

STRATEGIC ALLIANCE AGREEMENT

BETWEEN

**NIGERIAN PETROLEUM DEVELOPMENT
COMPANY LIMITED**

AND

SEPTA ENERGY NIGERIA LIMITED

**FOR
THE DEVELOPMENT AND PRODUCTION OF
OMLS 4, 38 AND 41.**

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NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED
and
SEPTA ENERGY NIGERIA LIMITED
for
THE DEVELOPMENT AND PRODUCTION OF OMLs 4, 38 AND 41

THIS AGREEMENT is made this day of 2010

BETWEEN NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria whose registered office is at 62, Sapele Road, Benin City (hereinafter referred to as "**NPDC**" which expression shall where the context so admits, include its successors and assigns) of the one part;

AND

SEPTA ENERGY NIGERIA LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria whose registered office is at Plot 90, Ajose Adeogun Street, Victoria Island, Lagos (hereinafter referred to as "**SEPTA**" which expression shall, where the context so admits, include its successors and assigns) of the other part.

WHEREAS the Federal Government of Nigeria (Government) has granted consent vide a Deed of Assignment dated 16th September 2010 for the Nigeria National Petroleum Corporation (NNPC) to assign its fifty five per cent (55%) equity interest in the Contract Area to NPDC;

WHEREAS SEPTA has offered to carry NPDC's equity interest share of Petroleum Operation Costs and provide technical expertise as and when required in relation to Petroleum Operations in the Contract Area;

WHEREAS Government in consideration of the huge capital outlay and other resources required for Petroleum Operations in the aforementioned assets has approved that NPDC enter into a strategic alliance with SEPTA for the provision of funding and technical expertise;

WHEREAS NPDC and SEPTA warrant that they have the right, power and authority to enter into this Agreement;

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WHEREAS SEPTA represents that it has technical competence, professional skills and funds (both local and foreign) necessary to support NPDC in Petroleum Operations for the Contract Area and has agreed to provide the funds for carrying out Petroleum Operations and further agreed to support NPDC with technical expertise.

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

ARTICLE 1

1.0 **DEFINITIONS**

1.1 In this Agreement, including the recitals and the Annexes attached hereto unless the context otherwise requires, words and expressions used shall bear the meanings stated herein:

"Accounting Procedure" means, the rules and procedures set forth in Annex "C" attached hereto and forming part of this Agreement;

"Affiliate or Affiliated Company" means, a company or other entity that controls or is controlled by a Party, or a company or other entity which controls or is controlled by a company or other entity which controls a Party; and for the purpose of this definition, "control" means, ownership by one company or entity of at least fifty-one per cent (51%) of:

- (a) the voting stock, if the other company is a company issuing stock; or
- (b) the controlling rights or interest if the other entity is not a company.

"Available Crude Oil" means, the Crude Oil won, saved and allocated to NPDC from the Contract Area.

"Available Natural Gas" means, the non associated natural gas won, saved and allocated to NPDC from the Contract Area.

"Barrel" means, a quantity or unit of Crude Oil, equal to forty-two (42) United States gallons at the temperature of sixty degrees (60°) Fahrenheit at normal atmospheric pressure.

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"Barrels of Oil Equivalent" or "BOE" means, the amount of energy equivalent contained in a barrel of crude oil (5.8 X 10 BTU).

"BCF" means, billion cubic feet of Natural Gas.

"Budget" means, the cost estimate of Items included in Work Programme.

"CAPEX" means, the costs referred to in Article II, paragraph 2 of Annex "C" of this Agreement.

"Agreement" means, this Strategic Alliance Agreement including the Annexes attached hereto.

"Contract Area" means, the area covered by Oil Mining Leases (OMLs) 4, 38 and 41 and any subdivisions arising therefrom in compliance with the relinquishment provisions of Paragraph 12 of the first schedule to the Petroleum Act, The Coordinates of the Contract Area is as described in Annex "A" hereto.

"Term of Agreement" means, the period referred to in Article 3.

"Companies Income Tax" or "CIT" means, the tax obligations arising from the utilization of natural gas as defined in the Companies Income Tax Act Cap C20 LFN 2004, as amended (CITA)

"Contract Year" means, a period of twelve (12) consecutive calendar months from the Effective Date of this Agreement or from the anniversary of the Effective Date.

"Cost Oil" means, the quantum of Available Crude Oil allocated to the Parties to enable the Parties to generate the proceeds to recover their respective costs incurred in carrying out Petroleum Operations under this Agreement.

"Cost Gas" means, the quantum of non associated gas allocated to the Parties to enable the Parties to generate the proceeds to recover their respective costs incurred in carrying out Petroleum Operations with respect to non associated gas under this Agreement.

"Crude Oil" means, mineral oil in its natural state before it has been refined or treated (excluding basic sediments and water or other foreign substances).

"Crude Oil Proceeds" means, the amount in U.S. Dollars determined by multiplying the Official Selling Price by the number of Barrels of Available Crude Oil lifted by either Party.

"Development" means, Petroleum Operations undertaken in the Contract Area for the purpose of putting the Contract Area into production pursuant to any development programme approved in accordance with Article 9 hereof.

"Development Costs" means, the cost of developmental activities which includes but is not limited to drilling, completing, capping, plugging and abandoning, appraisal, development, water injection or gas injection wells, the construction and installation of facilities and equipment required for the production, storage, transportation and delivery and evacuation of Crude Oil and Natural Gas as well as the installation of secondary recovery facilities. Development Costs shall also include cost incurred during Incremental Production activities.

"Effective Date" means, the date of the execution of this Agreement by the Parties hereto being the day and year first above written.

"Financial Year" means, a period of twelve (12) calendar months from the 1st January to the 31st December.

"Fixed Assets" means, immovable property and includes movable property, which has been affixed, installed, constructed or attached to immovable property as part of the facilities utilised for carrying out Petroleum Operations.

"Foreign Exchange" means, currency other than that of Nigeria that is acceptable to both NPDC and SEPTA.

"Gross Negligence" means, any act or failure to act by the Operator or SEPTA which was intended to cause or which was in reckless disregard or wanton indifference to the harmful consequence that the Operator or SEPTA knew or should have known such act or failure would have on (a) safety of life or property or (b) Petroleum Operations or (c) books and accounts particularly oil industry accounting standards and procedures.

"Incremental Production" means, monthly production of Crude Oil or Natural Gas over and above Proven, Developed and Producing reserves attributable to capital contributions by SEPTA.

"LIBOR" means, the seven-day term London Inter-Bank Offer Rate for U.S. Dollars for similar amounts to the sums in question, quoted by Barclays Bank in London at 11:00 a.m. on the first business day of the relevant period.

"Management Committee" means, the committee established by NPDC and SEPTA to carry out the functions set out in Article 7 of this Agreement.

"Market Price" means, official selling price in a given month of the Crude Oil and non associated Natural Gas produced from the Contract Area in US Dollars per Barrel, shall be related to Dated Brent + Differential (NNPC) in accordance with the NNPC's monthly published price for the different grades of Crude Oil.

"MCF" means, million cubic feet of Natural Gas.

"Dated Brent" means, the average of Platt's mid-range quotations of Dated Brent crude as published by Platts Crude Oil marketwire.

"Differential" means, the monthly premium as published by NNPC.

The applicable pricing shall be on either Prompt, Advanced or Deferred basis.

"Prompt" basis shall be five (5) consecutive published quotations after the bill of lading date with the bill of lading date as day zero.

"Advanced" valuation shall be five (5) consecutive published quotations with the fifth day before the bill of lading day i.e the bill of lading day is day six.

"Deferred" pricing option shall be five (5) consecutive published quotations with the 14th day after the bill of lading date as day one i.e. the bill of lading date is day zero.

However, each Party's preferred option must be indicated at close of work (4.00 pm) of the sixth (6th) working day before the first day of the laycan. In case either Party's preferred option is not advised to the PMT by close of work of the 6th working day prior to the first day of the laycan, the Prompt option will apply in the valuation of that Party's lifting.

