of the Initial Exploration Period.
- 1.1.62 **Accounting Procedure** means the accounting procedure set forth in Annex C.
- 1.1.63 **Annual Work Program** means an itemized statement of the Petroleum Operations to be carried out in the Contract Area during a Calendar Year.

- 1.1.64 **Total Disposable Production** means all Hydrocarbons produced and saved from a Development and Production Area less the quantities used for Petroleum Operations.
- 1.1.65 **Delivery Point** means that point located within the jurisdiction of Equatorial Guinea at which Hydrocarbons reach (i) the inlet flange at the FOB export vessel, (ii) the loading facility metering station of a pipeline or (iii) such other point within the jurisdiction of Equatorial Guinea as may be agreed by the Parties.
- 1.1.66 **Royalties** means an entitlement of the State over Hydrocarbons produced and saved from the Contract Area, and not utilized in Petroleum Operations, based on percentages calculated as a function of the daily rate of the Total Disposable Production as determined in accordance with Article 7.1.
- 1.1.67 **Petroleum Regulations** means all regulations promulgated by the Ministry pursuant to the Hydrocarbons Law.
- 1.1.68 **Second Extension Period** means the period of one (1) Contract Year commencing immediately after the end of the First Extension Period.
- 1.1.69 **Second Exploration Sub-Period** means the final [*insert number*] Contract Year(s) of the Initial Exploration Period.
- 1.1.70 **Maximum Efficient Production Rate** means the maximum efficient production rate of Hydrocarbons from a Field, that does not damage reservoir formations and does not cause excessive decline or loss of reservoir pressure in accordance with good oil field practice and as agreed in accordance with Article 6.4.
- 1.1.71 **Quarter** means a period of three (3) consecutive months beginning on 1 January, 1 April, 1 July or 1 October and ending on 31 March, 30 June, 30 September or 31 December, respectively.
- 1.2 **Scope**
- 1.2.1 This Contract is a production sharing contract awarded pursuant to Chapter IV of the Hydrocarbons Law. In accordance with the provisions of this Contract and the Hydrocarbons Law, the Ministry shall be responsible for supervising Petroleum Operations in the Contact Areas.
- 1.2.2 The State grants to the Contractor the sole and exclusive right and charge of conducting all Petroleum Operations in the Contract Area during the term of this Contract. In consideration of this, the Contractor shall:
- (a) be responsible to the State as an independent contractor, for the execution of the Petroleum Operations in accordance with the provisions of this Contract and the Hydrocarbons Law;
 - (b) provide all funds, machinery, equipment, technology and personnel prudent and necessary to conduct Petroleum Operations; and
 - (c) diligently, with due regard to good oil field practice, perform at its exclusive responsibility and risk all investments and contractual obligations necessary for conducting Petroleum Operations in accordance with this Contract.

1.2.3 All Petroleum Operations Costs shall be recoverable and/or deductible for tax purposes in the manner set forth in this Contract and the Hydrocarbons Law.

1.2.4 During the term of this Contract, the total Production achieved as a consequence of Petroleum Operations shall be shared between the Parties in accordance with Article 7.

1.3 Participation Interests

On the Effective Date the Participation Interests of the Parties comprising the Contractor are as follows:

[The Company]	[insert number]%
The National Company	[insert number]%
Total	100%

**ARTICLE 2
EXPLORATION PERIOD AND RELINQUISHMENTS**

2.1 Initial Exploration Period

As of and from the Effective Date, the Contractor is authorized to conduct Exploration Operations in the Contract Area during the Initial Exploration Period.

2.2 Extension Periods

2.2.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Articles 3.1.1 and 3.1.2 with respect to the Initial Exploration Period, the Contractor may request up to two (2) extensions of the Initial Exploration Period.

2.2.2 For each Extension Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the Initial Exploration Period, or as the case may be, the First Extension Period. The Ministry shall not unreasonably withhold or delay the granting of such extension; provided that the Contractor has complied with all of its obligations in the Initial Exploration Period and the First Extension Period, as applicable, and shall not be otherwise in breach of this Contract.

2.2.3 Each request for an extension shall be accompanied by a map specifying the Contract Area proposed to be retained by the Contractor, along with a report specifying any work performed in the proposed relinquished area since the Effective Date and the results obtained therefrom.

2.2.4 If upon expiry of the Initial Exploration Period, or of any Extension Period, any Appraisal work program with respect to a Discovery is still under progress, the Contractor shall be entitled to an additional extension of the then current Exploration Period necessary to complete the work in progress. Furthermore, where Appraisal work has not yet been completed by the Contractor at the time at which a

relinquishment contemplated by Article 2.4 is due, the requirement to relinquish shall be suspended until such time that the Contractor completes the said Appraisal work, commerciality is determined and, if applicable, the related establishment of a Field is approved or denied. Any additional extension granted under this Article 2.2.4 shall not exceed one (1) Contract Year, or such longer period as may be approved by the Ministry, plus the period of time established under Article 5 necessary for the evaluation of a marketing plan, the preparation of a Development and Production Plan and the Ministry's response.

2.2.5 In such event, the Contractor shall file a request for an extension with the Ministry at least two (2) months prior to the expiry of the current Initial Exploration Period or Extension Period, as applicable.

2.3 **Termination**

Should the Contractor decide:

- (a) not to extend the Initial Exploration Period and no Field has been established during such period; or
- (b) to extend the Initial Exploration Period and no Field has been established during an Extension Period or any additional extension thereof,

this Contract shall automatically terminate.

2.4 **Mandatory Relinquishments**

2.4.1 The Contractor must relinquish to the State forty percent (40%) of the initial surface area of the Contract Area by the end of the Initial Exploration Period, twenty-five percent (25%) of the remaining area by the end of the First Extension Period, and the remainder of the Contract Area by the end of the Second Extension Period, or at the end of the Initial Exploration Period or the First Extension Period, if no further extension is requested by the Contractor. To determine the area or areas which the Contractor shall relinquish, the following areas shall be excluded for the purposes of such calculation:

- (a) areas designated as an Appraisal Area;
- (b) Development and Production Areas;
- (c) areas for which the approval of a Development and Production Plan is pending, until finally decided;
- (d) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (e) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.1.

- 2.4.2 Upon expiry of the applicable final extension period indicated in Article 2.2, and subject to the provisions of Article 2.2.4, the Contractor shall relinquish the remainder of the Contract Area, with the exception of:
- (a) Development and Production Areas;
 - (b) those areas for which an application for a Development and Production Area is pending, until finally decided;
 - (c) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
 - (d) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.

2.5 **Voluntary Relinquishments**

- 2.5.1 Subject to the Contractor's obligations under Article 24 and the Hydrocarbons Law, the Contractor may at any time notify the Ministry upon three (3) months prior notice that it relinquishes all of its rights over all or any part of the Contract Area.
- 2.5.2 In no event shall any voluntary relinquishment by the Contractor of rights over all or any part of the Contract Area reduce the Exploration obligations of the Contractor set forth in Article 3.

2.6 **Relinquishments Generally**

- 2.6.1 No relinquishment made in accordance with Articles 2.4 or 2.5 shall relieve the Contractor from its obligation to pay surface rentals accrued or make payments due and payable as a result of Petroleum Operations conducted up to the date of relinquishment.
- 2.6.2 The Contractor shall, in accordance with good oil field practice, propose the geographic location of the portion of the Contract Area that it proposes to retain, and which shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1') of latitude or longitude or by natural boundaries and such area shall also be subject to the approval of the Ministry.

ARTICLE 3 EXPLORATION WORK OBLIGATIONS

3.1 **Minimum Work Program**

During the Exploration Period, the Contractor undertakes to carry out the following minimum work program:

- 3.1.1 During the First Exploration Sub-Period, the Contractor must:

- (a) obtain, under license from the Ministry, all existing 2D and 3D seismic data and Well data at a purchase price of **[insert amount]** Dollars (**[\$insert amount]**) and obtain from GESeis all existing 3D seismic and Seabed Logging (SBL) data at a purchase price of **[insert amount]** Dollars (**[\$insert amount]**), and the Contractor shall undertake to interpret such information;
- (b) reprocess **[insert number]** kilometers of existing 2D seismic data and **[insert number]** kilometers of 3D seismic data; and
- (c) acquire **[insert number]** kilometers of new 3D seismic data.

All costs of data acquisition (including escalation fees) shall be cost recoverable. The minimum expenditure for this period shall be **[insert amount]** Dollars (**[\$insert amount]**).

- 3.1.2 During the Second Exploration Sub-Period, the Contractor must drill a minimum of **[insert number]** Exploration Well[s] to a minimum depth of **[insert number]** meters below the seabed. The minimum expenditure for this period shall be **[insert amount]** Dollars (**[\$insert amount]**).
- 3.1.3 If the Contractor elects to enter the First Extension Period, the Contractor must drill a minimum of **[insert number]** Exploration Well[s] to a minimum depth of **[insert number]** meters below the seabed. The minimum expenditure for this period shall be **[insert amount]** Dollars (**[\$insert amount]**).
- 3.1.4 If the Contractor elects to enter the Second Extension Period, the Contractor must drill a minimum of **[insert number]** Exploration Well[s] to a minimum depth of **[insert number]** meters below the seabed. The minimum expenditure for this period shall be **[insert amount]** Dollars (**[\$insert amount]**).

However, if the Contractor has drilled more than the minimum number of Exploration Wells required of it under any of Articles 3.1.1, 3.1.2 or 3.1.3, then its obligation under this Article 3.1.4 shall be reduced to **[insert number]** Exploration Well[s].

3.2 **Minimum Depth of Wells**

- 3.2.1 Each Exploration Well set forth above must be drilled to the minimum depth specified above or to a lesser depth if authorized by the Ministry in accordance with this Article or if discontinuing drilling is justified by one of the following reasons:
 - (a) the economic basement is encountered at a depth less than the stipulated minimum contractual depth;
 - (b) continued drilling is clearly dangerous because of abnormal pressure in the formation;
 - (c) rock formations are encountered, the hardness of which makes it impracticable to continue drilling with appropriate equipment; or

- (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which excludes the possibility of reaching the minimum contractual depth.

3.2.2 For the purposes of Article 3.2.1, **economic basement** means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Hydrocarbons in commercial quantities and which also reflects the maximum depth at which any accumulation of this type can be reasonably expected.

3.3 Cessation of Drilling

In respect of Article 3.2.1(a) and to the extent practicable where a prudent operator would immediately cease drilling operations, the Contractor shall obtain the approval of the Ministry prior to the interruption or cessation of any drilling. The Ministry shall respond as soon as practicable and in any event within three (3) Business Days counted from the date of receipt of such request. The granting of such approval may not be unreasonably withheld or delayed, provided that the Ministry is in receipt of sufficient information to enable it to make an informed decision.

3.4 Substitute Wells

If any obligatory Exploration Well is abandoned due to insurmountable technical problems as set out in Article 3.2.1 (b), (c) and (d) and, at the time of such abandonment, the Exploration Costs for such Well have equaled or exceeded [*insert amount*] Dollars (\$[*insert amount*]), for all purposes of this Contract, the Contractor shall be deemed to have fulfilled the minimum work obligations for the relevant period. If any obligatory Exploration Well is abandoned due to insurmountable technical problems, and if at the time of such abandonment, the Exploration Costs for such Well are less than [*insert amount*] Dollars (\$[*insert amount*]) then the Contractor shall have the option to either:

- (a) drill a substitute Exploration Well at the same or another location to be agreed with the Ministry; or
- (b) pay the Ministry an amount equal to the difference between [*insert amount*] Dollars (\$[*insert amount*]) and the amount of Exploration Costs actually spent in connection with such Exploration Well.

3.5 Provision of Guarantee

On or prior to the Effective Date, each of the Parties comprising the Contractor (other than the National Company) shall provide to the State, at the sole discretion of the Ministry, either (i) a parent company guarantee in the form set forth in Annex D from a company acceptable to the Ministry or (ii) an irrevocable standby letter of credit from a first class international financial institution acceptable to the Ministry in the amount of [*insert amount*] Dollars (\$[*insert amount*]), which corresponds to the minimum expenditure obligations of the Contractor under this Contract, and which shall remain valid and effective for six (6) months after the end of the Initial Exploration Period, any Extension Period and any additional extension thereof, as

applicable. If the Parties comprising the Contractor (other than the National Company) fail to deliver to the Ministry the required guarantee by or on the Effective Date, this Contract shall be considered null and void without any further procedure or notice.

3.6 Participation Interest of the National Company

For the purposes of this Article 3 any expenditure of the Parties comprising the Contractor (other than the National Company) under Article 8.2 shall not be treated as an expenditure for the purpose of satisfying the minimum expenditure obligations set out herein.

ARTICLE 4 ANNUAL WORK PROGRAMS AND BUDGETS

4.1 Submission of Annual Work Program

No later than ninety (90) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date, the Contractor shall prepare and submit for approval by the Ministry a detailed and itemized Annual Work Program divided into Quarters, along with the corresponding Annual Budget for the Contract Area setting forth the Petroleum Operations the Contractor proposes to carry out during such Calendar Year. The Annual Budget shall be presented in the official format of the Ministry.

4.2 Form and Approval of Annual Work Program

Each Annual Work Program and corresponding Annual Budget shall be broken down into the various Exploration Operations and, as applicable, the Appraisal operations for each Appraisal Area and the Development and Production Operations for each Development and Production Area. The Ministry may propose amendments or modifications to the Annual Work Program and corresponding Annual Budget, by giving notice to the Contractor and including reasons for such amendments or modifications, within sixty (60) days following receipt of such Annual Work Program and Annual Budget. In such event the Ministry and the Contractor shall meet as soon as possible to review the amendments or modifications proposed by the Ministry and establish by mutual agreement the Annual Work Program and corresponding Annual Budget. The parts of the Annual Work Program for which the Ministry does not require amendment or modification will be deemed approved and must be completed by the Contractor within the stated time period, provided they may be undertaken on an individual basis. With respect to the parts of the Annual Work Program for which the Ministry proposes any amendment or modification, the date of approval of the Annual Work Program and corresponding Annual Budget shall be the date on which the Ministry and the Contractor reach the aforementioned mutual agreement. In the event the Ministry and the Contractor do not reach an agreement regarding the amendments and modifications proposed by the Ministry before the end of the Calendar Year in which the Annual Work Plan and corresponding Annual Budget were submitted, the Contractor shall continue operating pursuant to the most recent Annual Work Plan and corresponding Annual Budget approved by the Ministry until a mutual agreement is reached.

