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CAMEROON

Model Contract Of Association (Douala Basin) 1995

PREAMBLE

This Contract of Association is made and entered into by and between The Republic of Cameroon, on the one hand, and Contractor, constituted by XXXXX, a company incorporated under the laws of the state of XXXXX, and YYYYY, a company incorporated under the laws of, and ZZZZ, etc.....on the other hand.

Whereas, the Parties have entered into a Convention of Establishment dated _____.

Whereas, for the implementation of said Convention, the Parties desire to set the conditions under which they intend to conduct the Petroleum Operations.

Therefore, the Parties agree as follows:

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ARTICLE I

Definitions

The words and terms used in this Convention shall have the following meaning unless specified otherwise (it being understood that):

Affiliated Company

A company or other legal entity:

- which controls one or more entities that constitute the Contractor; or
- which is controlled by one or more entities constituting the Contractor; or
- which is controlled by an entity which itself controls any entity constituting the Contractor.

Control means direct or indirect ownership of more than fifty (50) percent of the share capital of the controlled entity, conferring on the controlling entity the majority of the voting rights attached to such share capital.

Annexes

- Annex I: Rules and rates of depreciation that Contractor is authorized to apply
- Annex II: Customs and Fiscal Regimes
- Annex III: Work obligations and related commitments
- Annex IV:

Associated Gas

Natural Gas which is produced in association with Liquid Hydrocarbons.

Barrel

A quantity consisting of forty-two (42) United States gallons, corrected to a temperature of sixty (60) degrees Fahrenheit under one (1) atmosphere of pressure

Calendar Year

A period of twelve (12) consecutive months commencing with January 1 according to the Gregorian calendar.

Commercial Discovery

A Discovery is deemed to be commercial when the Contractor decides to develop it.

Contract

The Contract of Association and its Annexes made and entered into by and between the Republic of Cameroon and XXXXX and YYYYYY as well as any additional annex, renewal, extension, substitution or amendment which may be mutually agreed.

Contractor

XXXXX and YYYYY and, as well as their respective assignees and/or successors in interest.

Convention

This Convention of Establishment dated and its annexes forming part thereof, as well as any renewal, extension, substitution or amendment to this Convention of Establishment which may be mutually agreed.

Convertible Currency

Any currency which is freely convertible in all the following countries: USA, Canada, Japan, Germany, France, Great Britain, Italy and Switzerland.

Cumulative Technical Costs

The total cumulative Technical Costs.

Cumulative Turnover

The total cumulative Hydrocarbon Turnover.

Delivery Point

The FOB connecting point within the Republic of Cameroon between the loading installations and the vessel as defined in a development plan or any other transfer point mutually agreed by the Parties.

Discovery

A discovery of Hydrocarbons not previously evidenced by drilling, recoverable at the surface in a flow measurable by conventional petroleum industry testing methods.

Discovery Area

That area within an Exploration Permit comprising the geological feature as outlined by the relevant geological or geophysical data in which a Discovery is made.

Douala Basin

The entire mining territory made up of the sedimentary zones located East of the Cameroon volcanic axis and, more precisely, to the Southeast of a line connecting point A of coordinates UTM X = 550 000 m and Y = 500 000 m to point B, which is the intersection of the meridian (UTM X = 500 000 m) with the Cameroon Equatorial Guinea maritime border.

Effective Date

The date of entering into effect of the Convention as defined in Article 3 hereafter.

Exploitation Permit

An exclusive Exploitation Permit granted pursuant to this Convention to Contractor as referred to in Law 64/LF/3 of April 6, 1964.

Exploration Operations

All activities carried out for the purpose to make or to evaluate a Discovery.

Exploration Permit

An exclusive Exploration Permit granted pursuant to this Convention to Contractor as referred to in Law 64/LF/3 of April 6, 1964.

Fiscal Year

A twelve month period from July 1st to June 30th of the following year.