For Natural Gas it shall be US Dollars /MCF according to the gas pricing regulations.

"Natural Gas" means, all gaseous hydrocarbons produced in association with Crude Oil or from reservoirs which produce gaseous hydrocarbons.

"Natural Gas Proceeds" means, the amount in U.S. Dollars determined by multiplying the Official Selling Price by the number of Barrels of Available Crude Oil lifted by either Party

"Operator" means, any operator appointed to carry out Petroleum Operations in the Contract Area.

"Operating Committee" means, the operating committee established under the joint operating agreement governing the operations of the Contract Area.

"Party" means, NPDC or SEPTA.

"Parties" means, both NPDC and SEPTA.

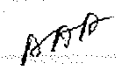
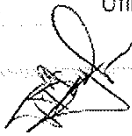
"Petroleum Operations" means, all Crude Oil and Natural Gas Development and Production Operations, processing, transportation and Crude Oil terminal activities for or with respect to the Contract Area.

"Petroleum Operations Costs" means, expenditures made and obligation incurred in carrying out Petroleum Operations as determined in accordance with this Agreement and the Accounting Procedure.

"Petroleum Profit Tax" or **"PPT"** means, the tax obligations arising from the Petroleum Operations as defined in the Petroleum Profit Tax Act Cap P13 LFN 2004, as amended (PPT Act).

"Production Costs" means, all costs incurred in carrying out Production Operations.

"Production Operations" means, all operations carried out subsequent to Development in order to produce, treat, store, convey and deliver Crude Oil and Natural Gas from wells, platforms and facilities to a refinery, terminal or other utilisation or marketing point.



"Profit Oil" means, the balance of Available Crude Oil after the allocation of Royalty Oil, Cost Oil and Tax Oil.

"Profit Gas" means, the balance of Available Natural Gas after the allocation of Royalty Gas, Cost Gas and Tax Gas.

"Proven, Developed and Producing" or **"PDP"** or **"P1 Developed"** means, the monthly production forecast attached to this Agreement attributable to the Proved, Developed and Producing reserves from the Contract Area not less than 26 Million BOE or greater than 40 Million BOE in the aggregate.

"Project Management Team" or **"PMT"** means, a team made up of personnel from NPDC and SEPTA appointed by the Management Committee and controlled by SEPTA for a minimum period of 3 years and no longer than 5 years from the Effective Date.

"Quarter" means, the time interval from: January 1st to March 31st inclusive, April 1st to June 30th inclusive, 1st July to 30th September inclusive, October 1st to December 31st inclusive.

"Royalty" means, the amount payable pursuant to the Petroleum Act and Petroleum (Drilling and Production) Regulations Cap P10 LFN 2004, as amended.

"Royalty Oil" means, the quantum of Available Crude Oil allocated to NPDC which will generate an amount of proceeds equal to the actual payment of Royalty.

"Royalty Gas" means, the quantum of Available Natural Gas allocated to NPDC which will generate an amount of proceeds equal to the actual payment of Royalty.

"Tax Oil" means, the quantum of Available Crude Oil allocated to NPDC which will generate an amount of proceeds equal to the actual payment of PPT.

"Tax Gas" means, the quantum of Available Natural Gas allocated to NPDC which will generate an amount of proceeds equal to the actual payment of CIT.

"U.S. Dollars" means the currency of the United States of America.

"**Willful Misconduct**" means, in relation to the Operator or SEPTA, an intentional, conscious, reckless and wanton disregard of:

- (a) any material provision of this Agreement; or
- (b) any substantial part of the Work Programme as contained in Article 9.

But shall not include an intentional and conscious disregard of either (a) or (b) above, if the same relates to safeguarding of life, property or Petroleum Operations.

"**Work Programme**" means, for the applicable period a statement itemizing the Petroleum Operations to be carried out in the Contract Area.

"**Working Capital**" means, the funds required to conduct Production Operations.

"**2P Reserves**" means, 335 Million BOE

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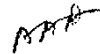
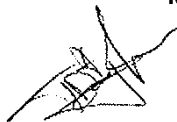


ARTICLE 2

ENTRY FEE

- 2.1 NPDC acknowledges SEPTA's obligation to pay Fifty Four (54) Million U.S. Dollars to NPDC as an entry fee for participation in the development of 2P Reserves.
- 2.2 The entry fee shall be paid into an account of and in the name of NPDC no later than Seventy (70) days after the execution of this Agreement.
- 2.3 No later than 70 days prior to the commencement of the Work Programme for the capture of contingent resources up to 100 Million Barrels Crude Oil and 357 BCF of Natural Gas, SEPTA shall pay to NPDC a further sum of Twenty Six Million, Six Hundred Thousand (26.6) Million U.S. Dollars.
- 2.4 The entry fee shall not be recoverable as Cost Oil or Cost Gas.
- 2.5 This Agreement shall commence upon the payment of the entry fee by SEPTA.

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ARTICLE 3

DURATION OF THE AGREEMENT

- 3.1 This Agreement shall remain in full force and effect till the cumulative production from the Contract Area has reached 165 Million Barrels of Crude Oil and 900 BCF of Natural Gas making up a total of 335 Million BOE Barrels of Oil Equivalent, thereafter, this Agreement shall terminate. Upon payment of the entry fee referred to in Article 2.3, the Agreement shall be renewed on the same terms and conditions with respect to the capture of the contingent resources of 100 Million Barrels Crude Oil and 357 BCF of Natural Gas .
- 3.2 If new producible reserves are added to the volumes referred to in Article 3.1, the duration of this Agreement shall, subject to new terms and conditions agreed upon by the Parties, be extended till the full recovery of such new reserves.
- 3.3 Subject to mutual agreement of the Parties this Agreement may be terminated whenever it appears evident that the cumulative production referred to in Article 3.1 hereinabove cannot be economically attained.

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ARTICLE 4

RIGHTS AND OBLIGATIONS OF THE PARTIES

4.1 In accordance with this Agreement SEPTA shall:


- (a) subject to Article 8.1 and in accordance with the approved Work Programme and Budget, SEPTA shall provide all the funds required for NPDC's 55% share of Petroleum Operation Costs in respect of the Contract Area;
- (b) deliver to NPDC, within seventy (70) days from the Effective Date, a parent company guarantee from Seven Energy International Limited in the form set out in Annex G covering the total amount of the minimum disbursement required to meet NPDC's fifty five per cent (55%) share of Petroleum Operation Costs for the full Development of the Contract Area and additional funds which SEPTA may be obliged to provide in accordance with Article 8.2;
- (c) SEPTA shall carry out an agreed annual training programme in accordance with Article 14 hereof;
- (d) in addition to the foregoing, SEPTA shall also provide training facilities for NPDC/NNPC staff with an annual sum of Three Hundred and Fifty Thousand US Dollars (\$350,000) for a period of five (5) years from the Effective Date, which amount shall be paid in January of each year into an account of and in the name of NPDC;
- (e) be subject to all Nigerian laws, orders and regulations applicable to Petroleum Operations;
- (f) respect all the rights concerning industrial property and indemnify and hold NPDC harmless from and against all claims, loss, damage or action arising out of or resulting from, violation of such rights. Any such costs to SEPTA relating to the above shall be reimbursable unless such costs result from the Gross Negligence or Willful Misconduct on the part of SEPTA;
- (g) not to transfer or assign any rights acquired and obligations undertaken by SEPTA under this Agreement without prior written consent of NPDC, which consent shall not be unreasonably withheld;