4.3 **Conduct of Petroleum Operations**

The Contractor shall diligently and properly perform each operation included in an approved Annual Work Program in accordance with the terms of this Contract and the Hydrocarbons Law.

4.4 **Overexpenditures**

4.4.1 It is acknowledged by the Ministry and the Contractor that the technical results acquired as work progresses or the occurrence of certain unforeseen changes in circumstances may justify modifications to an approved Annual Work Program and corresponding Annual Budget. In such circumstances, the Contractor shall promptly notify the Ministry of the proposed modifications. Such modifications are subject to review and approval by the Ministry within sixty (60) days after receipt of such notice. Failure of the Ministry to approve or reject such proposed modifications within such sixty (60) day period shall be deemed to be an approval of such proposed modifications. Notwithstanding the foregoing and in no event shall the Contractor incur any expenditure which exceeds an approved Annual Budget by more than five percent (5%) without the prior approval of the Ministry; otherwise such excess expenditures shall not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

4.4.2 At such time that the Contractor reasonably believes that the limits of an Annual Budget will be exceeded, the Contractor shall promptly notify the Ministry and shall provide the Ministry with full details of such overexpenditures, including reasons therefor.

4.4.3 The limitations set out in this Article 4.4 shall be without prejudice to the Contractor's right to make expenditures in the event of an emergency or accident requiring urgent action under Article 4.5.

4.4.4 Save as otherwise provided in Article 4.5, should the Contractor incur any expenditure whose program and budget has not been approved within an Annual Work Program and corresponding Annual Budget or any amendment thereto approved by the Ministry, then such expenditure shall not be recoverable by the Contractor as a Petroleum Operations Cost or be deductible for tax purposes.

4.5 **Emergency or Accident**

4.5.1 In the event of an emergency or accident requiring urgent action, the Contractor shall take all steps and measures as may be prudent and necessary in accordance with good oil field practice for the protection of its interests and those of the State and the property, life and health of other Persons, the environment and the safety of Petroleum Operations. The Contractor shall promptly inform the Ministry of such emergency or accident.

4.5.2 All of the related costs incurred by the Contractor in accordance with this Article 4.5 shall be recoverable as Petroleum Operations Costs in accordance with this Contract. Notwithstanding the foregoing, all costs incurred by the Contractor in the cleaning up of pollution or damage to the environment caused by the negligence or willful

misconduct of the Contractor, its subcontractors or any Person acting on its or their behalf shall not be recoverable as a Petroleum Operations Cost.

ARTICLE 5 APPRAISAL OF A DISCOVERY AND PRODUCTION PERIOD

5.1 Notification of Discovery

If the Contractor discovers Hydrocarbons in the Contract Area it shall notify the Ministry as soon as possible, but not later than thirty (30) days after the date of such Discovery. This notice shall include all relevant information in accordance with generally accepted practice of the international petroleum industry including particulars of any production testing program which the Contractor has carried out or proposes to carry out during drilling operations.

5.2 Appraisal Work Program

5.2.1 If the Contractor considers that the Discovery merits Appraisal it shall diligently submit to the Ministry a detailed Appraisal work program and corresponding budget no later than six (6) months following the date on which the Discovery was notified in accordance with Article 5.1. The Appraisal work program, corresponding budget and designated Appraisal Area are subject to the review and approval of the Ministry in accordance with the procedures set forth in Article 4.

5.2.2 The draft Appraisal work program shall specify the estimated size of the Hydrocarbon reserves of the said Discovery, the area proposed to be designated as the Appraisal Area and shall include all seismic, drilling, testing and Appraisal operations necessary to carry out an appropriate Appraisal of the Discovery. The Contractor shall diligently undertake the approved Appraisal work program, it being understood that the provisions of Article 4.4 shall apply to such program.

5.2.3 The duration of the Appraisal work program shall not exceed twenty-four (24) months for Crude Oil and in the case of Natural Gas the duration of the Appraisal work program shall be determined in accordance with the provisions of Article 13, unless as otherwise approved by the Ministry, such approval not to be unreasonably withheld or delayed.

5.3 Submission of Appraisal Report

5.3.1 Within six (6) months following completion of the Appraisal work program and in any event no later than thirty (30) days prior to the expiry of the Initial Exploration Period, or the First Extension Period or the Second Extension Period, including any additional extension in accordance with the provisions of Article 2.2, as may be the case, the Contractor shall submit to the Ministry a detailed report giving all the technical and economic information associated with the Discovery so appraised and which shall confirm, in the Contractor's opinion, whether such Discovery is a Commercial Discovery.

5.3.2 The above-referred report shall include geological and petrophysical characteristics of the Discovery, estimated geographical extent of the Discovery, results of the

production tests yielded by the formation and the preliminary economic study with respect to the exploitation of the Discovery.

5.4 **Determination of Commerciality**

For the purposes of Article 5.3, the Contractor shall determine whether it considers that a Discovery or aggregation of Discoveries can be developed commercially. The commercial viability of the Discovery or aggregation of Discoveries shall be determined after consideration of all pertinent operating, economic and financial data collected during the performance of the Appraisal work program and otherwise, including Crude Oil and Natural Gas recoverable reserves, sustainable Production levels and all other relevant economic factors, according to generally accepted international petroleum industry practice.

5.5 **Submission and Approval of Development and Production Plan**

5.5.1 If the Contractor deems the Discovery or aggregation of Discoveries to be a Field it shall submit for the approval of the Ministry a development and production plan (the **Development and Production Plan**) for such Discovery or aggregation of Discoveries within twelve (12) months following the remittance of the report referred to in Article 5.3.

5.5.2 The Ministry may propose amendments or modifications to the aforementioned Development and Production Plan, and also to the Development and Production Area subject to such Development and Production Plan, by notice to the Contractor within ninety (90) days following receipt of the relevant plan. Such notification shall set out the reasons for the amendments or modifications proposed by the Ministry. In such event the Ministry and the Contractor shall meet as soon as possible to review the proposed amendments or modifications of the Ministry and establish by mutual agreement the Development and Production Plan.

5.5.3 If the Contractor and the Ministry do not reach a written agreement within one hundred eighty (180) days following the submission of amendments and modifications by the Ministry, or the Ministry notifies the Contractor that it does not approve the establishment of a Field, the Field shall not be established and any extension granted under Article 2.2.4 with respect to the Discovery or aggregation of Discoveries shall expire.

5.6 **Modifications to Development and Production Plan**

5.6.1 When the results obtained during Development and Production Operations require certain modifications to the Development and Production Plan, such plan may be modified using the same procedure provided for with respect to the initial approval thereof. Subject to Article 4.4, the Contractor may not incur any expenditure which exceeds the approved Development and Production Plan without the prior approval of the Ministry; if prior approval is not obtained, such excess expenditures will not be recoverable by the Contractor as Petroleum Operations Costs or deductible for tax purposes.

5.6.2 During a period of Development and Production, the Contractor may propose to the Ministry revisions to the Development and Production Plan at any time that

additional Development and Production Operations are under consideration. Such revisions shall be submitted for approval by the Ministry, using the same procedure provided for with respect to the initial approval thereof.

5.7 Number of Fields

If the Contractor discovers more than one (1) Field in the Contract Area which are not overlying, adjacent to or underlying an existing Field, each of them shall be the subject of a separate Development and Production Plan.

5.8 Extension of Field beyond Contract Area

5.8.1 If, during work performed after approval of a Development and Production Plan, it appears that the geographical extent of a Field is larger than the Development and Production Area designated pursuant to Article 5.5, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, and provided that the Contractor provides supporting evidence of the existence of the additional area applied for.

5.8.2 In the event that a Field extends beyond the boundaries of the Contract Area as delimited at any particular time, the Ministry may require the Contractor to exploit such Field in association with the contractor of the adjacent area in accordance with Article 22, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

5.8.3 When the area proposed to be unitized is not subject to any production sharing contract, such area shall be the subject of new negotiations between the Parties, it being understood that any award of an additional area must be in accordance with the Hydrocarbons Law.

5.9 Commencement and Performance of Development and Production Operations

5.9.1 The Contractor shall commence Development and Production Operations within six (6) months from the date of approval of the Development and Production Plan and shall pursue such operations diligently.

5.9.2 The Contractor undertakes to perform all Development and Production Operations in accordance with generally accepted practice of the international petroleum industry, this Contract and the Hydrocarbons Law.

5.10 Duration of Operations

5.10.1 The duration of the Development and Production period during which the Contractor is authorized to exploit a Field is twenty-five (25) Years from the date of approval of the Development and Production Plan related to such Field.

5.10.2 The Development and Production period defined above may be extended for an additional period of five (5) Years with prior approval of the Ministry, which approval shall not be unreasonably withheld or delayed, if the Contractor submits a request to this effect to the Ministry at least one (1) Year prior to its expiry and on the condition that the Contractor has fulfilled all of its obligations under this

Contract and that it can demonstrate that commercial Production from the Field is still possible after the expiry of the initial Development and Production period.

5.11 **Risk and Expense of Contractor**

The Contractor undertakes to perform at its own expense and financial risk all the Petroleum Operations required to place a Field into Production in accordance with the Development and Production Plan so approved.

5.12 **Mandatory Relinquishment**

For the duration of the Initial Exploration Period, the Extension Periods and any additional extension thereof, the Ministry may, provided it gives at least six (6) months notice, require the Contractor to promptly relinquish, without any compensation or indemnification, all of its rights over the area encompassing a Discovery, including all of its rights over Hydrocarbons which may be produced from such Discovery, if the Contractor:

- (a) has not submitted, in accordance with Article 5.2, an Appraisal work program and corresponding budget with respect to such Discovery within six (6) months following the date on which such Discovery has been notified to the Ministry; or
- (b) subject to Article 13.1 regarding Unassociated Natural Gas, does not establish the Discovery as a Field within one (1) Year after completion of Appraisal work with respect to such Discovery.

5.13 **Future Operations**

In the event of a relinquishment under Article 5.12, the Ministry may perform or cause to be performed any Petroleum Operations with respect to any Discovery so relinquished without any compensation or indemnification to the Contractor, provided, however, that it shall not interfere with the Petroleum Operations undertaken by the Contractor in the part of the Contract Area retained by the Contractor, if any. The Ministry shall be permitted to use (free of charge) all facilities and equipment of the Contractor that are not used for continuing Petroleum Operations. If requested by the Ministry all continuing operations shall be undertaken by the Contractor for a fee and on terms to be agreed between the Ministry and the Contractor.

ARTICLE 6 CONDUCT OF PETROLEUM OPERATIONS

6.1 **Obligations of Contractor**

In accordance with generally accepted practice of the international petroleum industry and the Hydrocarbons Law, the Contractor shall provide all funds necessary for the conduct of Petroleum Operations in the Contract Area including the purchase or rental of all facilities, equipment, materials and other goods required for the performance of such Petroleum Operations. It shall also supply all technical and operational expertise, including the use of foreign and national personnel required

for implementing Annual Work Programs. The Contractor shall be responsible for the preparation and implementation of all Annual Work Programs which shall be performed in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.2 Joint Operating Agreement

Within forty-five (45) days following the Effective Date, the Contractor shall provide the Ministry with a draft of the Joint Operating Agreement which shall be based upon the current model form operating agreement from the Association of International Petroleum Negotiators (AIPN). The Joint Operating Agreement and all amendments thereto shall be subject to the prior approval of the Ministry. The identity of the Technical Operator and any change thereto shall be subject to the prior approval of the Ministry in accordance with the Hydrocarbons Law. The National Company shall be appointed as the Administrative Operator under the Joint Operating Agreement.

6.3 Conduct of Petroleum Operations

The Contractor shall diligently conduct Petroleum Operations in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.4 Maximum Efficient Production Rate

The Contractor and the Ministry shall agree on the Production programs before Production begins in any Field and establish at that time the Maximum Efficient Production Rate for such Field, and will determine the dates on which such levels will be reexamined and potentially revised.

6.5 Working Conditions

The Contractor shall provide acceptable working conditions and access to medical attention and nursing care for all of its local and international personnel and those of its subcontractors while undertaking Petroleum Operations. The Contractor shall also provide living accommodation for personnel based on offshore installations and an additional accommodation allowance in the remuneration of personnel based onshore.

6.6 Discovery of other Minerals

The Contractor shall promptly notify the Ministry of the discovery of any minerals or other substances in the Contract Area. If any Persons are granted a permit or license within the Contract Area for the exploration and exploitation of any minerals or substances other than Hydrocarbons, the Ministry shall take all reasonable measures to ensure that the operations of such Persons will not obstruct the Contractor's Petroleum Operations. The Contractor shall use all reasonable efforts to avoid any obstruction with such permit holders or licensees' operations.

6.7 Award of Contracts

6.7.1 Subject to Article 23.1, the Contractor shall award all contracts to the best qualified subcontractor or other Person, including Affiliates of the Contractor, as determined by cost and ability to perform the contract without the obligation to tender and without obtaining the approval of the Ministry (which approval shall be deemed granted under the Hydrocarbons Law), except that before entering into any Material Contract, the Contractor shall:

- (a) invite tenders for said contract;
- (b) add to such list any Persons who the Ministry requests;
- (c) complete the tender process within a reasonable period of time;
- (d) consider and analyze the details of the bids received;
- (e) prepare and circulate to the Ministry a competitive bid analysis stating the Contractor's recommendation as to the Person to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;
- (f) obtain the approval of the Ministry; and
- (g) provide the Ministry with a copy of the final executed contract.

All amendments and/or variations to a Material Contract shall require the prior approval of the Ministry.

6.7.2 To the extent that the Contractor imports and/or uses any services, materials, equipment, consumables and other goods from outside of Equatorial Guinea in contravention of this Article or Article 23.1, or otherwise enters into a contract in contravention of such Articles, the costs thereof shall not be Petroleum Operations Costs and shall not be cost recoverable by the Contractor.

6.7.3 The Contractor shall submit to the Ministry along with the Annual Work Program a list of the types of contracts or agreements for services that the Contractor foresees entering into during that Year as well as details of those entered into in the previous Year. In addition, the Contractor shall present to the Ministry quarterly a detailed list, including the names, addresses and telephone contacts of the Contractor's subcontractors and other Persons who have provided goods or services to the Contractor for the conduct of Petroleum Operations during the relevant Quarter.