Force Majeure

An unforeseen event arising from circumstances beyond the control of a Party invoking Force Majeure. The intention of the Parties is that the term "Force Majeure" receives the interpretation which complies the most with the principles and customs of international law and standard practices of the international petroleum industry.

Hydrocarbon Turnover

Proceeds recorded in accordance with the Accounting Procedure attached to the Contract during a given Fiscal Year, from the sale of Hydrocarbons accruing to Contractor and to the Republic of Cameroon and originating from an Exploitation Title in the Douala Basin. The selling price of Liquid Hydrocarbons being the Posted Price as defined in this Article and the selling price of Natural Gas being based on the provisions of Article 21.

Hydrocarbons

Liquid Hydrocarbons, Natural Gas, asphalt, ozocerite, bitumen and any other solid hydrocarbons occurring in natural state.

LIBOR

London Inter-Bank Offered Rate ("LIBOR") which shall be the rate per annum at which three (3) month deposits of United States Dollars shall be offered to prime banks in the London Inter-Bank market for such period, quoted by National Westminster Bank PLC-London Branch, London, England, at 11:00 a.m. London time on the last business day of the month preceding each month in which the calculation is made.

Liquid Hydrocarbons

Any Hydrocarbons which at atmospheric pressure and a temperature of 60 degrees Fahrenheit are in a liquid state or which are extracted by any processing method from Natural Gas including but not limited to distillate and condensate.

Mining Concession

An exclusive Mining Concession granted pursuant to this Convention to Contractor as referred to in Law 64/LF/3 of April 6, 1964.

Mining Title

An Exploration Permit, Exploitation Permit or a Mining Concession, granted pursuant to this Convention to Contractor as referred to as a Mining Right in Law 64/LF/3 of April 6, 1964.

Natural Gas

Both Associated and Non-Associated Gas and all its constituent elements.

Negative Royalty

The amount due by the Republic of Cameroon to Contractor to ensure the Contractor actually receives its share of Rente Miniere as guaranteed in this Convention.

Non-Associated Gas

Natural Gas other than Associated Gas.

Participation in the Production

The percentage according to which the Parties divide the hydrocarbon production obtained within the scope of Joint Operations.

Party (Parties)

The Republic of Cameroon and each of the entities constituting Contractor.

Petroleum Operations

Exploration Operations and Production Operations and any other activities related thereto.

Posted Price

The Posted Price for Liquid Hydrocarbons shall be set F.O.B. Delivery Point, and must be in line with prices for arms length export contracts concluded on Liquid Hydrocarbons of similar quality, the necessary corrections being made to take into account the characteristics of the different transactions.

The Posted Price for Liquid Hydrocarbons shall be the subject of negotiations between the Parties meeting in a joint commission composed of one representative of each Party, and assisted, in case of need by a reasonable number of experts of their choice to serve on an advisory capacity only. The said Posted Price shall be fixed quarterly by the joint commission on a date mutually agreed upon by the Parties; said date shall, to the extent possible, be within the quarterly production period under consideration but may in no event be later than the last day of the month following the expiration date of such period. If the Posted Price cannot be agreed by the Parties by such date, then the average differential taking into consideration the characteristics of the different transactions between the Posted Price of Liquid Hydrocarbons set for the previous Quarter and the average price of dated Brent Platts Market Wire for the thirty days preceding such date will be used for the following Quarter, until the Parties can mutually agree to fix the Posted Price.

The Posted Price of Liquid Hydrocarbons thus fixed shall be the "Posted Price" referred to in paragraph 2 of Article 24 of Law No. 78/24 of December 29, 1978.

Production Operations

All activities carried out for the purpose to exploit a Commercial Discovery, including development, exploitation, processing, stabilization, storage, transportation of Hydrocarbons, related substances and products which are derived therefrom by separation or treatment and any other operations consistent with generally accepted international petroleum industry standards and practices as well as all operations in connection therewith up to and including the loading or delivery to the Delivery Point but excluding refining and distribution of finished products.