- (h) indemnify and hold harmless NPDC its servants, agents and representatives from and against all losses, fees (including legal fees and expenses) of whatsoever kind and nature which NPDC may suffer or be compelled to pay to employees, representatives or agents of SEPTA's sub-contractors as a consequence of any final decision given by a Nigerian court except where actions or failure to act on the part of NPDC or its employees, agents or representatives contributed to the losses, in which case such costs as are attributable to the action or failure on the part of NPDC shall be recoverable by SEPTA;
- (i) have the right to lift, in accordance with Annex 'E' and freely export and retain abroad the receipts from the sale of its share of Available Crude Oil and Available Natural Gas allocated to it hereunder subject to Article 10;

4.2 In accordance with this Agreement, NPDC shall:

- (a) have full access, at all reasonable times during usual business hours to all books, records, inventories and accounts of any kind or nature maintained by PMT in relation to Petroleum Operations;
- (b) furnish PMT with all geophysical, geological, drilling, well, production, cash call request and other data and information relating to the Contract Area;
- (c) have the right of access to the Contract Area at all reasonable times to inspect and observe Petroleum Operations of every kind and character carried on in the Contract Area. PMT shall provide NPDC with necessary facilities to gain such access provided that the provision of such facilities shall not unduly interfere with the conduct of Petroleum Operations hereunder;
- (d) Act as an interface between PMT and the Department of Petroleum Resources (DPR) for all purposes relating to Petroleum Operations hereunder;
- (e) assist PMT in every way possible to ensure that the provisions of this Agreement shall be carried out under applicable Nigerian laws and regulations including without limitations, the obtaining of necessary approvals for the payments and transfers of funds provided for herein;

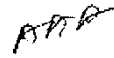


- (f) have the right to nominate pursuant to Article 6 of this Agreement, professional staff to occupy defined functional positions in the agreed organizational structure for Petroleum Operations for as long as this Agreement subsists;
- (g) after the take-over of Petroleum Operations, pursuant to Article 6.5 hereof, ensure that Petroleum Operations are conducted in a good and workmanlike manner and in accordance with internationally accepted petroleum industry practices and with the object of avoiding waste, and obtaining maximum ultimate recovery of Crude Oil and Natural Gas at minimum cost;
- (h) ensure the renewal of each Oil Mining Lease in the Contract Area under the Petroleum Act CAP P10 LFN 2004, as amended, and
- (i) have a right of first refusal in the event SEPTA wishes to assign any interest under this Agreement to a third party.

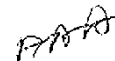
Article 5

POWERS AND OBLIGATIONS OF THE OPERATOR

- 5.1 In the event NPDC is designated as the Operator of the Contract Area or part thereof, the conduct of Petroleum Operations shall be deemed to be assigned to PMT subject to supervision of the Management Committee. PMT shall undertake the following duties:
- (a) conduct all joint operations with utmost good faith and in a good workmanlike manner in accordance with good industry practice and all applicable laws and regulations;
 - (b) maintain full and accurate records of all Petroleum Operations performed under this Contract;
 - (c) be always mindful, in the conduct of its operations, of the rights and overall interests of Nigeria;
 - (d) give preference to such goods and services which are available in Nigeria and can be rendered by Nigerian citizens provided they meet the required specifications and are competitive in price;

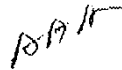


- (e) For the purpose of arriving at Profit Oil and Profit Gas, carry out the estimated and final PPT calculation in accordance with the PPT Act and CITA CAP C21 LFN 2004 and submit same on a timely basis to NPDC;
- (f) Allocate to each Party the right to lift, in accordance with Annex "E", and freely export and retain abroad the receipts from the its share of proceeds from the sale of Available Crude Oil and Available Natural Gas allocated to it hereunder;
- (g) give to the Parties full access, at all reasonable times during usual business hours to all books, records, inventories and accounts of any kind or nature maintained relating to Petroleum Operations, provided that the Party gives to PMT not less than seven (7) days prior notice in writing;
- (h) give the Parties the right of access to the Contract Area at all reasonable times to inspect and observe Petroleum Operations of every kind and character carried on in the Contract Area. PMT shall provide either Party with necessary facilities to gain such access provided that the provision of such facilities shall not unduly interfere with the conduct of Petroleum Operations hereunder;
- (i) consult freely with and make full and frank disclosure to the Parties concerning Petroleum Operations and keep them currently advised of all matters of importance arising in connection therewith;
- (j) except as otherwise provided in this Agreement or as may be authorized by the Management Committee, PMT shall not permit or suffer any lien or other encumbrance to be filed or to remain against any material, physical equipment, real or personal property thereon or related thereto, nor against Crude Oil and Natural Gas produced and saved as a result of its operations hereunder, unless such lien is imposed by a Court of competent jurisdiction;
- (k) have the right to assign and retain such technical, administrative and supervisory personnel as deployed to it and consultants as may be necessary for the conduct of Petroleum Operations, subject to approval of the Management Committee;



- (l) keep accurate records and books of accounts with respect to Petroleum Operations, which shall be available during normal business hours to NPDC and SEPTA authorized representatives. Such records and books shall comply with Annex "C" and generally accepted Accounting Principles and Procedure and with due regard to the requirements of the laws and regulations;
- (m) promptly provide the Parties with copies of all Management Committee approvals for any expenditure, when requested by a Party/Parties;
- (n) not without the written approval of the Management Committee dispose of, sell, or re-export any property of such historic cost exceeding One Hundred Thousand Naira (N100,000.00) per unit or batch or such other value as may, from time to time, be determined by Management Committee. Notwithstanding the provision herein, PMT hereof shall furnish NPDC and SEPTA quarterly returns of all items of property disposed of, regardless of value;
- (o) utilize in Petroleum Operations, equipment exclusively owned and made available by a Party and the charges thereafter to the operations shall be as specified in the Accounting Procedure;

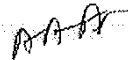
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ARTICLE 6

CONDUCT OF JOINT OPERATIONS

- 6.1 The Parties shall work together to ensure the efficient conduct of Petroleum Operations in the Contract Area. To this effect an operating structure shall be established where the various departments shall be constituted into operating units and shall have the substantive positions and their respective deputies alternatively manned by the Parties, as specified in Annex B to this Agreement for as long as the conduct of Petroleum Operations subsist.
- 6.2 Subject to Article 6.5 hereof, the Project/Operations Manager position to which the operating structure reports shall be held initially by SEPTA for a period of three (3) years and thereafter the position shall be held by NPDC.
- 6.3 PMT shall be based in an NPDC office. An operational base shall be sited in a convenient location.
- 6.4 All personnel of PMT shall receive uniform treatment with respect to salaries and other benefits in line with their respective positions.
- 6.5 Without prejudice to SEPTA's right to Cost Oil, Profit Oil, Cost Gas and Profit Gas as provided for in Article 10, PMT shall be fully responsible for Petroleum Operations for a minimum of three (3) years but not exceeding five (5) years from the Effective Date. Thereafter, SEPTA shall cease to control PMT. However, where SEPTA has not recovered all costs before the expiration of five (5) years, SEPTA shall be entitled to recover such costs.
- 6.6 Upon NPDC being fully responsible for Petroleum Operations, NPDC shall continue with Petroleum Operations in accordance with the provisions of this Agreement.
- 6.7 Litigation and settlement of claims in connection with the Contract Area, or Petroleum Operations shall be conducted for and on behalf of the Parties by NPDC pursuant to the direction of the PMT; provided however, that NPDC shall have authority to settle claims and litigation not exceeding ₦300,000.00 (Three Hundred Thousand Naira) or the foreign currency equivalent without the approval of PMT. NPDC, however, shall promptly report any such aforesaid settlement to PMT. NPDC shall notify SEPTA of any process served upon it or of any process it intends to serve in



any action in relation to Petroleum Operations. Nothing contained in this Article 6.7 shall preclude SEPTA from acting on its own behalf (and at its own expense) if, in its opinion, it considers such action advisable or necessary to protect its particular interest hereunder. However, SEPTA shall not pursue a course of action contrary to the course of action then being undertaken for the Petroleum Operations with respect to such litigation.