6.8 Inspection of Petroleum Operations

6.8.1 All Petroleum Operations may be inspected and audited by the Ministry at such intervals as the Ministry deems necessary. The duly commissioned representatives of the Ministry shall have the right, among others, to monitor Petroleum Operations and inspect all equipment, facilities and materials relating to Petroleum Operations, provided that any such inspection shall not unduly delay or impede Petroleum Operations. The representatives of the Ministry inspecting and monitoring Petroleum Operations shall comply with the safety standards of the Contractor.

- 6.8.2 For the purposes of permitting the exercise of the above-mentioned rights, the Contractor shall provide reasonable assistance to the representatives of the Ministry, including transportation and accommodation.
- 6.8.3 All costs directly related to the technical inspection, verification and audit of Petroleum Operations or otherwise in connection with the exercise of the Ministry's rights under this Contract or the performance of the Contractor's obligations shall be borne by the Contractor and are recoverable as Petroleum Operations Costs in accordance with this Contract, including:
- (a) outbound and return travel expenses;
 - (b) local transportation, as necessary;
 - (c) accommodation; and
 - (d) per diems, which shall be adjusted in accordance with such amounts assigned to the ranking of each agent of the Ministry as published in the general budget law of the State approved for such Calendar Year.

6.9 Provision of Information to Ministry

- 6.9.1 The Contractor shall keep the Ministry fully informed on the performance and status of Petroleum Operations at reasonable intervals and as required under this Contract and of any emergencies or accidents that may have occurred during such operations. Furthermore, the Contractor shall provide the Ministry with all documentation and information that is required to be provided under this Contract and the Hydrocarbons Law and as may otherwise be requested by the Ministry from time to time.
- 6.9.2 The Contractor shall keep the Ministry informed on a daily basis of the volumes of Hydrocarbons produced from the Contract Area.

6.10 Production of Energy for Own Use

The Contractor shall not produce any energy for its own use unless national production is insufficient or not reliable enough for the demands of the Contractor in its conduct of Petroleum Operations. In such event, the energy produced may not be sold to any Person. However, the Contractor may utilize the amounts of Crude Oil and/or Natural Gas necessary for the production of power for use in its offshore facilities.

6.11 Standard of Equipment

The Contractor shall ensure that all equipment, plants, installations and materials used by it comply with the Hydrocarbons Law and generally accepted engineering standards, and that they are duly constructed and maintained in good condition.

6.12 Care of Contractor and the Environment

- 6.12.1 The Contractor shall take all prudent and necessary steps in accordance with generally accepted practice of the international petroleum industry, the Hydrocarbons Law and this Contract to:

- (a) prevent pollution and protect the environment and living resources;
- (b) ensure that any Hydrocarbons discovered or produced in the Contract Area are handled in a manner that is safe for the environment;
- (c) avoid causing damage to overlying, adjacent and/or underlying formations trapping Hydrocarbon reserves;
- (d) prevent the ingress of water via Wells into strata containing Hydrocarbon reservoirs;
- (e) avoid causing damage to overlying, adjacent and/or underlying aquifers;
- (f) ensure that Petroleum Operations are carried out in accordance with this Contract, the Hydrocarbons Law and all other laws of Equatorial Guinea;
- (g) undertake the precautions necessary for the protection of maritime transportation and the fishing industry and to avoid contamination of the ocean and rivers;
- (h) drill and exploit each Field in such a manner that the interests of Equatorial Guinea are protected; and
- (i) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Petroleum Operations.

6.12.2 If the Contractor's actions result in any pollution or damage to the environment, any Person, living resources, property or otherwise, the Contractor shall immediately take all prudent and necessary measures to remedy such damages and effects thereof and/or any additional measures as may be directed by the Ministry. If the pollution or damage is caused as a result of the negligence or willful misconduct of the Contractor, its subcontractors or any Persons acting on its or their behalf all costs in relation thereof shall not be recoverable as a Petroleum Operations Cost. If the Contractor does not act promptly so as to control or clean-up any pollution or make good any damage caused, the Ministry may, after giving the Contractor reasonable notice in the circumstances, carry out the actions which are prudent or necessary hereunder and under Article 4.5 and all reasonable costs and expenses of such actions shall be borne by the Contractor and shall not be recoverable as a Petroleum Operations Cost.

6.12.3 If the Ministry determines that any works or installations built by the Contractor or any activity undertaken by the Contractor threatens the safety of any Persons or property or causes pollution or harm to the environment, the Ministry shall promptly advise the Contractor of its determination, and may require the Contractor to take all appropriate mitigating measures, consistent with generally accepted practice of the international petroleum industry, to repair any damage caused by the Contractor's conduct or activities. Furthermore, if the Ministry deems it necessary, it may demand that the Contractor suspend totally or partially the affected Petroleum Operations until the Contractor has taken the appropriate mitigating measures or repaired any damage.

6.12.4 The Contractor shall undertake comprehensive environmental impact assessment studies prior to, during and after major drilling operations. The Contractor shall assume the costs of these studies and such costs shall be recoverable. This requirement is mandatory and the first study shall be presented to the Ministry before the start of the drilling of the first Well in the Contract Area. However, an environmental impact assessment must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State.

6.13 Re-injection and Flaring of Natural Gas

The Natural Gas that the Contractor does not develop in accordance with this Contract and the Hydrocarbons Law or use in its own operations within the Contract Area shall be re-injected into the structure of the subsoil, and all costs of such re-injection shall be recoverable as a Petroleum Operations Cost. Notwithstanding the foregoing, the Ministry may authorize the combustion of Natural Gas for short periods of time in accordance with the Hydrocarbons Law. All such Natural Gas not used in Petroleum Operations by the Contractor or not developed in accordance with this Contract and the Hydrocarbons Law shall remain the sole property of the State.

6.14 Design and Identification of Wells

6.14.1 The Contractor shall conform to the practices generally accepted in the international petroleum industry in the design and drilling of Wells, including their casing and cementation.

6.14.2 Each Well shall be identified by a name or number agreed with the Ministry, which shall be indicated on all maps, plans and other similar records produced by or on behalf of the Contractor.

6.15 Vertical Projection Wells

No Well may be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area. Controlled direction Wells drilled within the Contract Area from adjacent terrain not covered by this Contract will be considered for all purposes of this Contract as Wells drilled from territory included in the Contract Area, and whose drilling may only be undertaken with the prior approval of the Ministry, and on such terms and conditions as the Ministry may establish. Nothing in this Article has the intention or should be interpreted as a grant of a right of lease, license, servitude or any other right that the Contractor must obtain from the Ministry or other Persons.

6.16 Notification of Commencement of Drilling

The Contractor shall notify the Ministry at least ten (10) Business Days in advance of the commencement of any drilling of any Well set out in an approved Annual Work Program and corresponding Annual Budget or before the resumption of works on any Well whose works have been suspended for more than six (6) months.

6.17 **Construction of Facilities**

The Contractor shall build and maintain all facilities necessary for the proper performance of this Contract and the conduct of Petroleum Operations. In order to occupy land necessary for the exercise of its rights and obligations under this Contract, the Contractor shall request the authorization of the Ministry and/or other applicable governmental authorities, which authorization shall be subject to and granted in accordance with Article 6.19, the Hydrocarbons Law and other applicable laws of Equatorial Guinea. The Contractor shall repair any and all damage caused by such circumstances.

6.18 **Occupation of Land**

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

- (a) subject to Articles 6.17 and 6.18.2, occupy the necessary land for the performance of Petroleum Operations and associated activities as set out in paragraphs (b) and (c) below, including lodging for personnel;
- (b) undertake or procure the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Petroleum Operations and associated activities such as transport, storage of equipment, materials and extracted substances, establishment of telecommunications equipment and communication lines necessary for the conduct of Petroleum Operations at installations located both offshore and onshore;
- (c) undertake or ensure the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and
- (d) extract and use or ensure the extraction and utilization of resources (other than Hydrocarbons) from the subsoil necessary for the activities stipulated in paragraphs (a), (b) and (c) above in accordance with relevant regulations.

6.18.2 Occupation of land as mentioned in Article 6.18.1 shall become effective after the Ministry or other applicable governmental authority approves the request submitted by the Contractor indicating and detailing the location of such land and how the Contractor plans to use it, taking the following into consideration:

- (a) if the land belongs to the State, the State shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of this Contract for a fee and on terms to be agreed and such amount shall be considered a Petroleum Operations Cost;
- (b) if the land is private property by traditional or local right according to the Property Registry, then (i) if the occupation is merely temporary or transitory, or for right of way, the Contractor shall reach an agreement with the relevant property owner and the property owner shall reach an agreement with any occupant, tenant or possessor, with regard to the rental to be paid, and the resulting amounts shall be considered recoverable Petroleum Operations Costs, or (ii) if the occupation is permanent, the relevant owner

and the Contractor shall reach an agreement regarding matters related to the property's acquisition and such amounts shall be considered Petroleum Operations Costs;

- (c) if the Contractor and the relevant property owner or occupant, tenant or possessor do not reach an agreement regarding the matters mentioned in paragraph (b) above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the courts of Equatorial Guinea unless recourse is had to the procedure described in paragraph (d) below;
- (d) the State may proceed to expropriate the land, subject to the prior publication of a decree of compulsory expropriation followed by a fair and reasonable valuation of the land concerned by an expert valuator. In such event the Contractor shall compensate the expropriated property owner in accordance with the value determined by such expert valuator if the State has not done so; such amounts shall be considered recoverable Petroleum Operations Costs;
- (e) the relinquishment, in whole or in part, of the Contract Area, will not affect the Contractor's rights under Article 6.18.1 to carry out building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the remainder of the Contract Area, as in the case of partial relinquishment, and covered by other production sharing contracts.

6.19 Residence of Personnel

There shall be no restrictions imposed on the entry, residence, free circulation, employment and repatriation of the personnel of the Contractor and its subcontractors, the family of such personnel, or the personal effects of such personnel and his or her family, provided that the Contractor and its subcontractors comply with all applicable laws including employment and social legislation of Equatorial Guinea. The State agrees to grant in a timely manner the entry, work, or residence permits or other permits or authorizations that, in accordance with the Laws of Equatorial Guinea, may be required by the personnel of the Contractor, the Technical Operator or any subcontractor.

6.20 Assistance of Ministry

The Ministry shall assist the Contractor and its subcontractors in obtaining all administrative authorizations and licenses as may be reasonably necessary for the proper execution of Petroleum Operations under this Contract.

6.21 Opening of Branch Office

The Contractor shall, to the extent that it has not already done so, open a representative branch office in Equatorial Guinea within six (6) months following the Effective Date, which shall exist and be maintained during the term of this Contract. Such branch office shall always be staffed by at least one (1)

representative with sufficient authority to make decisions on behalf of the Contractor.

6.22 **Premises**

Upon the first Commercial Discovery, the Contractor shall, to the extent that it has not already done so, construct a prestigious building for its offices in Equatorial Guinea using modern and permanent materials and of an appropriate size and design as shall be approved by the Ministry. All costs related to such construction shall be recoverable as Petroleum Operation Costs in accordance with this Contract. Once such construction costs have been recovered by the Contractor, such property shall be owned solely by the State and the Contractor shall pay rent to the State at a price and on terms to be negotiated and such rent shall be considered recoverable Petroleum Operations Costs.

**ARTICLE 7
ROYALTIES, RECOVERY OF PETROLEUM OPERATIONS COSTS,
AND DISTRIBUTION OF PRODUCTION**

7.1 **Royalties**

7.1.1 The Contractor shall pay Royalties to the State from the first day of Production based on the daily Total Disposable Production from a Development and Production Area. The calculation shall be determined according to the following table applicable for each tranche:

Daily Total Disposable Production (Barrels per day)	Royalty (%)
From 0 to ●	13
●	●
●	●
●	●

7.1.2 The percentage corresponding to the level of Production shall be applied directly. Thus, for example: for a Production level of [*insert number*] (*insert number*) Barrels per day, [*insert percentage*] percent (*insert percentage*%) would be payable and the Royalty would be [*insert number*] (*insert number*) Barrels.

7.2 **Cost Recovery Oil**

7.2.1 After deducting Royalties, the Contractor shall be entitled to up to [*insert number*] percent (*insert number*%) of the Total Disposable Production remaining in any Calendar Year for recovery of its Petroleum Operations Costs (**Cost Recovery Oil**).

7.2.2 The value of the portion of Total Disposable Production assigned to the Contractor’s Petroleum Operations Costs recovered will be determined in accordance with Article 10.

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

7.3 Net Crude Oil

The quantity of Total Disposable Production remaining every Year after the deduction of Royalties and Cost Recovery Oil will hereafter be referred to as **Net Crude Oil**, which will be shared between the State and the Contractor in the following proportions:

Accumulated Total Production (Million Barrels)	Entitlement of the State (%)	Entitlement of the Contractor (%)
0 to ●	●	●
●	●	●
●	●	●
●	●	●
●	●	●

7.4 Delivery of State's Entitlement

The State's share of Crude Oil to which it is entitled pursuant to Articles 7.1 and 7.3 shall be delivered to and accepted by the State or the Person appointed by it at the Delivery Point. The Contractor shall be free from all responsibility with respect to such Crude Oil from the time it has been delivered. However, should the State so require, the Contractor shall be obliged to purchase all or part of the State's share of Total Disposable Production, subject to the provisions of Article 7.5.

7.5 Price Obtained by Contractor

7.5.1 If, pursuant to Article 7.4, the State requires the Contractor to purchase its share of Crude Oil, the State shall advise the Contractor of its next scheduled shipment at least three (3) months in advance, and the Ministry and the Contractor shall come to a mutual agreement as to the terms and conditions of such sale and purchase. In the event that three (3) months advance notice is not given, or they do not reach an agreement as to the terms and conditions of the sale and purchase, the Contractor shall not be obliged to purchase said Crude Oil.

7.5.2 The Ministry shall be entitled to compare the price for its Crude Oil obtained from the Contractor with similar market quotations. In the event that it is shown that the price obtained from the Contractor differs substantially from the quotations in similar markets, the Ministry shall have the right to evaluate the Contractor's sales and marketing operations and, if justified, cancel any sales agreement between the State and the Contractor, without prejudice to any claim that the State may have against the Contractor with respect to the matters under dispute.

7.6 Export of Entitlement

Subject to Article 12 and the Hydrocarbons Law, each Party comprising the Contractor has the right to take, receive and freely export its share of Net Crude Oil and Cost Recovery Oil, provided it uses the services of an Equatoguinean Crude Oil maritime transport company, an international company associated with the National Company or any other local business that is able to provide the services under conditions that are internationally competitive in terms of price, quality, terms of payment and availability in accordance with Article 23.1.