Quarter

A period of three (3) consecutive calendar months commencing with the first day of January, April, July and October, respectively, of each Calendar Year.

Rente Miniere

The difference recorded during a given Fiscal Year between the Hydrocarbon Turnover from the Douala Basin on the one hand and the Technical Costs attributable to the said Douala Basin on the other hand.

Subcontractor

Third parties undertaking or providing services or goods for Petroleum Operations for the account of Contractor.

Technical Costs

The sum, during a given Fiscal Year, of exploitation costs, amortizations of exploration and development costs and any other costs properly amortized or charged under the Accounting Procedure of the Contract not captured by the aforementioned costs calculated in accordance with the rules and rates specified in Annex I of this Convention, and any corresponding financial charges as recorded under the Accounting Procedure of the Contract, attributable to all Mining Titles within the Douala Basin (excluding the proportional mining royalty, company tax, proportional tax, and any other duties, charges, fees, taxes, bonuses, tariffs or royalty of any nature whatsoever payable to the Republic of Cameroon or to any related entity).

Unaffiliated Company

A company or entity other than the Parties which does not fall within the definition of Affiliated Company.

Any reference to the singular or plural or gender shall be taken in context with its use hereunder.

ARTICLE II

Purpose

1. The purpose of this Contract is to set the conditions under which the Parties intend to conduct their Petroleum Operations in the Area of Association in which the Parties have or shall have rights. The Convention shall apply to all Petroleum Operations under this Contract.
- 2a. The Participation in the Production in the Area of Association is as follows: as long as the production, cumulated since the beginning of commercial exploitation, from all Exploitation Titles within the Area of Association is less than fifteen (15) million metric tons:

Republic of Cameroon	60 %
Contractor	40 %

When the production, cumulated since the beginning of commercial exploitation, from all Exploitation Titles within the Area of Association is between fifteen (15) and thirty (30) million metric tons, the Participation in the Production from that point forward shall be:

Republic of Cameroon	65 %
Contractor	35 %

When the production, cumulated since the beginning of commercial exploitation, from all Exploitation Titles within the Area of Association is more than thirty (30) million metric tons, the Participation in the Production from that point forward shall be:

Republic of Cameroon	70 %
Contractor	30 %

- 2b. The Participation in the Expenditures is as follows:

Republic of Cameroon	50 %
Contractor	50 %

- 3a. The amount of the proportional mining royalty or Negative Royalty due, as the case may be, will be calculated on the production from the totality of the Exploitation Titles within the Area of Association, taking into account the provisions of Article II 3 b).
- 3b. For the purpose of the division of Rente Miniere between the Parties, taxes and proportional mining royalty calculation, each entity constituting Contractor shall elect one of the two options thereafter. Such election shall be done once and remain irrevocable; however, in the case of assignment to a successor not being an Affiliated Company, the new Party may elect one of the two options.

Option A

For each Fiscal Year, Contractor shall be entitled to and shall receive, after payment of the proportional mining royalty, company tax as provided in Article 24 of Law No. 78/24 of December 29, 1978, and

any tax, duty, bonus, tariff, fee, royalty of any nature or denomination whatsoever a share of the Rente Miniere equal to:

- 26 % of the Rente Miniere of the Basin if $R = < 1.5$;
- 24 % of the Rente Miniere of the Basin if $1.5 < R = < 2$;
- 22 % of the Rente Miniere of the Basin if $R > 2$.

"R" is the ratio between the Cumulative Turnover and the Cumulative Technical Costs in the Douala Basin:

$$R = \frac{\text{Cumulative Turnover}}{\text{Cumulative Technical Costs}}$$

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to Contractor is not attained or is exceeded, the final rate of the proportional mining royalty that Contractor must pay, or the Negative Royalty that Contractor must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, Contractor shall assign to the Republic of Cameroon or the Republic of Cameroon shall assign to Contractor, as the case may be during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that Contractor actually receives the share of Rente Miniere guaranteed above.