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ARTICLE 7

MANAGEMENT COMMITTEE

7.1 A Management Committee shall be established within thirty (30) days from the Effective Date of this Agreement for the purpose of providing orderly direction on all matters pertaining to Petroleum Operations and Work Programme. The powers and duties of the Management Committee shall include but not be limited to the following:

- a) the revision, amendment and approval of all proposed Work Programme and Budget;
- b) the revision, amendment and approval of any proposed recommendations made by either Party or by any sub-committee, with respect to Petroleum Operations;
- c) ensuring that PMT carries out the decisions of the Management Committee and also to ensure that Petroleum Operations is conducted in accordance with the relevant Nigerian laws;
- d) the revision or approval of the sale or disposal of any items or movable property relating to Petroleum Operations in accordance with the provisions of this Agreement;
- e) resolution of all audit observations;
- f) the consideration of periodic performance in respect of approved Work Programme and Budget;
- g) review of the award of contracts for Petroleum Operations with individual value of Five Hundred Thousand United States Dollars (USD\$ 500,000) and above;
- h) approval of qualified contractors and subcontractors list;
- i) any other matters relating to Petroleum Operations.

7.2 (a) The Management Committee shall consist of eight (8) persons appointed by the Parties as follows:

NPDC	-	4
SEPTA	-	4


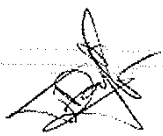
(b) Each Party shall designate by notice in writing to the other Party, the names of its representatives to serve as members of the Management Committee as provided in Article 7.2(a) hereof and their respective alternates, which members or alternates shall be authorised to represent that Party with respect to the decisions of the Management Committee. Such notice shall give the names, titles and addresses of the designated members and alternates.



- (c) At least fourteen (14) days prior to each scheduled Management Committee meeting, the Secretary shall notify members of the meeting and deliver to each member an agenda of matters with briefs to be considered during each meeting. Matters which are not delivered within the period stated shall not be considered unless otherwise agreed by the Management Committee. However, no agenda shall be required in the event of an emergency meeting.
- (d) Either Party may change any of its respective members or alternates from time to time by notifying the other Party in writing not less than ten (10) days in advance of the effective date of such change.
- (e) NPDC shall appoint the chairman (Chairman) of the Management Committee. SEPTA shall appoint the secretary (Secretary); NPDC shall appoint the assistant secretary (Assistant Secretary) both of whom shall have no voting rights. The Secretary shall keep minutes of all meetings and records of all decisions of the Management Committee. The minutes of each meeting shall be approved by the Management Committee at the next meeting and signed by the Chairman and Secretary and copies thereof delivered to each Party.
- (f) The Project /Operations Manager and his Deputy if not members or alternates, shall attend all Management Committee meetings but shall have no voting rights.

7.3 Unless otherwise agreed by the Parties, the Management Committee shall meet at an NPDC office once every three (3) calendar months or at such other intervals or venue as may be agreed by the Management Committee. The quorum for any meeting of the Management Committee shall consist of three (3) representatives of NPDC and three (3) representatives of SEPTA. The Chairman or his alternate and the SEPTA's Managing Director or his alternate must be present at every Management Committee meeting for a quorum to be formed.

7.4(a) Except as otherwise expressly provided in this Agreement all decisions of the Management Committee shall be reached by the unanimous vote of the Parties. If unanimity is not obtained on any matter (including any matter pertaining to a Work Programme or Budget) proposed to the Management Committee, then the



Management Committee shall meet again to attempt to resolve such matter not later than fourteen (14) days after the meeting in which the proposed matter was rejected by a negative vote. Any portion of such proposal that is not rejected shall insofar as possible be carried out. At least seven (7) days prior to such second meeting, the Party casting the dissenting vote shall provide to the other Party in writing in reasonable detail the reasons for such dissenting vote. If such written reasons are not provided at least seven (7) days prior to such second meeting, then the proposal shall be deemed approved. In such second meeting the agenda shall comprise such written reasons as provided by the dissenting Party. If unanimity is not obtained in the second meeting, then the Management Committee shall meet a third time within fourteen (14) days after the second meeting. If unanimity is not obtained during the third meeting then NPDC and SEPTA may agree to appoint an independent qualified expert to advise on the matter, which advice shall be binding on the Parties. In the event of failure of the Parties to agree to the appointment of the said expert the provisions of Article 23 shall apply.

- (b) The Parties shall be bound and abide by each decision of the Management Committee duly made in accordance with the provisions of this Agreement.
- (c) NPDC shall exercise its votes in such manner to give effect to decisions and procedures in accordance with the decisions of the Management Committee and shall implement Management Committee's decisions at any Operating Committee meeting.

7.5 The Management Committee shall establish technical sub-committees and any other advisory sub-committees from time to time as it considers necessary such as finance and budget and legal/services sub-committees:

- (a) Each sub-committee established pursuant to this Article 7.5 shall be given terms of reference by the Management Committee and shall be subject to such direction and procedures as the Management Committee may give or determine.
- (b) The Management Committee shall appoint the members of the sub-committees which shall comprise equal representation from the Parties. The chairmen and the secretaries of the sub-committees shall be appointed by the Management Committee.



(c) The deliberations and recommendations of any sub-committee shall be advisory only and shall become binding and effective upon acceptance by the Management Committee.

7.6 The Management Committee shall cease to exist upon the expiration of the conduct of Petroleum Operations by PMT; thereafter a new body shall be established to be known as supervisory committee to take care of SEPTA's continued interest in the reserve.

7.7 SEPTA shall attend all joint operating agreement Operation Committee meetings as NPDC's adviser. SEPTA shall be an observer and not entitled to vote at the meetings.

ARTICLE 8

FUNDING OF PETROLEUM OPERATIONS

8.1 SEPTA shall provide all the funds required for NPDC's 55% share of Petroleum Operation Costs, (subject to Article 8.2) in accordance with approved Work Programme and Budget. A review of the Work Programme shall be concluded by PMT subject to approval of the Management Committee within fifty (50) days from the Effective Date to estimate the capital investments for the Development and the required initial Working Capital. Based on this review the Management Committee shall within seven (7) days approve the amount for the capital investments, which shall be covered by the parent company guarantee.

8.2 The costs incurred by the Parties in carrying out Petroleum Operations shall be recovered by the Parties through Cost Oil or Cost Gas, in accordance with Article 10 and the Accounting Procedure as set out in Annex 'C'.

8.3 All bank transactions shall be made through bank accounts opened and maintained by SEPTA exclusively for the Petroleum Operations.

8.4 SEPTA shall open and maintain project bank account(s) exclusively for funding Petroleum Operations and shall procure that NPDC shall have unlimited inquiry and audit mandate and a right to copies of all information and transactional documents including all accounts records and balances as they occur from bank accounts and project bank accounts referred to in Articles 8.3 and 8.4.

8.5 If after takeover of Petroleum Operations by NPDC pursuant to Article 6.5 hereof, the Parties agree that production can be increased and



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additional Development Costs are required to add facilities not included in the development programme, including but not limited to in-fill well, secondary recovery facilities, additional processing facilities, deeper wells and artificial lift, SEPTA shall provide NPDC share of Petroleum Operations Costs required to carry out such additional development activities.

8.6 The additional capital investments referred to in Article 8.6 hereof shall be recovered by SEPTA through Cost Oil and Cost Gas in accordance with Article 10 and the Accounting Procedure, and SEPTA shall be entitled to receive a share of Profit Oil and Profit Gas over the additional production as provided for in Article 10.2 hereof.

8.7 SEPTA shall bear all losses associated with funding NPDC's 55% share of Petroleum Operations under this Agreement.

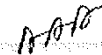
ARTICLE 9

DEVELOPMENT PROGRAMME AND BUDGETS

9.1 If NPDC is designated the Operator of the Contract Area or part thereof within sixty (60) days from the Effective Date, PMT shall submit to the Management Committee for approval, the development plan which shall include the development programme and relevant Budget appropriately apportioned into yearly phases.