7.7 Title to Contractor's Entitlement

Title to the Contractor's portion of Net Crude Oil and Cost Recovery Oil shall pass to the Contractor at the Delivery Point.

**ARTICLE 8
PARTICIPATION INTERESTS**

8.1 Liability for Petroleum Operations Costs

Subject to Article 8.2, the Parties comprising the Contractor shall fund, bear and pay all costs and expenses for Petroleum Operations under this Contract and the Joint Operating Agreement in the proportions set forth in Article 1.3. Each of the Parties comprising the Contractor shall be represented on the operating committee under the JOA and shall have voting rights as provided therein.

8.2 Participation Interest of the National Company

8.2.1 The National Company's Participation Interest will be carried and paid for in full by the other Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (other than the National Company's) until such time as the National Company elects to convert its carried Participation Interest into a full working Participation Interest in accordance with the Hydrocarbons Law. From that point on, the National Company shall be responsible for all its costs in respect of the area covered by the approved Development and Production Plan. For the avoidance of doubt, the National Company's Participation Interest in respect of the remainder of the Contract Area shall continue to be carried and paid for by the Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (not including the National Company's) until such time as the National Company elects to convert its carried interest into a full working interest.

8.2.2 The costs, expenditures and obligations incurred by the Parties comprising the Contractor (other than the National Company) in relation to the National Company's carried Participation Interest shall be recoverable by the Parties comprising the Contractor (other than the National Company) in accordance with the provisions of this Contract and the Hydrocarbons Law.

8.2.3 The Parties comprising the Contractor (other than the National Company) shall recover the costs and expenditures in relation to the National Company's carried

Participation Interest from fifty percent (50%) of the Hydrocarbons corresponding to the National Company's total entitlement.

ARTICLE 9 TAXATION

9.1 Payment of Taxes

Except as otherwise provided in this Contract, the Contractor, its subcontractors and their respective employees, agents, consultants and other personnel shall be subject to the Tax Law and all regulations passed pursuant thereto, as well as UDEAC (Central African Economic and Monetary Union) and fiscal and customs laws of Equatorial Guinea.

9.2 Audit Rights

The provisions of Article 16 shall apply to Income Tax, Royalty payments and to all other obligations under this Contract.

ARTICLE 10 VALUATION OF CRUDE OIL

10.1 Calculation of Market Price

10.1.1 The unit selling price of Crude Oil under this Contract shall be the FOB Market Price at the Delivery Point, expressed in Dollars per Barrel and calculated in accordance with this Article 10.1. A Market Price shall be established for each type of Crude Oil or Crude Oil blend.

10.1.2 The Market Price applicable to all liftings of Crude Oil during a Quarter shall be calculated at the end of that Quarter and shall be equal to the weighted average of prices obtained by the Parties comprising the Contractor for Crude Oil sold to or purchased from third parties on an arm's length basis during that Quarter, further adjusted as necessary to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment; provided that, the quantities sold to or purchased from third parties during that Quarter constitute at least fifteen percent (15%) of the total quantities of Crude Oil won and saved from all the Fields under this Contract and sold or purchased during such Quarter.

10.1.3 In the event that such sales to or purchases from third parties are not made during the Quarter in question or represent less than fifteen percent (15%) of the total quantities of Crude Oil won and saved from all the Fields under this Contract and sold or purchased by the Contractor during said Quarter, the Market Price shall be equal to the weighted average of:

- (a) the average of the International Petroleum Exchange (IPE) Dated Brent quotations as published in Platts; and
- (b) the average of the quotations as published in Platts for one (1) or several types of Crude Oil of similar quality to that produced in West Africa and to

be mutually agreed between the Ministry and the Contractor for the Quarter in question, adjusted as necessary to reflect differentials in quality, gravity, quantity and terms and conditions of delivery and payment.

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

- (a) sales in which the buyer is an Affiliated Company of the seller (unless such sales are on an arm's length basis) as well as sales between the Persons comprising the Contractor;
- (b) sales between the providers of Crude Oil and the local market; and
- (c) sales for consideration other than payment in a freely convertible currency and sales wholly or partially made for reasons other than the usual economic incentives involved in Crude Oil sales on the international market (such as exchange contracts).

10.1.5 The Market Price of Crude Oil shall be established:

- (a) taking into consideration the evolution of the international market; and
- (b) if the Crude Oil used to calculate the Market Price ceases to be quoted, the Ministry and the Contractor shall agree on the Crude Oil which most closely approximates to the Crude Oil the quotation of which has ceased for the purposes of calculating the Market Price.

10.2 **Disagreement of Market Price**

10.2.1 The Contractor and the Ministry shall agree the Market Price in accordance with this Article 10; in the event that they are unable to agree on any matter concerning the Market Price of Crude Oil, either the Contractor or the Ministry may serve on the other a dispute notice. Within seven (7) days of the date of the dispute notice the Ministry shall establish a committee of two (2) Persons of which the Minister of Mines, Industry and Energy or his delegate will be the President and the other committee member will be a representative designated by the Contractor to represent it. The committee must meet and make a decision resolving any dispute under this Article 10 within thirty (30) days of the date of the dispute notice. The committee shall unanimously decide the dispute.

10.2.2 In the event a unanimous decision is not reached by the committee within the aforementioned thirty (30) day period, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. The expert shall determine the Market Price in accordance with the provisions of this Article 10 within twenty (20) days from the date of his appointment. Unless otherwise determined by the expert, the costs and expenses of such expert shall be shared proportionately by the Parties on a per capita basis and the Contractor's share shall not be cost recoverable.

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

10.3 **Payment of Market Price**

Within ten (10) days after each shipment, the Contractor shall provide the Ministry with full details of the prices achieved for the sale of each shipment of the State's Crude Oil and will remit all funds to the State within fourteen (14) days after receipt thereof by the Contractor.

10.4 **Audit of Market Price**

The Ministry shall be entitled to audit and verify that the price obtained by the Contractor for each shipment of Crude Oil has been the price determined in accordance with this Contract. The Ministry has the right, during a period of two (2) Years from the transaction date, to assess the marketing practices of the Contractor and require the Contractor to pay the State for the difference between the price actually obtained and the Market Price determined in accordance with this Article 10.

**ARTICLE 11
BONUSES AND SURFACE RENTALS**

11.1 **Signature Bonus**

The Contractor shall pay to the State a signature bonus of *[insert amount]* Dollars (\$*[insert amount]*) within thirty (30) days of the Effective Date.

11.2 **Discovery Bonus**

On the date the Contractor notifies the Ministry for the first time that it deems a Discovery to be a Commercial Discovery in compliance with the provisions of Article 5.4, the Contractor shall pay to the State the sum of *[insert amount]* Dollars (\$*[insert amount]*).

11.3 **Production Bonuses**

The Contractor shall pay to the State the following sums as Production bonuses:

- (a) on the date of start Production of Crude Oil from a Development and Production Area, *[insert amount]* Dollars (\$*[insert amount]*);
- (b) *[insert amount]* Dollars (\$*[insert amount]*) after daily Production from a Development and Production Area first averages *[insert number]* Barrels per day for a period of sixty (60) consecutive days;
- (c) *[insert amount]* Dollars (\$*[insert amount]*) after daily Production from a Development and Production Area first averages *[insert number]* Barrels per day for a period of sixty (60) consecutive days;

- (d) **[insert amount]** Dollars (\$**[insert amount]**) after daily Production from a Development and Production Area first averages **[insert number]** Barrels per day for a period of sixty (60) consecutive days; and
- (e) **[insert amount]** Dollars (\$**[insert amount]**) after daily Production from a Development and Production Area first averages **[insert number]** Barrels per day for a period of sixty (60) consecutive days.

Such payments shall be made within thirty (30) days of the date that the liability accrues.

11.4 **Surface Rentals**

11.4.1 The Contractor shall pay to the State the following annual surface rentals:

- (a) **[insert amount]** Dollars (\$**[insert amount]**) per hectare of the Contract Area annually, for each Calendar Year or part thereof, during the Initial Exploration Period, the Extension Periods or any extension thereof; or
- (b) **[insert amount]** Dollars (\$**[insert amount]**) per hectare for each Development and Production Area, annually for each Calendar Year or part thereof, during the term of the relevant Development and Production period.

11.4.2 For the Year in which this Contract is signed, the surface rental set forth in Article 11.4.1(a) shall be prorated from the Effective Date through to 31 December of such Year and shall be paid within thirty (30) days after the Effective Date. For succeeding Years the surface rentals set forth in Article 11.4.1(a) and (b) shall be paid in advance not less than thirty (30) days before the beginning of each Calendar Year.

For the Calendar Year in which any Development and Production Area is granted the surface rental set forth in Article 11.4.1(a) and (b) shall be prorated from the date in which such Development and Production Plan is approved up to 31 December of said Calendar Year, and the additional sum shall be paid within thirty (30) days after the approval of the Development and Production Area. For succeeding Calendar Years the surface rental set forth in Article 11.4.1(b) shall be paid within thirty (30) calendar days after the beginning of each Calendar Year.

11.4.3 Surface rentals shall be calculated based on the surface of the Contract Area and, where applicable, of a Development and Production Area occupied by the Contractor on the date of payment of such surface rentals. For the avoidance of doubt, this shall exclude any relinquished areas. In the event of relinquishments made during a Calendar Year, the Contractor shall have no right to be reimbursed for the surface rentals already paid.

ARTICLE 12
OBLIGATION TO SUPPLY DOMESTIC MARKET

12.1 Obligation to Supply

In accordance with the Hydrocarbons Law, the Contractor shall meet as a priority the needs of domestic Hydrocarbon consumption in Equatorial Guinea. For this purpose, and in accordance with the provisions of Articles 86 and 87 of the Hydrocarbons Law, if the State so requests, the Parties comprising the Contractor (other than the National Company) shall sell to the State at the Delivery Point a portion of its Net Crude Oil and/or Net Natural Gas for internal consumption in the country.

12.2 Notification from Ministry

No later than the first day of October of each Calendar Year, the Ministry shall notify the Parties comprising the Contractor (other than the National Company) of the quantities of Crude Oil and/or Natural Gas which it desires to purchase under this Article 12 for the subsequent Calendar Year. The Crude Oil and/or Natural Gas shall be delivered to the State or to the beneficiary designated by the State during such Calendar Year according to procedures to be agreed between the Ministry and the Contractor.

ARTICLE 13
NATURAL GAS

13.1 Unassociated Natural Gas

13.1.1 In the event of an Unassociated Natural Gas Discovery, the Contractor shall comply with the provisions of Article 5.2. However, if the Appraisal work program presented by the Contractor following the Discovery of Unassociated Natural Gas has a duration exceeding that of the Initial Exploration Period or any of its extensions, the Contractor may request from the Ministry an extension of the relevant Exploration Period with respect to the Appraisal Area related to such Discovery for a period of up to four (4) Years starting from the expiry of the Initial Exploration Period or any of its Extension Periods, as appropriate. The Contractor shall request the aforementioned extension at least sixty (60) days prior to the expiry of the relevant period.

13.1.2 If the Contractor considers that the Unassociated Natural Gas Discovery does not warrant Appraisal or further Appraisal, in conformity with the provisions of Article 5.12, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.3 In the same manner, if after completion of the Appraisal work, the Contractor considers that the Unassociated Natural Gas Discovery is not commercial, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.4 In both the above cases the Contractor shall be deemed to have waived all its rights to the Hydrocarbons produced from such Unassociated Natural Gas Discovery, and the State may then carry out, or cause to be carried out, all the Petroleum Operations relating to that Discovery, without compensation or indemnification to the Contractor, provided, however, that such work shall not prejudice the performance of other Petroleum Operations of the Contractor. The Ministry may request that the Contractor undertake all continuing operations for a fee and on terms to be agreed between the Ministry and the Contractor.

13.2 **Associated Natural Gas**

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

13.2.2 In the event the Ministry and the Contractor should decide that the Development of the excess Associated Natural Gas is justified, or in the event the Contractor should wish to develop and produce such excess, the Contractor shall indicate in the Development and Production Plan the additional facilities necessary for the Development and Production of such excess and its estimate of the costs related thereto. The Contractor shall then proceed with the Development and Production of such excess in accordance with the Development and Production Plan submitted and approved by the Ministry under Article 5.5. A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is agreed during the Production of a Field.

13.2.3 In the event the Contractor does not consider the exploitation of the excess Associated Natural Gas is justified and if the State at any time wishes to utilize it, the Ministry shall notify the Contractor of the State's wish, in which event:

- (a) the Contractor shall put at the disposal of the State free of charge the Crude Oil and Associated Natural Gas separation facilities for all or part of such excess that the State wishes to utilize;
- (b) the State shall be responsible for the gathering, treatment, compression and transportation of such excess Associated Natural Gas from the receiving point at the Contractor's facilities and for bearing any additional costs and liabilities related thereto; and
- (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the recovery of that excess by the State,

shall be carried out in accordance with generally accepted practice of the international petroleum industry.

13.2.4 In no event shall the Operations carried out by the State in relation to such Associated Natural Gas interfere with Petroleum Operations of the Contractor.

13.2.5 Any excess Associated Natural Gas not utilized in accordance with Articles 13.2.1, 13.2.2 and 13.2.3 shall be re-injected by the Contractor in accordance with Article 6.14. Flaring will be permitted only in accordance with the Hydrocarbons Law and is subject to the approval of the Ministry. The Contractor shall be permitted to flare Associated Natural Gas without the approval of the Ministry in the event of an emergency, provided that every effort is made to diminish and extinguish such flaring of Natural Gas as soon as possible. The Ministry has the right to offtake, free of charge, at the wellhead or gas oil separator all Natural Gas that would otherwise be re-injected or flared by the Contractor.

13.3 Provisions Common to Associated and Unassociated Natural Gas

13.3.1 The Contractor shall dispose of its share of the Production of Natural Gas in accordance with this Contract and the Hydrocarbons Law. The provisions of this Contract applicable to Crude Oil shall apply *mutatis mutandis* to Natural Gas unless otherwise specified herein.

13.3.2 The selling price for all Natural Gas to be sold in the domestic market shall be set by the Ministry in accordance with the Hydrocarbons Law. The selling price for all Natural Gas to be sold outside of the domestic market shall be as agreed between the Ministry and the Contractor. The Ministry and Contractor shall proceed in good faith to negotiate a gas sales agreement, if required.