The above Contractor's share of Rente Miniere is guaranteed after payment of proportional mining royalty and company tax, the contribution to FOSHY as provided in Article 29 of the Convention and any tax, duty, fee, bonus, tariff and royalty of any nature or denomination whatsoever.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the company tax is equal to 57.5 %.

Option B

For each Fiscal Year Contractor shall be entitled to and shall receive after payment of the proportional mining royalty, tax (other than company tax and proportional tax as provided in this Article II), the contribution to FOSHY as provided in Article 29 of the Convention and after any other tax, duty, bonus, tariff, fee, royalty of any nature or denomination whatsoever, a share of Rente Miniere equal to:

- 50.630 % of Rente Miniere of the basin if $R = < 1.5$;
- 46.736 % of Rente Miniere of the basin if $1.5 < R = < 2$;
- 42.841 % of Rente Miniere of the basin if $R > 2$.

"R" is the ratio between the Cumulative Turnover and the Cumulative Technical Costs in the Douala Basin:

$$R = \frac{\text{Cumulative Turnover}}{\text{Cumulative Technical Costs}}$$

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to Contractor is not attained or is exceeded, the final rate of the proportional mining royalty that Contractor must pay, or the Negative Royalty that Contractor must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, Contractor shall assign to the Republic of Cameroon or the Republic of

Cameroon shall assign to Contractor, as the case may be, during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that Contractor actually receives the share of Rente Miniere guaranteed above.

The above Contractor's share of Rente Miniere is guaranteed after payment of proportional mining royalty, the contribution to FOSHY as provided in Article 29 of the Convention, any tax, duty, fee, bonus, tariff, royalty of any nature or denomination whatsoever but before company tax and proportional tax stipulated in this Option B.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the combined tax rate resulting from company tax and proportional tax is equal to 48.6475 %

Under either Option A or B, each entity constituting Contractor shall be subject to and separately liable for their respective taxes and proportional mining royalty. In case of positive or negative Rente Miniere, each entity constituting Contractor shall be entitled and shall receive a share of Rente Miniere according to its participating interest following the rules of the elected option. Each entity constituting Contractor shall separately file tax returns and make tax payments in accordance with relevant provisions of the General Tax Code.

For the first Fiscal Year of guarantee of the share of Rente Miniere, the Technical Costs of that Fiscal Year shall include all the previous charges and amortizations allowed under the Accounting Procedure and the Convention.

Each entity constituting Contractor shall receive, not later than ninety (90) days from the date of filing returns for the relevant company tax and proportional tax and, returns from the Treasury Accountant or other appropriate authority of the Republic of Cameroon, official receipts evidencing payment of company tax and proportional tax, as the case may be.

4. Taxes and Imposts

- a. The tax system applicable to Contractor enumerated in this Contract is defined and guaranteed by the Convention.
- b. The amortization rates applicable for the computation of taxable income shall be those specified in Annex I to the Convention.

5. In case one or more Discoveries in a Mining Concession cannot be developed under the conditions stipulated in this Article, the Parties will meet together to find a mutually acceptable solution to them, the intent being to provide more favorable terms to allow a profitable development of the Discovery. Absent agreement, and if the Contractor does not wish to hold the Discovery and if the Republic of Cameroon nevertheless wishes to proceed with the development of the said Discovery, it may do so alone or with any other partner subject to reimbursing Contractor for all expenditures related to said Discovery paid by Contractor not previously reimbursed or recovered through amortization or any other amount mutually agreed.

6. Each of the Parties which are subject to the United States Internal Revenue Code of 1986 ("Code"), as amended, agrees to elect under section 761(a) of said Code to exclude operations under this Contract from the application of Subchapter K, Chapter 1, Subtitle A of the Code. Operator is authorized and directed to execute on behalf of each Party subject to said Code such evidence of this election as may be required by the United States Secretary of the Treasury or the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulations Section 1.761. No Party shall give any notices or take any other action inconsistent with the election made hereby.