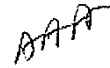
9.2 At the meetings of the Management Committee to consider and approve the Work Programme and Budget for each year, PMT shall submit a report on organizational structure to be utilized for conduct of Petroleum Operations in accordance with Annex B. During such meetings, PMT shall report on the review of the actual performance of organizational structure for the previous year.

9.3 The Development plan shall include the Work Programme and Budget, apportioned into quarterly phases, to be carried out under the Development plan during the remainder of the financial year. In respect of subsequent financial years, the Work Programme and Budget shall be submitted not later than 31st August of the preceding financial year. Such Work Programme and Budget shall comprise all requisite services including, but not limited to, environmental studies, drilling and completion programmes, construction and assembling of field installations and equipment, as may be necessary to permit the production, storage, transportation and delivery of Crude Oil and Natural Gas from the Contract Area. The Development programme and Budget shall be detailed as necessary.



9.4 PMT shall submit to Management Committee any revision of the annual Development programme and Budget. Any such revision of the approved Development Budget shall be made by mutual agreement. In the event of emergency or extraordinary circumstances that require immediate action, PMT may take actions it deems necessary to protect life and property and the interest of Parties and shall promptly notify Parties in writing within forty-eight (48) hours notwithstanding the provisions of this Article 9.4 any cost so incurred shall be recoverable.

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ARTICLE 10

RECOVERY OF PETROLEUM OPERATIONS COSTS AND CRUDE OIL AND NATURAL GAS ALLOCATION

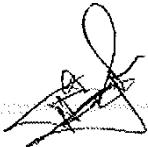
10.1 Crude Oil and Natural Gas Allocation

The allocation of Available Crude Oil and Available Natural Gas shall be in accordance with Annex "C", Annex "D" and this Article 10, as follows:

- (a) Royalty Oil and Royalty Gas shall be allocated to NPDC in such quantum as will generate an amount of proceeds equal to NPDC's Royalty applicable to the Contract Area.
- (b) Cost Oil and Cost Gas shall be allocated to the Parties in such quantum as will generate an amount of proceeds sufficient to recover the following:
 - I. Un-depreciated costs associated to Capital Costs as defined in the Accounting Procedures incurred prior to execution of this Agreement shall be allocated to NPDC;
 - II. Development Costs and Production Costs related to the Production of P1 Developed reserves as agreed in the production profile attached hereto as Annex H shall be allocated to SEPTA;
 - III. Incremental Investment (Development Costs and Production Costs), made by SEPTA shall be recovered from incremental volumes (i.e. the monthly production from 2P reserves less the P1 Developed reserves as indicated in the production profile attached hereto as Annex H) shall be allocated to SEPTA.

Costs expended in United States Dollars will be recovered in United States Dollars through Cost Oil and Cost Gas allocations; costs expended in currencies other than United States Dollars will be converted to United States Dollars at the last available exchange rate and recovered through Cost Oil and Cost Gas allocation.

- (c) Tax Oil and Tax Gas shall be allocated to NPDC in such quantum as will generate an amount of proceeds equal to the PPT and CIT liability relevant to the production in the Contract Area.



(d) Profit Oil being the balance of Available Crude Oil after deducting Royalty Oil, Cost Oil and Tax Oil and Profit Gas being the balance of Available Natural Gas after deducting Royalty Gas, Cost Gas and Tax Gas respectively shall be shared by the Parties pursuant to the Accounting Procedure as follows:

I. Profit Oil and Profit Gas attributable to un-depreciated costs associated to Capital Costs incurred prior to execution of this Agreement as indicated in the production profile attached hereto as Annex H shall be allocated in the following ratio:

NPDC - Ninety per cent (90%)

SEPTA - Ten per cent (10%)

II. Up to the full recovery of Development Costs by SEPTA Profit Oil shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

SEPTA - Sixty per cent (60%)

Thereafter, Profit Oil shall be allocated in the following ratio:

NPDC - Sixty five per cent (65%)

SEPTA - Thirty five per cent (35%)

III. Up to the full recovery of Development Costs related to the contingent resources development, Profit Oil shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

SEPTA - Sixty per cent (60%)

Thereafter, Profit Oil shall be allocated in the following ratio:

NPDC - Sixty five per cent (65%)

SEPTA - thirty five per cent (35%)



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- iv. Up to the full recovery of Development Costs regarding non associated gas by SEPTA, Profit Gas shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

SEPTA - Sixty per cent (60%)

Thereafter, Profit Gas shall be allocated in the following ratio:

NPDC - Sixty five per cent (65%)

SEPTA - Thirty five per cent (35%)

- v. Up to the full recovery of the Development Costs to the contingent resources development, Profit Gas shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

SEPTA - Sixty per cent (60%)

Thereafter, Profit Gas shall be allocated in the following ratio:

NPDC - Sixty five per cent (65%)

SEPTA - thirty five per cent (35%)

10.3 Each Party shall take in kind, lift and dispose of its allocation of Cost Oil, Cost Gas, Profit Oil and Profit Gas in accordance with the Lifting Procedure (Annex D).

10.4 Either Party may at the request of the other, lift the other Party's Cost Oil, Cost Gas, Profit Oil and Profit Gas pursuant to Article 10.1 and the lifting Party shall within thirty (30) days transfer to the account of the non-lifting Party the proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall bear interest at the annual rate of three (3) months LIBOR.

10.5 Either Party may purchase any portion of their respective allocation of Cost Oil, Cost Gas, Profit Oil and Profit Gas from the Contract Area.



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- 10.6 Both Parties shall meet on a monthly basis as may be agreed to reconcile all Crude Oil and Natural Gas allocated and lifted during the period as per Annex "E".

ARTICLE 11

VALUATION OF AVAILABLE CRUDE OIL

11.1 Available Crude Oil shall be valued in accordance with the following procedures:

- (a) On the commencement of production from new reservoirs, PMT shall engage the services of an independent laboratory of good repute to determine the assay of the new Crude Oil.
- (b) When a new Crude Oil stream is produced, liftings shall be made for a trial marketing period of three (3) calendar months or the period required to lift the first three (3) cargoes, whichever is shorter. During the trial marketing period PMT shall:
 - (i) collect samples of the new Crude Oil upon which the assay shall be performed as provided in Article 11.1 (a) above;
 - (ii) determine quality and yield pattern of the new Crude Oil;
 - (iii) share in the marketing such that each Party markets approximately their proportionate share of the new Crude Oil, notwithstanding the fact that a Party's share of Available Crude Oil may be lifted in the process; payments thereafter shall be made in accordance with Article 10.5;
 - (iv) exchange information regarding the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting;
 - (v) apply the actual F.O.B. sales price to determine the price of each lifting. Such F.O.B. sales pricing for each lifting shall continue after the trial marketing period until a valuation of the new Crude Oil has been completed but in no event shall it be longer than ninety (90) days after conclusion of the trial marketing period.
- (c) As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, PMT shall review the assay, yield, and actual sales data. PMT shall present a



proposal for the valuation of the new Crude Oil. A valuation method either spot related or any other method acceptable to both Parties shall be established for determining the price for each lifting of Available Crude Oil. Such valuation method shall be in accordance with the Official Selling Price published by NNPC or relevant government authority. It is the intention of the Parties that such prices shall reflect the true market value of the new Crude Oil. The valuation method determined hereunder (including the product yield values) shall be mutually agreed within thirty (30) days from the aforementioned meeting failing which; determination of such valuation shall be referred to an independent consultant.

- (d) upon the conclusion of the trial marketing period, the Parties shall be entitled to lift their share of Available Crude Oil pursuant to Article 10 and the Lifting Procedure.
- (e) when a new Crude Oil stream is produced from the Contract Area and is co-mingled with an existing Crude Oil produced in Nigeria which has an established Official Selling Price basis then such basis shall be applied to the extent practicable for determining the Official Selling Price of the new Crude Oil. PMT shall meet and decide on any appropriate modifications to such established valuation basis which may be required to reflect any change in the market value of the Crude Oil as a result of co-mingling.