13.3.3 For the purposes of Articles 7.3 and 11.3, the quantities of available Natural Gas after deduction of the quantities re-injected, flared or necessary for the conduct of Petroleum Operations shall be expressed in a number of Barrels of Crude Oil on a BTU equivalent energy content basis adjusted monthly by a commercially appropriate factor relating the price of Natural Gas with the price of Crude Oil in terms of the provisions of Article 10.3, unless otherwise agreed between the Ministry and the Contractor.

13.3.4 The provisions of Article 7.2 in respect of cost recovery shall apply *mutatis mutandis* to the Production of Natural Gas.

13.3.5 The quantity of Natural Gas produced and saved from the Contract Area which remains after the Contractor has taken the portion for the recovery of Petroleum Operations Costs pursuant to Article 13.3.4 shall be referred to as **Net Natural Gas**.

13.3.6 Subject to the Hydrocarbons Law, the Ministry and the Contractor hereby agree that, in the case of Natural Gas Production, they shall reach separate agreements and arrangements with respect to the sale and marketing of Natural Gas.

ARTICLE 14 CUSTOMS REGULATIONS

14.1 Importation of Goods, etcetera

14.1.1 In accordance with the stipulations of Articles 63 and 64 of the Hydrocarbons Law, the Contractor shall be permitted to import into Equatorial Guinea all the goods, materials, machinery, equipment and consumer goods directly necessary to properly carry out Petroleum Operations in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf.

14.1.2 For the purpose of this Contract, the Contractor shall benefit from the following advantages:

- (a) under the conditions stipulated in the Customs Code, the importation in compliance with the regulations of Temporary Admission (TA) or Temporary Imports (TI), either normal or special, whichever is the case for the Contractor, for its sub-contractors and Persons acting on its or their behalf, of all materials, products, machinery, equipment and tools necessary for Petroleum Operations, on condition that these goods are exclusively destined and effectively devoted to Petroleum Operations and destined to be re-exported at the end of their use;
- (b) admission with exemption from any tax and/or duty of all materials, products, machinery, equipment and tools destined exclusively and effectively devoted to Hydrocarbon prospecting, Exploration and Production in the specified area and listed in Annex 2 of Act Number 13/65-UDEAC-35 dated 14 December 1965;

This exemption applies to imports directly made by the Contractor, its sub-contractors and Persons acting on its or their behalf, on condition that a certificate of end use is issued.

- (c) under the same aforementioned conditions, the Contractor is entitled to import at a reduced duty rate of five percent (5%) materials, products, machinery, tools and equipment which do not fall under the category of any goods specified under paragraphs (a) and (b) above but are necessary and required for the Production, storage, treatment, transport and shipment of Hydrocarbons from the Contract Area.

The reduced duty rate will be granted by the Ministry of Finance and Budget at the request of the Contractor:

- (i) on submission of a general import schedule; or
- (ii) after submitting a particular application for a reduced rate import; the Contractor shall submit such application at least fifteen (15) days before the arrival of the goods in Equatorial Guinea.

These applications should specify:

- (i) the commercial nature of the goods and the customs consignment in which they are classified; and
- (ii) the value of the goods in FOB and CIF;
- (d) goods and household items for personal and domestic use that the Contractor's foreign personnel devoted to Petroleum Operations imports upon their relocation will be admitted duty-free according to the conditions established in the Customs Code and in particular Articles 17 to 20 of Act 13/75-UDEAC-35 dated 14 December 1975, as amended.

14.1.3 All goods, material, products, machinery, tools and equipment not mentioned under Article 14.1.2 are subject to taxes and/or import duties, as provided by the Customs Authorities in Equatorial Guinea.

14.2 **Export of Entitlement and Goods etc.**

14.2.1 Subject to Article 12, the Contractor, its purchasers and transporters will have the right to export freely and at any time the quantities of Cost Recovery Oil and Net Crude Oil belonging to the Contractor from the Delivery Point selected for this purpose free of taxes and/or duties.

14.2.2 In compliance with the customs obligations as set out in this Contract and regulations currently in force, the Contractor, its sub-contractors and Persons acting on its or their behalf may re-export, free of taxes and/or import duties, goods imported within the framework of this Contract when they are no longer necessary for Petroleum Operations, provided that their ownership has not been transferred to the State in accordance with the terms of this Contract.

14.3 **Customs Authorities**

All imports, exports and re-exports carried out under this Contract shall be subject to the formalities required by the Customs Authorities.

14.4 **Joint and Several Liability**

The Contractor is jointly and severally liable with its subcontractors and any Persons acting on its or their behalf for any infraction in the use and enjoyment by them of the advantages set out in this Article 14. Fines, penalties and payments of any nature incurred by any guilty party shall not constitute a Petroleum Operations Cost.

14.5 **Other Taxes, etcetera**

Other than taxes and/or import duties as provided for in this Article 14, the Contractor, its sub-contractors and Persons importing on its or their behalf will not be subject to any other payment in this respect.

14.6 **Foreign Personnel**

Foreign personnel assigned to work in Equatorial Guinea on behalf of the Contractor or its sub-contractors, and their families, shall be permitted to import their personnel effects into Equatorial Guinea free of customs duties.

ARTICLE 15 FOREIGN CURRENCY

15.1 Exchange Control Laws

The Contractor and its subcontractors and all Persons acting on its or their behalf must comply with all applicable exchange control laws of Equatorial Guinea. However, as long as they shall have met their respective payment and tax obligations under this Contract and the laws of Equatorial Guinea, they shall benefit, during the term of this Contract, from the following rights regarding Petroleum Operations:

- (a) to retain or dispose of any proceeds outside of Equatorial Guinea including any proceeds from the sale of its or their share of Hydrocarbons;
- (b) to pay foreign subcontractors and expatriate employees of the Contractor, outside of Equatorial Guinea, after deduction of the relevant taxes in Equatorial Guinea. For this purpose, the Contractor may open and use freely bank accounts in Dollars or in other currencies in banks of its choice in Equatorial Guinea and abroad. Notwithstanding the foregoing, while this Contract is in force the Contractor and each of its subcontractors shall establish and maintain a bank account in a national banking institution in Equatorial Guinea, which shall have a minimum balance of, in the case of the Contractor, an amount equivalent to ten percent (10%) of the current Annual Budget which has been approved by the Ministry and, in the case of subcontractors, the minimum amount set by the Ministry from time to time;
- (c) to transfer such funds as the Contractor or its subcontractors shall have imported into Equatorial Guinea, or earned from Petroleum Operations, or from the proceeds of the sale or lease of goods or performance of services under this Contract;
- (d) to obtain abroad loans required for the performance of their activities under this Contract, provided that the Ministry shall have approved the terms of such loan, including the rate of interest and terms of repayment;
- (e) to collect and maintain abroad all the funds acquired or borrowed abroad, and to freely dispose thereof, limited to the amounts that exceed the requirement of funds for their operations in Equatorial Guinea; and
- (f) free movement of funds owned by them according to the laws of Equatorial Guinea.

15.2 Report on Foreign Exchange Transactions

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

15.3 **Freedom of Exchange**

The Contractor's and its subcontractors' expatriate employees shall be permitted, in accordance with the regulations then in effect in Equatorial Guinea, to freely exchange and to freely transfer to their country of origin any savings arising from their salaries, as well as any retirement and personal benefits paid by or for such employees, provided they have met their tax obligations in Equatorial Guinea.

ARTICLE 16 BOOKS, ACCOUNTS, AUDITS AND PAYMENTS

16.1 **Maintenance of Records and Books**

16.1.1 The Contractor shall at all times maintain at its offices in Equatorial Guinea the original records and books of Petroleum Operations in accordance with all applicable regulations and the Accounting Procedure.

16.1.2 All records and books shall be maintained in the Spanish and English languages and be denominated in Dollars, or such other currency as shall be requested by the Ministry from time to time. They shall be supported by detailed documents demonstrating the expenses and receipts of the Contractor under this Contract. Such records and books shall be used to determine the Contractor's Gross Revenues, Petroleum Operations Costs and net profits, and to establish the Contractor's Income Tax and other payment obligations. Such records and books shall also include the Contractor's accounts showing sales of Hydrocarbons.

16.2 **Submission of Accounts**

Within ninety (90) days after the end of a Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing the Petroleum Operations Costs which the Contractor has incurred during such Calendar Year. The Contractor may request the approval of the Ministry for an additional extension of up to thirty (30) days; such approval shall not be unreasonably withheld or delayed. The accounts shall be certified by an independent external auditor acceptable to the Ministry and the Contractor. The expenses of such an auditor shall be met by the Contractor and shall be deemed a Petroleum Operations Cost.

16.3 **Audit of Ministry**

16.3.1 After notifying the Contractor, the Ministry may have experts of its choice or its own agents examine and audit any records and books relating to Petroleum Operations. The Ministry has a period of three (3) years from the date the Contractor submits to the Ministry such records and books in accordance with Article 16.2, to perform such examinations or audits with respect to the said Calendar Year and submit its objections to the Contractor for any contradictions or errors found during such examinations or audits.

16.3.2 The Contractor shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties. The Contractor shall bear all reasonable expenses incurred in such

examination or audit, which shall be recoverable as Petroleum Operations Costs. However, any expenses incurred for the audit and inspection of accounting books and records outside of Equatorial Guinea due to the Contractor's non-compliance with this Article 16 shall be borne by the Contractor and will not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

- 16.3.3 In the event of a disagreement between the Ministry and the Contractor in relation to the results of any examination or audit, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. Unless otherwise determined by the expert, the costs and expenses of such expert shall be met proportionately by the Parties on a per capita basis and the Contractor's share shall not be a Petroleum Operations Cost.

16.4 Currency and Account of Payments

- 16.4.1 All payments between the Parties under this Contract shall, unless otherwise agreed, be in Dollars, or such other currency as shall be requested by the Ministry from time to time. Subject to Article 16.4.2, when the receiving Party is the State, payments shall be made to the General Treasury of the State, and when the receiving Party is the Contractor, payments shall be made to a bank account designated by the Contractor and notified to the Ministry.

- 16.4.2 All payments to be made to the Ministry pursuant to Article 23.2.2 shall be made to such account as shall be notified to the Contractor.

16.5 Timing and Overdue Payments

Unless otherwise agreed, all payments under this Contract shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of a delay in payment the amount due shall bear interest compounded monthly at the rate of LIBOR plus two percent (2%) per annum.

ARTICLE 17 TRANSFER, ASSIGNMENT AND CHANGE OF CONTROL

17.1 Transfer to Equatoguinean Affiliate

Within the one (1) Calendar Year following the Effective Date, to the extent that they have not already done so, each of the Parties comprising the Contractor (other than the National Company) shall incorporate an Affiliate under the laws of Equatorial Guinea and shall assign all of its rights and obligations in and under this Contract, the Joint Operating Agreement and any other agreement relating to Petroleum Operations to such Affiliate. After such transfer, all of the rights and obligations of the Parties comprising the Contractor under this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations shall be assumed by such Affiliate(s). Any assignment or transfer under this Article 17.1 shall not be subject to the provisions of Articles 17.2 and 17.3. The foregoing

assignment or transfer shall not affect any parent company or bank guarantee provided pursuant to this Contract.

17.2 Assignment, Transfer, Change of Control

17.2.1 The assignment, transfer, encumbrance or other disposition of the rights and/or obligations of a Party comprising the Contractor shall require the prior consent of the Ministry. Any request for authorization shall be accompanied by all information related to the assignment, transfer, encumbrance or other disposition including all legal instruments, in final draft form, to be used to carry out the proposed transaction, the identity of all parties to the transaction, the estimated value of the transaction and whether the consideration is payable in kind, securities, cash or otherwise. Such assignment, transfer, encumbrance or other disposition shall be subject to the payment of a non-recoverable, non-deductible fee and other requirements stipulated in the authorization issued by the Ministry. The assignee and the assignor shall be jointly and severally liable for the payment of such fee and for the fulfillment of any other requirements.

17.2.2 All assignees must:

- (i) have the technical and financial ability to meet its obligations under this Contract;
- (ii) in relation to the interest assigned, accept and assume all of the terms and conditions of this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations; and
- (iii) be an entity with which the Ministry and each of the Parties comprising the Contractor can legally do business and be incorporated in Equatorial Guinea.

17.2.3 All profits resulting from any assignment, transfer or other disposition of any rights and/or obligations under this Contract, regardless of the type and location of the transaction, shall be subject to taxation in conformity of the Tax Law of Equatorial Guinea.

17.3 Change of Control

For the purposes of this Article 17, the transfer of ownership of more than fifty percent (50%) of the shares of any Party comprising the Contractor (other than the National Company) or any similar transfer that results in a change of Control shall be deemed to be an assignment of contractual rights under this Contract and consequently subject to the terms and conditions of this Article 17.

17.4 Recourse to Third Party Funding

Recourse by any Party comprising the Contractor to third party funding which involves the assignment of rights over its entitlement to Hydrocarbons under this Contract is not permitted without the prior consent of the Ministry.

17.5 **The National Company's Right of Preemption**

When an assignment, transfer or other disposition of any rights under this Contract is anticipated, the assigning Party must notify in writing the National Company as soon as practicable. The National Company shall then have the right to purchase the assigning Party's interest under this Contract and proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona-fide assignee. This right is in addition to any right of pre-emption granted to the National Company under the Joint Operating Agreement.

ARTICLE 18 INDEMNIFICATION, LIABILITY AND INSURANCE

18.1 **Liability and Indemnity**

18.1.1 The Contractor shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Contractor, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Petroleum Operations. All costs incurred under this Article 18.1 caused by the negligence or willful misconduct of the Contractor, its Affiliates, its subcontractors or their respective directors, officers, employees, agents or consultants or any other Persons acting on its or their behalf shall not be cost recoverable as a Petroleum Operations Cost.

18.1.2 The Contractor shall assume all liability, and exempt the State from any liability, in respect of any and all claims, obligations, losses, expenses (including attorneys' fees), damages or costs of any nature resulting from the violation of any intellectual property rights of any kind caused by the Contractor, its Affiliates or subcontractors as a result of or in relation to the conduct of Petroleum Operations, regardless of the nature of the violation or of the way in which it may occur.

18.2 **Joint and Several Liability**

Where the Contractor is comprised of more than one Person, the liabilities and obligations of such Persons under this Contract shall be joint and several, except for their obligations and liabilities in relation to all taxation assessed on their income.