ARTICLE III

Duration and Effective Date

This Contract enters into effect on the date the Convention enters into effect and shall, subject always to the Parties continuing obligations, continue to remain in effect so long as said Convention remains in force. Final settlement among the Parties in settlement of all accounts by payment to each other of any balance shown, for the removal or disposition of material, equipment and personal property in connection with the Joint Operations shall be accounted for under this Contract while the Convention is in force.

This Contract may be modified only by an amendment mutually agreed to by the Parties.

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ARTICLE IV

Mining Titles

1. The Parties shall act so as not to compromise the granting, maintenance or renewal of the Mining Titles which are the subject of this Contract.
2. In the event of a Commercial Discovery, Contractor shall file with the Minister in charge of Mines an application for an Exploitation Title(s), which shall be granted in accordance with the provisions of Title III of Law 64/LF/3 of April 6, 1964.
3. The rights to production attached to Exploitation Titles referred to in Paragraph 2 hereabove shall benefit the Parties in proportion to their Participation in the Production. The obligations attached to said Exploitation Titles shall devolve upon the Parties in proportion to their Participation in the Expenditures.

ARTICLE V

Operating Committee

1. Composition and Procedure

- a. The management and control of Joint Operations shall be ensured by an Operating Committee composed of representatives of each Party, and assisted in case of need and in an advisory capacity by experts of their choice. Each Party shall by notice to all Parties appoint one (1) representative and one (1) alternate to serve on the Operating Committee. The Operator's representative shall be the chairman of the Operating Committee. The alternate appointed by a Party shall act only in the event the representative appointed by such Party is not available. Such representative, or in his absence, his alternate, shall have full power and authority to represent and bind such Party in all matters arising under this Contract, and all acts done by him or his alternate pursuant to the authority hereby conferred shall be deemed to be the acts of the Party which appointed him. Each Party may change its representative and alternate at any time by notifying the other Parties to that effect.
- b. The Operating Committee shall meet at least once every six (6) months. The meetings shall take place in any location chosen by Operator.
- c. The agenda shall be established by Operator who has the obligation to include therein all issues raised by the Non-Operators. Any Party may submit a matter for consideration to the Operator or request a meeting of the Operating Committee by delivering such request to the Operator. If a meeting is requested, Operator shall promptly give fifteen (15) days written notice to the Operating Committee. The fifteen (15) day notice may be waived with the unanimous consent of all the Parties. The notice shall include the agenda, including any matter duly requested by a Non-Operator, proposed meeting date and venue selected by Operator, and other appropriate information requiring consideration and determination. If an alternative meeting date and/or venue is requested by a Non-Operator, the Parties shall agree on a date and/or venue satisfactory to all Parties. No decision on any matter shall be taken at any meeting of the Operating Committee unless such matter has been included on the proposed agenda or the representatives of the Parties unanimously agree that a matter of which no prior notice has been given shall be dealt with at the meeting in question.
- d. The minutes from each meeting of the Operating Committee shall be drawn up by Operator and provided to the Parties within thirty (30) days after the end of the meeting and approved by them within sixty (60) days after the end of the meeting.
- e. Any matter arising under this Contract may be submitted to the Operating Committee for consideration and vote without holding a meeting provided that such matter is submitted in writing to all Parties. In such event each Party shall vote by giving written notice of its vote to all the Parties within fifteen (15) days after its receipt of the proposal, except in cases where the proposal involves drilling operations where a drilling rig intended to be used in such operation is on location or is enroute thereto and in Operator's opinion an immediate decision is required, in which case, a vote must be cast by telex or personal delivery within forty-eight (48) hours after receipt of the proposal. Any failure to reply within the two (2) times specified above shall be considered a positive vote. Any matter submitted which receives the affirmative vote provided for in this Article shall be deemed the decision of the Parties and shall be binding on the Parties in the

same manner as if the vote were cast at a meeting. The Operator shall keep a written record of each such matter submitted and shall promptly notify the Parties of the result of each vote upon the matter when such result is known.