11.2 If in the opinion of either Party an agreed price valuation method fails to reflect the market value of the Crude Oil produced in the Contract Area, then such Party shall propose to the other Party modifications to such valuation method once in every six (6) months but in no event more than twice in any year. The Parties shall then meet within thirty (30) days of such proposal and mutually agree on any modifications to such valuation within thirty (30) days from such meeting failing which, determination of such valuation shall be referred to an independent consultant.

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ARTICLE 12

PAYMENTS

- 12.1 In each accounting period, enough Crude Oil and Natural Gas shall be allocated to meet Cost Oil and Cost Gas obligations respectively.
- 12.2 The method of payment of any sum due from SEPTA to NPDC and vice versa shall be in accordance with the prevailing guidelines of the Federal Ministry of Finance of Nigeria, the Central Bank of Nigeria and in accordance with Annex C.
- 12.3 Unless otherwise provided herein, any payments which NPDC is required to make to SEPTA or which SEPTA is required to make to NPDC pursuant to this Agreement shall be made within forty five (45) days following the end of the month in which the obligation to make such payments occurs. Overdue payments shall bear interest at the annual rate of three (3) months LIBOR.
- 12.4 If any of the Parties engages in activities or business outside Petroleum Operations, the cost of the facilities, assets and personnel, if any, used for such business or activities shall not be chargeable to the operations.

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ARTICLE 13

UTILISATION OF NATURAL GAS

- 13.1 NPDC's share of Natural Gas produced from the Contract Area pursuant to Development shall be allocated in accordance with Article 10. The field development programme shall address gas utilization for the Contract Area and shall be subject to the approval of the Management Committee.
- 13.2 Notwithstanding the provisions of Article 13.1 hereof, the associated Natural Gas produced with Crude Oil may be utilized at no cost to the operations as fuel for Production Operations, gas recycling, secondary recovery by gas injection, gas lift, or any other economical secondary recovery schemes, stimulation of wells or artificial lifts necessary for the Contract Area's full Development. Such usage shall be with the prior written consent of NPDC, such consent shall not be unreasonably withheld.
- 13.3 The Development plan to be approved pursuant to Article 9.1 will contain plans to use Natural Gas both for operational and commercial purposes, to meet the objective of zero flaring.
- 13.4 In the event that gas is flared in the course of production, the penalty shall be treated as part of Production Cost.

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ARTICLE 14


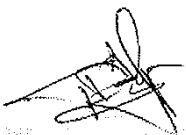
TRAINING OF NPDC PERSONNEL

- 14.1 Each year SEPTA shall submit a detailed programme for training for the following year in respect of NPDC and NNPC personnel. The final training programme shall be mutually agreed by the Parties and shall reflect any specific requirement of NPDC for implementation by SEPTA.
- 14.2 Costs and expenses incurred by SEPTA in training NPDC and NNPC personnel, both on the job training and work attachment, shall be included in Development Costs or Production Costs, depending on the period at which the relevant costs are incurred and recovered through Cost Oil and Cost Gas.
- 14.3 SEPTA shall also provide for training facilities, in accordance with Article 4.1 (d)

ARTICLE 15

SUB-CONTRACTORS

- 15.1 Subject to NPDC becoming the Operator and within ninety (90) days from such appointment thereafter, annually at the commencement of every financial year or as may be required at any other time, PMT shall prepare and submit to Management Committee for approval, a list of contractors and sub-contractors who may, as Petroleum Operations demand, be invited by PMT to bid for contracts.
- 15.2 Subject to the provisions of this Article 15.1, PMT has the right upon the prior approval of Management Committee to engage contractors and sub-contractors for performing services which PMT is obliged to perform under the terms of this Contract. Such services, however, shall be performed for and on behalf of PMT who shall remain directly responsible for the performance of these services. Such contracts/ sub contracts shall be in the name of NPDC.
- 15.3 (a) Approval shall not be required for contracts whose price is less than One Hundred Thousand (100,000) United States Dollars or its equivalent in Naira or other currencies;



(b) PMT shall promptly deliver to Management Committee a copy of each of the contracts referred to in this Article 15.3 following the execution thereof.

15.4 Notwithstanding the provision of this Article 15 all contract awards shall be by competitive tendering process.

15.5 In any event, for contracts whose contract price is equal to or exceeds One Hundred Thousand (100,000) United States Dollars or the equivalent in Naira, or other currencies, PMT shall select its contractors from the list of approved qualified contractors as provided for in Article 15.1 hereof and such selection shall be by means of competitive bidding with preference being given to Nigerian persons and entities, as provided for in Annex F of this Contract. The contract recommendation shall be considered and approved by the Management Committee.

15.6 Subject to Article 15.4 hereof, PMT shall, wherever possible, utilize/extend for Petroleum Operations existing/valid contracts/agreements with NPDC and/or SEPTA's Affiliates by direct negotiations subject to prior approval of the Management Committee.

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ARTICLE 16

BOOKS AND ACCOUNTS, AUDIT AND OVERHEAD CHARGES

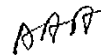
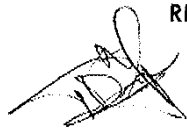
16.1 Books and Accounts

PMT shall keep complete books of accounts for which they are responsible which shall be consistent with modern petroleum industry and generally accepted accounting principles and procedures. The statutory books and accounts of this Agreement shall be kept in Naira and United States Dollars. All other books of accounts as may be considered necessary shall be kept in columnar form in both Naira and United States Dollars. Officials of NPDC and SEPTA shall have reasonable access to such books and accounts during business hours.

16.2 Audits

The Parties and their external auditors shall have the right to inspect and audit the books and accounts relating to this Agreement for any year by giving thirty (30) days written notice to PMT. The PMT shall facilitate the work of such inspection and auditing, provided, however, that the costs of such inspection and auditing shall be met by the Party, and provided also that if such inspection and auditing have not been so carried out within three (3) years following the end of the year in question, the books and accounts relating to such year shall be deemed to be accepted by the Parties as satisfactory. Any exception must be made in writing ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts.

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ARTICLE 17

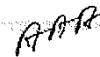
TAXES, ROYALTIES, RATES AND DUES

- 17.1 Customs duties and other duties levied on imports and services by reason of PMT activities in performing Development and Production Operations hereunder, pursuant to Articles 8.1 and 8.2 shall be regarded as Development Costs and Production Costs, as the case may be and shall be recovered by the Parties in the manner provided for in this Agreement.
- 17.2 Taxes due on SEPTA's income, in accordance with CITA shall be borne by SEPTA and shall not under any circumstances be reimbursable to SEPTA.
- 17.3 NPDC shall pay its share of PPT and Royalty arising from the production of Crude Oil won and saved in the Contract Area.
- 17.4 The Official Selling Price as advised by the relevant government authorities and established by this Agreement shall be used in determining the amount of NPDC's share of PPT and Royalty in respect of Available Crude Oil and Available Natural Gas produced and lifted from the Contract Area.
- 17.5 SEPTA shall take all the necessary steps to ensure that the taxes which SEPTA must pay in accordance with this Article 18 shall be accurately paid, as and when due.

ARTICLE 18

INSURANCE

- 18.1 In the event NPDC becomes Operator, all property acquired under the provisions of this Agreement shall be adequately insured with an insurance company of good repute by PMT in the name of the NPDC with limits of liability not less than those required by Nigerian laws and regulations. The premium for such policies shall be included in Petroleum Operations Costs.
- 18.2 In case of loss of or damage to property, indemnifications paid by the insurance companies shall be entirely received by NPDC for which prompt report shall be made to PMT not later than seventy two (72) hours. The amount so received shall be lodged in an account of and in the name of NPDC that it shall nominate. PMT shall determine whether the lost



or damaged property should be repaired, replaced or abandoned. If the decision of PMT is to repair or replace, PMT shall immediately replace or repair such lost or damaged property, the cost of which is recoverable. In the event that the loss or damage is attributable to SEPTA's Gross Negligence such cost of replacement or repair shall not be recoverable as Petroleum Operations Cost.