18.3 **Insurance**

18.3.1 The Contractor shall obtain and, during the term of this Contract, maintain in full force and effect, for Petroleum Operations insurance of such type and in such amount as is customary and prudent in accordance with generally accepted practice of the international petroleum industry, and whose coverage terms and conditions shall be communicated to the Ministry within thirty (30) days after the Effective Date. The foregoing insurance shall, without prejudice to the generality of the foregoing provisions, cover:

- (a) any loss or damage to all assets used in Petroleum Operations;
- (b) pollution caused in the course of Petroleum Operations;

- (c) property loss or damage or bodily injury or death suffered by any Person in the course of Petroleum Operations;
 - (d) the cost of removing wrecks and clean-up operations following an accident or upon decommissioning; and
 - (e) the Contractor's liability to its employees engaged in Petroleum Operations.
- 18.3.2 The Contractor shall require its subcontractors to carry insurance of such type and in such amount as is customary in accordance with generally accepted practice of the international petroleum industry.
- 18.3.3 The Contractor shall use all reasonable endeavors to place the insurance required under this Article 18 with Equatoguinean insurance brokers and insurance companies.

ARTICLE 19

TITLE OF GOODS, EQUIPMENT AND DATA

19.1 Title and Use of Facilities, etcetera

- 19.1.1 All installations, facilities, goods, equipment, materials or land acquired by the Contractor for Petroleum Operations shall become property of the State from the point at which their costs are fully recovered by the Contractor. However, the Contractor may continue using said installations, facilities, goods, equipment, materials or land in order to carry out Petroleum Operations for the duration of this Contract and in accordance with the Hydrocarbons Law. The Contractor and the Ministry shall agree the mode and conditions of such use, subject to ensuring their maintenance in good condition and good working order, normal wear and tear excepted. In any case, upon termination, rescission or cancellation of this Contract, for any reason whatsoever, in relation to all or any part of the Contract Area, the ownership of said installations, facilities, goods, equipment, materials or land, and including those whose costs have not been fully recovered, and any other items acquired and used for Petroleum Operations shall become the sole property of the State and shall be conveyed directly to it.
- 19.1.2 Regardless of whether or not the Contractor has recovered the relevant costs in accordance with this Contract, the State is entitled to use the said facilities, goods, equipment, materials or land for its own purposes, provided that such use does not interfere with the Contractor's Petroleum Operations.
- 19.1.3 Under no circumstances may the Contractor sell, assign, transfer or otherwise dispose of any such facilities, goods, equipment, materials or land to any other Persons.
- 19.1.4 The provisions of this Article 19.1 shall not apply to any leased equipment or to the Contractor's equipment that is not charged to Petroleum Operations as a Petroleum Operations Cost.

19.1.5 If the Ministry does not wish to use any of the facilities, goods, equipment and materials referred to in this Article 19.1, it has the right to request the Contractor to remove them at the Contractor's own expense, and the Contractor will carry out any decommissioning operations of the said facilities, goods, equipment and materials in accordance with this Contract and the Hydrocarbons Law, and based on the time frame and specified conditions in the approved decommissioning plan.

19.2 Ownership of Data

All data, technical information and interpretations obtained, acquired or derived as a result of Petroleum Operations shall be the sole property of the State. However, the Contractor may retain copies of all such materials for the duration of this Contract only, including, among others, geological, geophysical, petrophysical and engineering reports, Well reports, termination reports, samples and any other information that the Contractor may have obtained or compiled during the term of this Contract. The Contractor shall forward such data, technical information and interpretations to the Ministry as soon as they are acquired, derived or compiled and shall also provide the Ministry on an annual basis with a report that itemizes all such data, technical information and interpretations that have been assembled during the Year. Unless previously provided, at the termination of this Contract or at any time of relinquishment, the Contractor shall return to the Ministry all original data, technical information and interpretations relating to the areas relinquished and will remove all copies of such from the Contractor's files, archives, computers and data storage mechanisms.

**ARTICLE 20
CONFIDENTIALITY**

20.1 Disclosure of Confidential Information

20.1.1 The Parties agree that for the duration of this Contract, the terms hereof and all information relating to this Contract and Petroleum Operations shall be kept strictly confidential and may not be divulged by any Party without mutual consent, except:

- (a) to an Affiliated Company;
- (b) to any governmental agency, designated by the State or other entities or consultants of the Ministry;
- (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;
- (d) in conformity with the requirements of any stock exchange having jurisdiction over a Party;
- (e) where any data or information forms part of the public domain otherwise than a result of a breach of this Contract; and
- (f) to employees, directors, officers, agents, advisors, consultants or subcontractors of a Party comprising the Contractor or an Affiliate,

provided that the disclosing Party shall be responsible for any and all breaches of this Article by such Persons and provided further that any disclosure to the Persons referred to in paragraphs (f), (g) and (h) above shall be limited to those Persons who are under a duty of confidentiality similar to that contained in this Article 20.1.

20.1.2 For an additional period of two (2) Years after the termination of this Contract, only the Parties comprising the Contractor (other than the National Company) shall be obliged to comply with the above stated requirements.

20.2 The Contractor's Patents

The State shall not reveal to any third parties information pertinent to the Contractor's own technology that is protected by patents or contractual agreements, or which the State has received under license for a period of two (2) Years after termination of this Contract.

20.3 Continuation of Obligations

Any Party ceasing to own a Participation Interest in this Contract during the term of this Contract shall nonetheless remain bound by the obligations of confidentiality set forth in this Article 20.

20.4 Disclosure of Confidential Information by the State and Ministry

In order to explore and exploit areas adjoining or related to the Contract Area, the State and the Ministry may, notwithstanding this Article 20, disclose to any third parties all data and information relating to part or parts of the Contract Area and Petroleum Operations hereunder.

ARTICLE 21 TERMINATION

21.1 Termination by the State

Notwithstanding any other actions contemplated herein, this Contract may be terminated, without compensation to the Contractor, on any of the following grounds:

- (a) a material breach by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) of any of the provisions of this Contract or the Hydrocarbons Law;
- (b) a delay by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) in making any payment owed to the State that exceeds three (3) months;
- (c) the suspension of Development works on a Field for six (6) consecutive months, except when such suspension (i) has been approved by the Ministry in advance or (ii) is due to an act or omission on the part of the State or of any Person representing the State or (iii) is as a result of Force Majeure;

- (d) when, after the commencement of Production of a Field, its exploitation is suspended for at least three (3) consecutive months, without the prior permission of the Ministry, except when such suspension (i) is due to an act or omission on the part of the State or of a Person representing the State or (ii) is as a result of Force Majeure;
- (e) when the Contractor fails to comply within the prescribed time period with an arbitration award in accordance with the provisions of Article 26, and the failure to comply is not attributable to any act or omission of the State or to any Person representing the State;
- (f) when a Well is drilled to an objective beyond the vertical planes of the limits of the Contract Area without the prior consent of the Ministry;
- (g) a breach of this Contract arising out of activities which are illegal or contrary to national or international law (not attributable to any act or omission of the State or to any Person representing the State);
- (h) under the provisions of Article 2.3; or
- (i) when the Contractor is declared bankrupt, or in liquidation as a result of financial insolvency, or enters into judicial or financial arrangements on insolvency with its creditors generally, except when the Contractor can provide the State with a new financial guarantee that is acceptable to the Ministry in its sole discretion, and that guarantees the capacity of that Party to fulfill its obligations under this Contract.

21.2 **Notice of Termination and Grace Period**

21.2.1 The Ministry may declare this Contract terminated only after having served a formal notice on the Contractor, by registered mail, requesting it to remedy the situation or breach in question, and, if the situation or breach in question is capable of remedy, requesting it to remedy the same within five (5) Business Days from receipt of such notice regarding payments due under Article 21.1(b) or within three (3) months from receipt of such notice for all other situations or breaches capable of remedy. Otherwise the effective date of the termination of this Contract shall be date of receipt by the Contractor of the foregoing notice.

21.2.2 If the Contractor fails to comply with such notice within the prescribed time period or fails to show within such five (5) Business Days or three (3) month period that it has commenced and is promptly and diligently continuing to remedy the situation or breach in question, the Ministry may pronounce *ipso jure* the termination of this Contract.

21.3 **Termination against one Party**

The Ministry may terminate this Contract as to one of the Parties comprising the Contractor, if the circumstances set forth in Article 21.1 are applicable to only that Party in the manner set forth in Article 21.2.

ARTICLE 22 UNITIZATION

22.1 Obligation to Unitize

If any Hydrocarbon bearing reservoir lying within the Contract Area extends beyond such area, the Contractor must carry out all Development and Production in respect of such Hydrocarbon bearing reservoir in accordance with the Hydrocarbons Law. The Contractor shall use all reasonable endeavors to reach a mutually acceptable unitization agreement and program with all other affected Persons.

22.2 Suspension of Obligations

In the event that Petroleum Operations that are the subject of this Contract are suspended by reason of negotiations arising in respect to a unitization scenario in relation to a specific Discovery, the provisions of Article 5.3 for such Discovery shall be extended for a period of time equal to the duration of such suspension.

ARTICLE 23 LOCAL CONTENT AND SOCIAL PROGRAMS

23.1 Preference to Equatoguinean Services

The Contractor and its subcontractors undertake to give preference to Equatoguinean services, materials, equipment, consumables and other goods whose quality and time of delivery are comparable to those available internationally, provided that the cost in Equatorial Guinea is no more than ten percent (10%) above the cost of similar services, materials, equipment, consumables and other goods available internationally.

23.2 Employment and Training of Equatoguineans

23.2.1 From the Effective Date, the Contractor shall ensure priority employment for adequately qualified Equatoguinean personnel in all levels of their organization, as the employee's skill allows, and as provided for in Article 23.2.2, shall train or contribute in the training of such personnel to enable them to qualify for any position relating to Petroleum Operations. Expatriate personnel may only be employed if the Contractor and its subcontractors have exhausted all possibilities of recruiting adequately qualified Equatoguinean personnel in the required area of specialization.

23.2.2 During the term of this Contract, the Parties comprising the Contractor (other than the National Company) shall spend a minimum of [*insert amount*] Dollars (\$[*insert amount*]) per Calendar Year, to provide a mutually agreed number of Ministry and National Company personnel with on-the-job training in the Contractor's operations in Equatorial Guinea and overseas and/or practical training at institutions abroad, particularly in the areas of natural earth sciences, engineering, technology, accounting, economics and other related fields of oil and gas exploration and exploitation. Additionally, during the term of this Contract, the Parties comprising the Contractor (other than the National Company) shall transfer to the Ministry a

minimum of [*insert amount*] Dollars (\$[*insert amount*]) per Calendar Year which the Ministry shall use at its sole discretion to educate and train Equatoguinean personnel selected by the Ministry at universities, colleges or other training institutions selected by the Ministry and for other general training and educational purposes.

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.2.3 If the Contractor funds any social projects outside of those approved in an Annual Budget such costs shall not be recoverable as a Petroleum Operations Cost.

23.2.4 Given that Equatoguinean civil society is a part of the local content in oil and gas contracts, the Contractor shall contribute to and cooperate with non-governmental organizations in charitable works to develop society, sport activities and health programs to fight and prevent disease, as well as other non-profit related activities.

23.3 **National Technology Institute**

The Contractor shall provide all reasonable assistance as may be requested by the Ministry from time to time with the implementation and development of the National Technology Institute to train and develop mid and upper level personnel in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law.

ARTICLE 24 DECOMMISSIONING

24.1 **Relinquishment or Decommissioning**

24.1.1 Subject to Article 2.5.2, the Contractor may at any time relinquish and/or abandon any portion of the Contract Area or any Well not included in a Field subject to having given three (3) months prior notice to the Ministry, provided that the Contractor shall have fulfilled all of its obligations under this Contract and that it has given the Ministry full details of the state of any reservoir and the facilities and equipment in such area in addition to any plans for the removal or dismantling of such facilities and equipment including all technical and financial information. All decommissioning operations must be undertaken in accordance with the Hydrocarbons Law.

24.1.2 The decommissioning of a Field by the Contractor and its corresponding decommissioning plan shall require the prior approval of the Ministry in accordance with the Hydrocarbons Law. The Contractor shall prepare and deliver to the Ministry a plan for the decommissioning of all Wells, facilities and equipment, the rehabilitation of the landscape and the continuation of Petroleum Operations, if applicable, in accordance with the Hydrocarbons Law.

24.1.3 Unless the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations in accordance with Article 24.3.3, the Contractor is obligated to fully decommission all Fields within the Contract Area.

24.2 **Right of Ministry**

Upon receipt by the Ministry of the notice referred to in Article 24.1.1 or upon the decommissioning of any Field, the Ministry shall be entitled to take over any Discovery or Field whose decommissioning is proposed by the Contractor. If the Ministry does not communicate its desire to take over Petroleum Operations within three (3) months of receipt of the relevant notice, it shall be deemed to have elected not to do so.

24.3 **Reserve Fund**

24.3.1 In order to implement the decommissioning of a Field, the Contractor shall contribute to a reserve fund for the estimated decommissioning costs, (the **Reserve Fund**) in accordance with the Hydrocarbons Law and the approved decommissioning plan.

24.3.2 In the event that the total amount of the Reserve Fund is greater than the actual cost of decommissioning, the account balance shall be distributed between the State and the Contractor in accordance with Article 7.3. In the event that the amount of the Reserve Fund is less than the actual cost of decommissioning operations, the Contractor shall be liable for the remainder.

24.3.3 In the event that the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations after the withdrawal of the Contractor, the Reserve Fund so established together with the related interest shall be put at the Ministry's disposal to cover the later decommissioning. The Contractor shall be released from any further decommissioning liability in respect of such facilities and equipment.

24.4 **Continuing Operations**

The State undertakes not to interfere with the conduct of Petroleum Operations in the Contract Area retained by the Contractor in the event that the State should elect to take over a Discovery or Field pursuant to Article 24.2. If requested by the Ministry, the Contractor shall undertake to continue all operations for a fee and on terms to be agreed between the Ministry and the Contractor.

24.5 **Protection of the Environment**

The Contractor shall duly plug all the Wells and decommission all facilities and equipment in order to avoid contamination and harm to the environment and possible damage to the reservoir, in accordance with the Hydrocarbons Law, the other laws of Equatorial Guinea and generally accepted practice of the international petroleum industry.