18.3 PMT shall take out and maintain an insurance policy covering any and all damages caused to third parties as a direct or indirect result of Petroleum Operations in the name of NPDC. SEPTA shall defend and hold NPDC harmless from damages and losses caused to third parties as a consequence of SEPTA Gross Negligence or Willful Misconduct in the performance of this Article.

18.4 All insurance policies under this Article 18 shall be based on good international petroleum industry practice and shall be taken out in the Nigerian market except for those concerning risks for which PMT cannot obtain coverage in Nigeria which shall be taken out abroad, to the extent required by law.

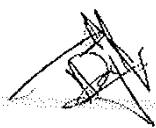
18.5 In entering into contracts with any sub-contractor for the performance of Petroleum Operations, PMT shall require such sub-contractor to take adequate insurance in accordance with Article 18.1 and 18.3 above and to properly indemnify NPDC and SEPTA for any damage done and to properly indemnify and hold NPDC and SEPTA harmless against claims from third parties.

18.6 PMT shall maintain other insurance policies in the name of NPDC required under Nigerian law.

ARTICLE 19

CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

19.1 The Parties shall keep information mutually exchanged and all plans, maps, drawings, designs, data, scientific, technical and financial reports and other data and information of any kind or nature relating to Petroleum Operations including any discovery of hydrocarbons as strictly confidential, at all times, and shall ensure that their entire or partial contents shall under no circumstances be disclosed by the Parties in any announcement to the public or to any third party without the other Party's prior written consent.



The provisions of this Article 19 shall not apply to disclosure to:

- (a) sub-contractors, Affiliates, assignees, auditors, legal advisers, provided that such disclosures are required for the effective performance of the aforementioned recipients' duties related to Petroleum Operations;
- (b) comply with statutory obligation or the requirements of any governmental agency in which case SEPTA will notify NPDC of any information so disclosed,
- (c) finance institutions involved in the provision of finance for the operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential,
- (d) a third party for the purpose of negotiating an assignment of interest hereunder provided such third party executes an undertaking to keep the information disclosed confidential.

19.2 Parties shall take all necessary measures in order to make their employees, agents, representatives, proxies and in the case of PMT, sub-contractors comply with the same obligations of confidentiality provided for in this Article 19.

19.3 The provisions of this Article 19 shall not be voided by the expiry or termination of this Agreement on any grounds whatsoever and these provisions constitute a continuing obligation and accordingly the restrictions arising therefrom shall be in force at all times.

19.4 The Parties shall use their best endeavours to ensure that their servants, employees, agents and in the case of PMT, subcontractors shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever any information on the activities under PMT's responsibility, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Agreement, without the prior written consent of the other Party.

19.5 PMT shall submit to NPDC all statutory reports and information for submission to Government and other statutory bodies.



ARTICLE 20

FORCE MAJEURE

- 20.1 Any failure or delay on the part of either Party in the performance of its obligations or duties under this Agreement shall be excused to the extent attributable to Force Majeure. A Force Majeure situation shall include delays, defaults or inability to perform under this Agreement due to any event beyond the reasonable control of either Party. Such event may be, but is not limited to, any act, event, happening, or occurrence due to natural causes; and acts or perils of navigation, fire, hostilities, war (declared or undeclared), blockade, labour disturbances, strikes, riots, insurrection, civil commotion, quarantine restrictions, epidemics, storms, floods, earthquakes, accidents, blowouts, lightning, and acts of or orders of Government.
- 20.2 If operations are delayed, curtailed or prevented by Force Majeure, then the time for carrying out the obligation and duties thereby affected, and obligations hereunder, shall be extended for a period equal to the period thus involved.
- 20.3 The Party whose ability to perform its obligations is so affected shall promptly notify the other Party thereof not later than forty-eight (48) hours after the establishment of the start of Force Majeure stating the cause, and both Parties shall do all that is reasonably within their powers to remove such cause.

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ARTICLE 21

LAWS AND REGULATIONS

- 21.1 This Agreement shall be governed by and construed in accordance with the laws of the Federal Republic of Nigeria and any dispute arising therefrom shall be determined in accordance with such laws.
- 21.2 In the event that any enactment of or change in the laws or regulations of Nigeria or any rules, procedures, guidelines, instructions, directives, or policies, pertaining to the Agreement introduced by any government department or parastatals or agencies occurs subsequent to the Effective Date of this Agreement which materially and adversely affects the rights and obligations or the economic benefits of Parties, the Parties shall use their best efforts to agree to such modifications to this Agreement as will compensate for the effect of such changes. If the Parties fail to agree on such modifications within a period of ninety (90) days following the date on which the change in question took effect, the matter shall thereafter be referred at the option of either Party to arbitration under Article 22 hereof. Following arbitrator's determination, this Agreement shall be deemed forthwith modified in accordance with that determination.

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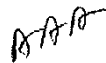



ARTICLE 22

ARBITRATION AND CONCILIATION

22.1 If a difference or dispute arises between NPDC and SEPTA concerning the interpretation or performance of this Agreement, and if the Parties fail to settle such differences or dispute by amicable agreement, then either Party may serve on the other a demand for arbitration. Within thirty (30) days of such demand being served, each Party shall appoint an arbitrator and the two arbitrators thus appointed shall within a further thirty (30) days appoint a third arbitrator and if the arbitrators do not agree on the appointment of such third arbitrator, or if either Party fails to appoint the arbitrator to be appointed by it, such an arbitrator or third arbitrator shall be appointed by the Head of the Nigerian branch of Chartered Institute of Arbitrators in accordance with the provision of the Arbitration and Conciliation Act Cap A18 LFN 2004. Notice of the intention to apply to the Chartered Institute of Arbitrators shall be given in writing by the applicant Party, to the other Party, and when appointed, the third arbitrator shall convene meetings and act as chairman thereof. If an arbitrator fails or is unable to act, a successor shall be appointed by the respective Party or by the arbitrators in the event the chairman must be succeeded. The arbitration award shall be binding upon the Parties and the expenses shall be borne by the Parties in such proportion and manner as may be provided in the award. The venue of the arbitration shall be anywhere in Nigeria as agreed by the Parties.

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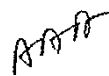
ARTICLE 23

REPRESENTATIONS AND WARRANTIES

23.1 In consideration of NPDC entering into this Agreement, SEPTA warrants as follows:

- (a) SEPTA is not affiliated directly or indirectly with SEPLAT Petroleum Development Company Limited;
- (b) SEPTA has the power to enter into and perform this Agreement and has taken all necessary action to execute, deliver and perform the Agreement in accordance with the terms herein contained.
- (c) The execution, delivery and performance of this Agreement by SEPTA will not contravene in any respect, any of the provisions of:
 - (1) any law or regulations or order of any government authority, Agency or Court applicable to or by which SEPTA may be bound.
 - (2) any mortgage, agreement or other undertaking or instrument to which SEPTA is a party or which is binding upon it or any of its respective revenues or assets.
- (d) Full disclosure has been made to NPDC prior to the Effective Date of all facts in relation to SEPTA and its financial condition and affairs as is material and ought properly to be made known to NPDC.
- (e) SEPTA have the requisite funds both in foreign and local currencies to carry out NPDC's 55% share of Petroleum Operations under the Contract Area.
- (f) The representations and warranties set out above shall survive the execution of this Agreement.

23.2 SEPTA shall provide a parent company guarantee.



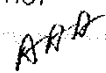
ARTICLE 24
TERMINATION

24.1 NPDC shall be entitled to terminate this Agreement if any of the following events occur:

- (a) SEPTA defaults in the performance of its material obligations set forth in Article 4.1(a).
- (b) SEPTA defaults in the performance of its obligations as set forth in, 4.1(b) of this Agreement.
- (c) SEPTA assign its rights and interests under this Agreement, without a prior written notice and prior written consent of NPDC.
- (d) SEPTA is adjudged insolvent, bankrupt or to have made restitution to its creditors by a Court of competent jurisdiction in Nigeria.
- (e) SEPTA liquidate or terminate its corporate existence.
- (f) There is a breach of SEPTA's parent company guarantee.
- (g) It is established and confirmed that SEPTA and SEPLAT Petroleum Development Company Limited are Affiliates.
- (h) The disposal of SEPTA's rights and interests under this Agreement through the sale of its parent company;
- (i) The attainment of 335 Million BOE subject to Article 3.1.

24.2 Termination for any of the events specified in this Article 24.1 (c-i) above; shall be with immediate effect and NPDC may by written notice to SEPTA declare the Agreement terminated.

24.3 If the cause for termination is an event specified in Article 24.1(a) and (b), NPDC may give written notice thereof to SEPTA to remedy such default within a period not less than thirty (30) working days of receipt of NPDC's notice. If upon the expiration of the said period such default has not



been remedied or removed, the Agreement shall automatically terminate.

24.4 Except such rights of SEPTA that may have accrued prior to the date of termination, SEPTA's rights shall cease upon termination of this Agreement. Such termination shall take place without prejudice to any other rights or remedies which may be available to either Party.

24.5 Without prejudice to all other rights of NPDC herein contained, SEPTA shall upon the termination of this Agreement permit inspection, copying and auditing of operations accounts and records.

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ARTICLE 25

NOTICES

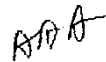
- 25.1 Any notices required to be given by either Party to the other shall be in writing and shall be deemed to have been duly given if sent and received by e-mail, mail, fax, telegram or cable (confirmed by mail) or registered post to, or hand delivered at the following registered offices:

NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED,
62, SAPELE ROAD,
BENIN CITY, NIGERIA

SEPTA:
SEPTA ENERGY NIGERIA LIMITED,
HALLIBURTON HOUSE,
PLOT 90, AJOSE ADEOGUN STREET,
VICTORIA ISLAND, LAGOS, NIGERIA.

- 25.2 Either Party shall notify the other promptly of any change in the above address.

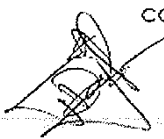
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ARTICLE 26

GENERAL PROVISIONS

- 26.1 In consultation with NPDC, SEPTA shall obtain and pay for all necessary permits or authority for the use of any patent, device, instrument and the like not belonging to SEPTA, necessary for the operations and such cost shall be recovered. SEPTA agrees to defend at its own expense and after consultation with NPDC, all legal proceedings brought against it or NPDC claiming infringement of a patent on any method or equipment selected or furnished by SEPTA or in its performance of the obligations under this Agreement, provided NPDC notifies SEPTA promptly in writing of any such infringement or claim against it and gives SEPTA authority, information and assistance (at SEPTA's expense) for the defense or assistance in defense of such proceeding. NPDC may be represented by its own counsel at SEPTA'S cost and may participate in proceedings to which it and SEPTA are defendants, provided however that SEPTA shall control the defense thereof.
- 26.2 This Agreement is drawn up in the English Language and the affairs of the Agreement shall be conducted in the English Language.
- 26.3 Except as provided in Articles 3, 24 and 26.9, this Agreement shall not be terminated, amended or modified in any respect except by mutual consent in writing of the Parties hereto.
- 26.4 The title of this Agreement, the sequence and headings of the Articles of this Agreement have been adopted for identification and reference purposes only, and do not and shall not affect the meaning or interpretation of this Agreement.
- 26.5 If at any time, any provision of this Agreement is or becomes illegal, invalid, or unenforceable in any respect under the laws of any relevant jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provisions under any other laws, shall in any way be affected or impaired thereby and the remaining provisions of this Agreement shall be construed and enforced as if the Agreement did not contain such invalid, illegal or unenforceable provisions.
- 26.6 This Agreement together with attached Annexes shall constitute the entire agreement between NPDC and SEPTA in respect of the transaction contemplated herein and shall supersede all previous arrangements,



promises, agreements, correspondences, etc. made in relation to this Agreement.

- 26.7 SEPTA hereby represents and warrants that it has not engaged and shall not engage any person, firm or company as a commission agent for purposes of this Agreement and that it has not given or offered to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as any inducement or reward for doing or forbearing to do any action or take any decision in relation to this Agreement or for showing or forbearing to show favour or disfavour to any person in relation thereto.
- 26.8 SEPTA further represents that it shall not either directly or indirectly give to any person, director, employee, representative or agent of NPDC or any Government official any commission, fee, rebate, gift or any entertainment of significant cost or value, and shall not procure the services of any commission agent or other third party to give any such gift, fee, reward, concession, bribe, entertainment of significant cost or value or any thing of a similar nature, for the purposes of influencing or inducing positively or adversely the execution of this Agreement or the doing of any act in connection with this Agreement.
- 26.9 If SEPTA or any of its personnel, representatives, agents or sub-contractors gives or offers to give (directly or indirectly) to any person any such inducement or reward or anything of value, NPDC shall terminate this Agreement immediately SEPTA without prior notification. It is hereby expressly stated that the termination of this Agreement under this provision shall not be deemed a breach of the Agreement by NPDC and shall not give rise to any claim for cost or compensation or loss of profit on the part of SEPTA.
- 26.10 NPDC agrees to indemnify, keep indemnified and hold harmless SEPTA against any costs, decommissioning liabilities and environmental liabilities of whatsoever nature and howsoever arising and any costs, expenses, liabilities or other charges incurred as a result of or in connection with any termination, dismissal or redundancy of any person employed or engaged by NPDC arising prior to the Effective Date.

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ARTICLE 27

TRANSFER OF PROPERTY UPON TAKE OVER OF OPERATORSHIP BY NPDC

- 27.1 Upon the effective date of take-over of operatorship pursuant to Article 6.5, SEPTA shall through the PMT deliver and/or transfer to NPDC the following but not limited to:
- (i) possession of all property including all equipment, inventories and funds held by SEPTA.
 - (ii) originals of pertinent books of account and records maintained for the operations; and
 - (iii) originals of all documents, agreements and other papers relating to the operations.
- 27.2 SEPTA shall upon delivery of above listed items, be certified as to having complied with the foregoing obligations. Provided SEPTA shall nevertheless remain liable for any obligations and liabilities arising solely from its failure to disclose any matters that ought to have been disclosed to NPDC prior to the take-over of operatorship.
- 27.3 All expenses incurred in connection with the change of operatorship hereunder, including the deliveries and transfers required by Article 27.1 shall be for Production Operations Account.

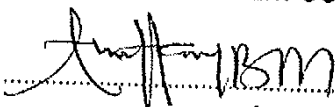
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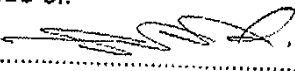
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IN WITNESS WHEREOF THE PARTIES herein have caused this agreement to be executed the day and year first above written.

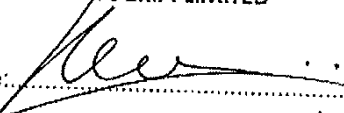
Signed for and on behalf of
NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED
by:

Signature: 
Name: ABIYE H. MEMBERERE
Designation: MANAGING DIRECTOR

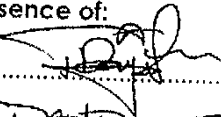
In the presence of:

Signature: 
Name: ADAMU, A. D.
Designation: COMPANY SEC / LEGAL ADVISOR

Signed for and on behalf of
SEPTA ENERGY NIGERIA LIMITED
by:

Signature: 
Name: Kolawole Atuko
Designation: Co Chief executive officer

In the presence of:

Signature: 
Name: DAVID OKUSAMI
Designation: SOLICITOR

Atoko