**ARTICLE 25
APPLICABLE LAW**

25.1 Applicable Law

This Contract and all Petroleum Operations carried out hereunder shall be governed by and construed in accordance with the laws of Equatorial Guinea.

**ARTICLE 26
RESOLUTION OF CONFLICTS AND ARBITRATION**

26.1 Dispute Resolution and Notification

26.1.1 In the event of any dispute, claim, conflict or controversy (a **Dispute**) between any of the Parties arising out of, or in relation to, this Contract, including any question regarding its breach, existence, validity or termination, the Parties shall take all reasonable measures to resolve such Dispute amicably.

26.1.2 If the relevant Parties have not reached an amicable agreement after three (3) months of the date of the notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration:

- (a) to the International Centre for the Settlement of Investment Disputes (the **Centre**) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the **ICSID Convention**);
- (b) to the Additional Facility of the Centre, if the Centre is not available; or
- (c) in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), if neither the Centre or the Additional Facility are available.

26.2 Seat and Language of Arbitration

The seat of the arbitration shall be agreed by the Parties to the Dispute and, in case of a disagreement, shall be determined by the arbitrators. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Spanish and English.

26.3 Number and Identity of Arbitrators

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (a) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.

- (b) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.
- (c) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (d) If the two (2) arbitrators fail to agree upon the person of the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.

None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

26.4 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or UNCITRAL, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Article 26.

26.5 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, subject to the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the UNCITRAL Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages.

26.6 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which shall be borne proportionally by the Parties to the Dispute on a per capita basis. The costs of the Parties comprising the Contactor shall not be recoverable.

26.7 **Payment of Awards**

Any monetary award issued shall be expressed and payable in Dollars.

**ARTICLE 27
FORCE MAJEURE**

27.1 **Non-fulfillment of Obligations**

Any obligation or condition arising or derived from this Contract which any Party is unable to perform, whether in whole or in part, shall not be considered as a breach or non-fulfillment of its obligations under this Contract if such breach or non-performance is caused by an event of Force Majeure, provided that there is a direct cause-and-effect relationship between the non-performance and the event of Force Majeure. Notwithstanding the foregoing, all payment obligations owed by any Party to another must be made when due.

27.2 **Definition of Force Majeure**

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

- (a) it has the effect of temporarily or permanently preventing a Party from performing its obligations under this Contract;
- (b) it is unforeseeable, unavoidable and beyond the control of the Party which declares Force Majeure; and
- (c) it is not a result of the negligence or willful misconduct of the Party which declares Force Majeure.

Such an event shall include acts of God, earthquake, inclement weather, strike, riot, insurrection, civil unrest, blockade, sabotage and acts of war (whether declared or not). The Parties intend for the term of Force Majeure to be construed in accordance with the principles and practice of the international petroleum industry.

27.3 **Notification of Force Majeure**

If any Party is unable to comply with any obligation or condition provided herein due to Force Majeure, it shall notify the other Parties in writing as soon as possible, and in any event not later than fourteen (14) days after the event in question, giving the reason for its non-compliance and a detailed account of the Force Majeure, as well as the obligation or condition affected. The Party affected by the Force Majeure shall use all reasonable endeavors to remove the cause thereof, keep the other Parties fully informed of the situation and the current evolution of the Force Majeure event and shall promptly notify the other Parties as soon as the Force Majeure event is over and no longer prevents it from complying with its obligations or conditions hereunder.

27.4 Continuation of Obligations

All obligations, other than those affected by the event of Force Majeure, shall continue to be performed in accordance with this Contract.

27.5 Cessation of Force Majeure

Upon the cessation of the event of Force Majeure, the relevant Party shall undertake and complete, as soon as practicable and within a time frame to be mutually agreed by the Parties, all obligations suspended as a result thereof.

27.6 Continuation of Force Majeure

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

**ARTICLE 28
ASSISTANCE AND NOTICES**

28.1 Assistance of Ministry

28.1.1 The Ministry shall facilitate, within its authority and in accordance with the rules and procedures in effect in Equatorial Guinea, the performance of the Contractor's activities by granting it all permits, licenses and access rights that are reasonably necessary for the purposes of Petroleum Operations, and by making available to it all necessary services with respect to Petroleum Operations in Equatorial Guinea.

28.1.2 The Ministry shall also facilitate and assist the Contractor in obtaining all permits, licenses or rights not directly related to Petroleum Operations, but which the Contractor may reasonably require for the purposes of fulfilling its obligations under this Contract.

28.2 Notices and Other Communications

All notices, approvals or other communications authorized or required between the Parties by any of the provisions of this Contract shall be in writing (in Spanish and English), addressed to such Parties and delivered in person by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission. For purposes of this Contract, oral communication does not constitute notice or approval, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice or approval given under any provision of this Contract shall be deemed delivered only when actually received by the Party to whom such notice or approval is directed, and the time for such Party to deliver any communication in response to such originating notice or approval shall run from the date the originating notice or approval is received. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices or approvals be directed to

another Person at another address, by giving written notice thereof to all other Parties.

For the State:

MINISTRY OF MINES, INDUSTRY AND ENERGY

Calle

Malabo, Bioko Norte

Republic of Equatorial Guinea

For the attention of: His Excellency the Minister of Mines, Industry and Energy

Telephone: + (240) 09 3567, 09 3405

Facsimile: + (240) 09 3353

For the Contractor:

[The Company]

For the attention of: *[insert name]*

Telephone: *[insert number]*

Facsimile: *[insert number]*

For the National Company:

The National Company

Calle

P.O. Box 965

Malabo

Guinea Ecuatorial

For the attention of: Director General

Telephone: + (240) 09 6769

Facsimile: + (240) 09 6692

**ARTICLE 29
MISCELLANEOUS**

29.1 Amendments

This Contract may only be amended in writing and by mutual agreement between the Parties; any purported amendments in contravention of this provision shall not be effective.

29.2 No Partnership

This Contract shall not be construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon a Party.

29.3 Hydrocarbons Law

All Petroleum Operations and the Contractor are subject to the provisions of the Hydrocarbons Law and the Petroleum Regulations in effect from time to time.

29.4 **Entire Agreement**

With respect to the subject matter contained herein, this Contract (i) is the entire agreement of the Parties and (ii) supersedes all prior understandings and negotiations of the Parties.

29.5 **No Waiver**

In the event of a waiver by any Party of one or more defaults by another Party in the performance of the provisions of this Contract, such waiver shall not operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Contract no Party shall be deemed to have waived, released or modified any of its rights under this Contract unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

29.6 **No Conflict**

29.6.1 Each of the Parties constituting the Contractor undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in connection with activities contemplated under this Contract.

29.6.2 In the event of any conflict between the main body of this Contract and its Annexes, the main body shall prevail. In the event of any conflict between this Contract and the Hydrocarbons Law, the Hydrocarbons Law shall prevail.

**ARTICLE 30
INTERPRETATION**

- 30.1 The table of contents and headings used in this Contract are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Contract relating to any topic are to be found in any particular Article.
- 30.2 Reference to the singular includes a reference to the plural and vice versa.
- 30.3 Reference to any gender includes a reference to all other genders.
- 30.4 Unless otherwise provided, reference to an Article or an Annex means an Article or Annex of this Contract.
- 30.5 The words include and including shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.
- 30.6 Any reference to a Person shall be construed as including a reference to its successors, permitted transferees and permitted assignees.
- 30.7 Any reference to a statute or enactment shall be construed as a reference to such statute or enactment as it may have been or may be amended or re-enacted from time to time, or any subordinate legislation made or legal norm created, or may from time to time be done, under such statute or enactment.
- 30.8 Reference to this Contract or part thereof or any other document shall be construed as a reference to the same as it may be amended, supplemented, novated or replaced from time to time.

ARTICLE 31
EFFECTIVE DATE

This Contract shall become effective upon the date the Contractor receives notification in writing of its ratification by the President of Equatorial Guinea.

IN WITNESS WHEREOF, the Parties have executed this Contract in [*insert number*] (*insert number*) originals in the Spanish language and [*insert number*] (*insert number*) originals in the English language. In the event of any conflict, the Spanish version shall prevail.

**THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES, INDUSTRY AND ENERGY**

Signature: _____

Name: H.E Señor Don _____

Title: Minister of Mines, Industry and Energy

THE NATIONAL COMPANY

Signature: _____

Name: Don _____

Title: Director General

**THE CONTRACTOR
[THE COMPANY]**

Signature: _____

Name: _____

Title: _____

**ANNEX A
CONTRACT AREA**

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

Upon the Effective Date, the initial Contract Area covers an area deemed equal to *[insert number] [insert number]* square kilometres (km²) or *[insert number] [insert number]* hectares for the purposes of Article 11.4.

The Contract Area is described on the map in Annex B. The points indicated on such map are defined below, by reference to the Greenwich meridian and their geographic coordinates:

Point	Longitude	Latitude

ANNEX B
MAP OF THE CONTRACT AREA

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

This map is included for illustrative purposes only and in the event of any discrepancies or conflict, the Contract Area shall be defined by the geographical co-ordinates specified in Annex A.

ANNEX C
ACCOUNTING PROCEDURE

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

ARTICLE 1 GENERAL PROVISIONS

1.1 PURPOSE

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

- (a) classifying and defining Petroleum Operations Costs; and
- (b) prescribing the manner of preparing and submitting the financial statements of the Contractor in accordance with accounting principles in effect in Equatorial Guinea.

1.2 INTERPRETATION

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

1.3 ACCOUNTING RECORDS AND REPORTS

1.3.1 In accordance with the provisions of Article 16.1 of the Contract, the Contractor shall maintain in its office in Equatorial Guinea original, complete, true and correct accounts, books and records of the Production and disposition of Hydrocarbons, and all costs and expenses under the Contract, as well as all other records and data necessary or proper for the settlement of accounts in accordance with the laws of Equatorial Guinea, generally accepted accounting procedures and generally accepted practice in the international petroleum industry and pursuant to the chart of accounts agreed pursuant to Article 1.3.2 below.

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

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

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

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

- (a) monthly statement of Production;
- (b) quarterly statement of value of Production and pricing;
- (c) statement of Petroleum Operations Costs;
- (d) annual statement of Petroleum Operations Cost not yet recovered;
- (e) statement of Production sharing;
- (f) annual end-of-year statement;
- (g) Annual Budget tracking statement; and
- (h) statement of tangible goods subject to depreciation.

1.3.4 All reports and statements shall be prepared in accordance with the Contract, the laws of Equatorial Guinea and any regulations thereunder and in accordance with generally accepted practice of the international petroleum industry.

1.4 **LANGUAGE AND UNIT OF ACCOUNT**

Unless otherwise agreed all accounts, records, books and reports shall be prepared and maintained in Spanish and English and shall be denominated in Dollars. Additionally, Contractor may maintain accounts and records in other languages and currencies for information purposes only.

1.5 **VERIFICATION AND AUDIT RIGHTS OF THE STATE**

1.5.1 When the Ministry exercises its right of audit under Article 16.3 of the Contract, it shall provide notice to the Contractor, at least sixty (60) days in advance regarding such audit, which shall take place during normal business hours. The Contractor shall make available to the Ministry all accounts, books, records, invoices, cash vouchers, debit notes, price lists or any other documentation relating to Petroleum Operations. Furthermore, the auditors shall have the right, in connection with such audit, to visit and inspect at reasonable times any of the Contractor's sites, plants, facilities, warehouses and offices which affect Petroleum Operations directly or indirectly and to question personnel associated with those Operations.

The Contractor shall endeavor to provide records and accounts from any of its Affiliates or other Persons necessary to support charges from them. If an Affiliate or any other Person considers such information confidential or proprietary, the Ministry may select an internationally recognized independent firm of public accountants to carry out an audit, subject to the approval of the Affiliate or other Person, such approval not to be unreasonably withheld or delayed.

If the Ministry does not conduct an audit within the time stipulated in accordance with Article 16.3 of the Contract, the Contractor's accounts, books and records shall be deemed correct and final.

- 1.5.2 Any audit exceptions shall be made in writing and notified to the Contractor within ninety (90) days of completion of the corresponding audit. Failure to give such exception by the Ministry shall be deemed to be an acknowledgement of the accuracy of the Contractor's books and accounts.
- 1.5.3 If the Contractor fails to respond to any notice of exception under Article 1.5.2 within ninety (90) days of receipt of such notice, the results of the audit will be considered valid and accepted by the Contractor. After the said period of time the Ministry's exception shall prevail.
- 1.5.4 Any adjustments resulting from an audit shall be promptly applied to the Contractor's accounts; any adjustments to payments due shall also be effected promptly.
- 1.5.5 If the Contractor and the Ministry are unable to reach final agreement on the proposed audit adjustments they shall resolve the dispute in accordance with the provisions of Article 16.3.3 of the Contract.

When audit related issues are still outstanding, the Contractor shall preserve any relevant documents and allow the Ministry access to them until the issue is finally resolved.

1.6 **CURRENCY EXCHANGE RATES**

The exchange rate shall be determined monthly, based on the arithmetic average of the closing buy and sell rates for the Dollar against the CFA (Communaute Financiere Africaine or Africa Financial Community) currency unit for the month, as published by the Bank of Central African States (BEAC).

The exchange rate of the preceding calendar month shall be used for exchange transactions and for the purpose of determining the counter value of Dollars in the Equatoguinean currency unit for the next month.

1.7 **ACCOUNTING BASIS**

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

1.8 **REVIEW OF ACCOUNTING PROCEDURE**

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

ARTICLE 2
GENERAL CLASSIFICATION OF PETROLEUM COSTS

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

2.1 EXPLORATION COSTS

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

- (a) aerial, geophysical, geochemical, palaeontological, geological, topographical and seismic surveys and studies and their interpretation;
- (b) core hole drilling;
- (c) any labor, materials, supplies, and services used in drilling Exploration Wells and Appraisal Wells;
- (d) any facilities used solely in support of the purposes described in paragraphs (a), (b) and (c) above, including access roads and acquired geological and geophysical data, all separately identified;
- (e) any other cost incurred in the Exploration and Appraisal of Hydrocarbons after the Effective Date but prior to the date of approval of a Development and Production Plan with respect to the relevant Field and not covered under Articles 2.2, 2.3 and 2.4 below; and
- (f) the costs incurred prior to the Effective Date which both Parties have agreed to, including the cost of the SBL, 2D, 3D speculative data and other costs of complying with Article 3.1.1 of the Contract.

2.2 DEVELOPMENT AND PRODUCTION COSTS

Development and Production Costs are all approved direct, general and administrative costs incurred during Development and Production activities, including, but not limited to, the following:

- (a) drilling Wells defined as Development Wells for purposes of producing from a Commercial Field, whether such Wells turn out to be dry or productive by nature, and drilling Wells for the injection of water or gas to enhance Hydrocarbon recovery;
- (b) completing Wells by way of installation of casing or equipment or otherwise after a Well has been drilled for the purpose of bringing the Well into use as a Development Well or a Well for the injection of water or gas to enhance Hydrocarbon recovery;
- (c) transportation and installation of tank storage facilities, pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, export terminals and piers, harbors and related facilities, and access roads for development activities; and
- (d) engineering and design studies for facilities referred to under paragraph (c) above.

2.3 OPERATING OR PRODUCTION COSTS

Any and all general, administrative and service costs, and any other Petroleum Operations Costs incurred from the approval date of any relevant Development and Production Plan, and from the commencement of funding of the Reserve Fund.

2.4 COMMERCIALIZATION COSTS

Any and all costs incurred for exporting Hydrocarbons to the Delivery Point.

2.5 ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

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

- (a) Prior to commercial Production:

Up to <i>[insert amount]</i> Dollars	$\$[insert amount]$ $\bullet\%$
Next <i>[insert amount]</i> Dollars	$\$[insert amount]$ $\bullet\%$
Next <i>[insert amount]</i> Dollars	$\$[insert amount]$ $\bullet\%$
Balance	$\bullet\%$

(b)	After commercial Production:		
	Up to <i>[insert amount]</i> Dollars	$\$[insert$	<i>amount]</i>
		•%	
	Next <i>[insert amount]</i> Dollars	$\$[insert$	<i>amount]</i>
		•%	
	Next <i>[insert amount]</i> Dollars	$\$[insert$	<i>amount]</i>
		•%	
	Balance		
		•%	

2.6 Except as provided otherwise in the Contract to the contrary, approved Petroleum Operation Costs described in Articles 2.1 to 2.5 of this Accounting Procedure, will be recoverable by the Contractor in accordance with Article 7.2 of the Contract.

2.7 **INTEREST RECOVERY**

Subject to and in accordance with the Hydrocarbons Law, any interest on loans obtained by the Contractor from Affiliated Companies shall not be recoverable as a Petroleum Operations Cost, nor shall it be deductible for tax purposes when estimating any Income Tax liabilities of the Contractor. Any interest on loans obtained by the Contractor from Persons other than Affiliated Companies for investments in Petroleum Operations shall not be recoverable as a Petroleum Operations Cost but shall be deductible for tax purposes, when estimating any Income Tax liabilities of the Contractor provided that the rate of interest and the terms of repayment have been approved by the Ministry in advance.

2.8 **NON RECOVERABLE COSTS**

Costs that are not recoverable as Petroleum Operations Costs shall include the following:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) interests on loans as provided by Article 2.7 of this Accounting Procedure;
- (f) any unapproved over-expenditures that exceed the limits of Article 4.4 of this Contract;
- (g) any payments made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) any donation to the State or other similar expenses unless otherwise agreed;
- (j) the State's audit and inspection expenses incurred as a result of the absence of original documents in the Contractor's offices in Equatorial Guinea;
- (k) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (l) costs related to the assignment from the Contractor to any of its Affiliates or other Persons.

2.9 **INSURANCE AND CLAIMS**

Petroleum Operations Costs shall include premiums paid for insurance required [and approved] in accordance with the Contract. All expenses incurred and paid by the Contractor in respect of any insurance claim, less any costs recovered by the Contractor by means of insurance claims, shall be included and recoverable as Petroleum Operations Costs, provided these expenses are not incurred as a consequence of their being not recoverable under a policy of insurance of the Contractor, in which case they shall not be recoverable.

2.10 **INVENTORY ACCOUNTING**

Any costs of articles bought for inventory will be recoverable as from the Calendar Year in which such materials and equipment have been used in the Petroleum Operations in the Contract Area.

ARTICLE 3
OTHER CLASSIFICATION OF COSTS AND EXPENDITURES

(Accounting Methods For Estimating Any Income Tax Liability)

During any Calendar Year in which commercial Production occurs, the Petroleum Operations Costs shall include the following:

3.1 CAPITAL COSTS

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

3.1.1 TANGIBLE CAPITAL COSTS

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

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

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

3.1.2 INTANGIBLE CAPITAL COSTS

Intangible capital costs shall be such ongoing costs incurred for the purchase of moveable assets and services directly related to the Petroleum Operations and they shall not be depreciated. Such costs/expenses shall include the following:

- (a) costs of aerial magnetic, aerial gravimetric, topographic, geological, geophysical and geochemical surveys, interpreting and reinterpreting technical data costs, Exploration labor and similar costs;
- (b) costs of drilling Exploration Wells and Appraisal Wells: all costs of services rendered for drilling Exploration and Appraisal Wells, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodation, technical services for mud control, Well geology, directional Well drilling, divers, mud control, well geology testing, cementing and similar costs;
- (c) costs of drilling Development Wells, such as rig and platform mobilization and demobilization, rig and platform drilling contracts and leases, platform and infrastructure installations labor, fuel, water, conductors, drill bits, drill pipe, equipment rental, production testing equipment, Christmas tree for production testing, mud and its components, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.), transportation, storage facilities, accommodation, technical services for mud control, Well placement geology, directional drilling Wells, divers, production and appraisal tests, completion and supervision;
- (d) costs of acquisition or purchase of goods and services such as transportation costs, operation costs, equipment checks, costs of on-site installation, maintenance costs and fuel costs;
- (e) general services (electric logs, vertical seismic profile (VSP), mud control, core sampling, Well geology tests, cementing, production tests, supervision and similar costs), delineation services, any heavy engineering machinery leasing, and other expenses incurred abroad;
- (f) materials, reconstruction of access and other roads, and other intangible goods for construction, public services and construction support; and
- (g) other Exploration Costs, support or temporary facilities with a useful life of less than one (1) Year.

3.2 DEPRECIATION OF TANGIBLE CAPITAL COSTS

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

3.3 NON-CAPITAL COSTS

Non-capital costs shall be classified as follows:

3.3.1 **CONTRACTOR'S DEDUCTIBLE COSTS**

For Income Tax purposes, the Contractor's deductible costs shall include the following:

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

3.3.2 **CONTRACTOR'S NON-DEDUCTIBLE COSTS**

For Income Tax purposes, the following costs of the Contractor shall be non-deductible:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) any unapproved over-expenditures that exceed the limits of Article 4.4 of the Contract;
- (f) interest on loans as provided in Article 2.7 of this Accounting Procedure;
- (g) any payment made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) sums that exceed the set limits with regard to the depreciation of tangible assets;
- (j) any donation to the State and other similar expenses unless otherwise agreed;
- (k) the State's audit and inspection expenses incurred by the absence of original documents in the office of the Contractor in Equatorial Guinea;
- (l) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (m) costs relating to the assignment from the Contractor to any of its Affiliates or other Persons.

ARTICLE 4
BASES OF INCOME TAX CALCULATION

4.1 PRACTICAL DETERMINATION OF THE TAXABLE BASE

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

Taxable base = [(1)] – {[(2)+(3)+(4)]+[(5)+(6)+(7)+(8)]}.

- (1) Annual gross revenues
- (2) Royalties
- (3) State's share of net Hydrocarbons
- (4) State's right to a share of Production based on its carried or paid interest in the Contract
- (5) Deductible intangible capital costs
- (6) Depreciation of tangible capital costs
- (7) Deductible non-capital costs
- (8) Losses authorized and certified by the Ministry, corresponding to previous Calendar Years

4.2 PRINCIPLE OF TAX TREATMENT OF A FINANCIAL YEAR DEFICIT

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

ARTICLE 5
RECORDS AND VALUATION OF ASSETS

5.1 RECORDS

The Contractor shall keep correct, accurate and detailed records of all property used for Petroleum Operations under the Contract in accordance with generally accepted practice of the international petroleum industry.

5.2 INVENTORIES DURING INITIAL EXPLORATION OPERATIONS

Prior to the date of approval of the first Annual Work Program and Annual Budget submitted pursuant to Article 4 of the Contract, the Contractor shall prepare an initial annual schedule (to be included as part of the material statement required under Article 6 of this Accounting Procedure) of all property to be used for Petroleum Operations and its value as shown in the Contractor's books.

5.3 INVENTORIES IN SUBSEQUENT OPERATIONS

Subsequent to the date of approval of the Annual Work Program and Annual Budget pursuant to Article 4 of the Contract, inventories of property used in Petroleum Operations under the Contract shall be taken at regular intervals but at least once per Calendar Year.

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

ARTICLE 6
STATEMENTS AND REPORTS

6.1 FINANCIAL STATEMENTS AND TAX REPORTS TO BE SUBMITTED BY CONTRACTOR

The Contractor shall present detailed accounts showing all Petroleum Operations Costs incurred by the Contractor over the last Calendar Year. Such accounts must be submitted to the Ministry within ninety (90) days from the end of such Calendar Year and shall be certified by an independent auditor accepted by the Parties. Such period may be extended by an additional thirty (30) days at the Contractor's request and with the approval of the Ministry; such consent shall not be unreasonably delayed or withheld.

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

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

6.2 PRODUCTION STATEMENT

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

- (a) the quantity of Crude Oil produced and saved;
- (b) the quality characteristics of such Crude Oil produced and saved;
- (c) the quantity of Natural Gas produced and saved;
- (d) the quality characteristics of such Natural Gas produced and saved;
- (e) the quantities of Crude Oil and Natural Gas used for the purposes of carrying out drilling and Production operations;
- (f) the quantities of Crude Oil and Natural Gas unavoidably lost;
- (g) the quantities of Natural Gas flared and vented;
- (h) the size of Hydrocarbon stocks held at the beginning of the calendar month in question;
- (i) the size of any Hydrocarbon stocks held at the end of the calendar month in question;
- (j) the quantities of Natural Gas re-injected into the Hydrocarbon reservoir; and
- (k) the quantities of Hydrocarbons delivered and sold.

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

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

6.3 **VALUE OF PRODUCTION AND PRICING STATEMENT**

For the purposes of Article 10 of the Contract, the Contractor shall prepare a Quarterly statement providing details of the value of Hydrocarbons produced, saved and sold during each Quarter.

The value of Production statement shall include the following information:

- (a) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons to third parties during the Quarter in question;
- (b) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons, other than sales to third parties, during the Quarter in question;
- (c) the value of any stocks of Hydrocarbons at the end of the Quarter preceding the Quarter in question;
- (d) the value of any stocks of Hydrocarbons at the end of the Quarter in question; and
- (e) the information available to the Contractor concerning the prices of competitive Crude Oils, insofar as required for the purposes of Article 10 of the Contract.

6.4 PETROLEUM OPERATIONS COSTS STATEMENT

6.4.1 Quarterly Statement

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

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

Any Exploration Costs shall be shown separately.

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

6.4.2 Annual Statement

The Contractor shall prepare an annual Petroleum Operations Costs Statement containing the following information for the purposes of Articles 9 and 16 of the Contract:

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

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

6.5 PRODUCTION SHARING STATEMENT

Within sixty (60) days following the end of each Calendar Year, the Contractor shall submit to the Ministry with respect to such Calendar Year a Production sharing statement containing the following information for the purposes of Article 7 of the Contract:

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

6.6 ANNUAL END-OF-YEAR STATEMENT

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

- (a) accounting conciliation of the expenses against the approved Annual Budget;
- (b) accounting conciliation of the expenses with the recoverable costs; and
- (c) accounting conciliation of the expenses with the deductible costs.

6.7 ANNUAL BUDGET STATEMENT

The Contractor shall submit to the Ministry an Annual Budget Statement pursuant to the provisions of Article 4 of the Contract. Such statement shall distinguish between budgeted Exploration Costs and Development and Production Costs by Quarter and shall correspond to the individual items of Petroleum Operations included in the Annual Work Program.

**ANNEX D
PARENT COMPANY GUARANTEE**

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

THIS GUARANTEE is made on this [*insert day*] of [*insert month and year*]

BETWEEN:

- (1) **[THE GUARANTOR]**, a company organized and existing under the laws of [*insert jurisdiction*], and having its registered office at [*insert address*] (the Guarantor); and
- (2) **THE REPUBLIC OF EQUATORIAL GUINEA** (the **State**), represented for the purposes of this Guarantee by the Ministry of Mines, Industry and Energy (the **Ministry**).

WHEREAS, the Guarantor is the parent entity of [*insert name of Company*] organized and existing under the laws of [*insert jurisdiction*], and having its registered office at [*insert address*] (the Company);

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the Company has a Participation Interest under the Contract;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands and assumes the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. Definitions and Interpretation

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified to herein. Article 30 of the Contract is incorporated herein, *mutatis mutandis*, by this reference.

2. Scope of this Guarantee

The Guarantor hereby guarantees to the State the timely payment and performance of any and all indebtedness and obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of the Company to the State;

- (b) *[insert amount]* Dollars (\$*[insert amount]*) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) *[insert amount]* Dollars (\$*[insert amount]*) during the Development and Production period.

3. **Waiver of Notice, Agreement to All Modifications**

The Guarantor hereby waives notice of the acceptance of this Guarantee and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. **Absolute and Unconditional Guarantee**

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. **No Discharge of Guarantor**

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. **No Prior Action Required**

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. **Cumulative Rights**

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. **Continuing Guarantee**

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder.

9. **Notice of Demand**

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, the State or its duly authorized attorney may give written notice to the Guarantor at its principle office in *[insert jurisdiction]* of the amount due, and the Guarantor, within a period

of ten (10) Business Days, will make, or cause to be made, payment of such amount as notified, in Dollars, at such bank or other place in [*insert jurisdiction*] as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Parent Company or the Company may then have or thereafter might have.

10. **Assignment**

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. **Subrogation**

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. **Payment of Expenses**

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. **Governing Law and Arbitration**

This Guarantee shall be governed by and interpreted in accordance with the laws of Equatorial Guinea.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Spanish and English languages and the decision shall be final and binding on the parties.

14. **Severability of Provisions**

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. **Confidentiality**

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this *[insert day]* day of *[insert month and year]*.

[GUARANTOR]

By: _____

Title: _____

THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES, INDUSTRY AND ENERGY

By: _____

Title: _____