2. Duties and Powers

- a. The Operating Committee decides on all important matters regarding the Joint Operations.
- b. The Operating Committee shall have full powers to decide on the Joint Operations; in particular, and without being limited by the following list, its powers shall include the following:
 - It shall examine, revise and approve for the following year draft work programs and corresponding budgets as well as any draft to modify the latter. These drafts or their modification shall become executory from the date of their approval. In accordance with the provisions of Article VII-1 and -2 hereof, it shall examine provisional programs and budgets for the two subsequent years.
 - It shall be informed by Operator about Joint Operations which have been carried out and the results therefrom.
 - It shall establish the Optimum Production Capacity per field in each Mining Concession as provided for under Article XI hereof.
- c. Except as otherwise agreed, a Technical Committee meeting shall precede each meeting of the Operating Committee.
- d. All decisions of the Operating Committee are by unanimity except for the following:
 - i. Prior to the issuance of the first Exploitation Title to Contractor in the Area of Association, the Republic of Cameroon shall not have a veto right for any proposal brought before the Operating Committee provided that the proposal is not considered contrary to standard procedures or operations within the international petroleum industry;
 - ii. All decisions relating to applications or renewal or renunciation of Mining Titles shall be made solely by Contractor.

ARTICLE VI

The Operator

1. XXXXX is hereby designated as Operator. If XXXXX resigns as Operator, then the Operating Committee shall designate a new Operator from among the entities constituting Contractor.
2. Operator assumes, under the authority of the Operating Committee, the execution of the Joint Operations.
3. In particular, the Operator shall:

Submit to the Operating Committee the work programs and budgets and the changes that may be necessary in view of a change of circumstances.

Submit to the Operating Committee its general ideas relating to the Joint Operations and the long term plan it contemplates for the development of Discoveries made under this Contract within the Area of Association.

Conduct the Joint Operations in accordance with the current standards within the international petroleum industry, that is with the care, precautions and reasonable diligence required of a prudent operator under similar conditions. It shall act in good faith in the execution of its functions and shall not be held responsible, except in cases of Serious Negligence.

Send to the Operating Committee any information and reports it may reasonably request. The documents used for the drafting of the said reports shall be kept by Operator and communicated to the Non-Operators upon their request insofar as possible.

Allow the representatives of the Non-Operators to go to the sites of Petroleum Operations at their sole risk and expense in accordance with paragraph 6 hereunder and without undue interference with the Joint Operations. It is not the intent of Operator to charge the Non-Operator for expenses normally charged to the Participation Account under generally accepted practices within the international petroleum industry as related to Non-Operators' interventions to the sites of operations. Reasonable necessary costs of inspections which are required by the Republic of Cameroon under laws and regulations shall be borne by the Operator and charged to the Participation Account in accordance with the Accounting Procedure.

Settle all the expenses relating to the Joint Operations within the framework of approved budgets and in accordance with the terms provided in the Accounting Procedure.

Keep the accounts of the Joint Operations pursuant to the terms defined in the Accounting Procedure.

Send regularly to Non-Operators the Cash Calls and invoices as provided in the Accounting Procedure.

Promptly inform the Non-Operators of the presence of any Hydrocarbons shows.

Furnish the Non-Operators with a detailed report on ongoing Petroleum Operations including any drilling or deepening of wells showing the reservoirs and the characteristics of the formations penetrated and with logs of the drillings or copies of the same.

Operator may call on any Sub-contractor(s) to carry out the operations. The contracts related thereto will be provided to Non-Operators upon request, subject to provisions of Article XII hereof. However, for contracts having a value over 250 000 US Dollars, Operator shall only utilize Sub-contractors which have been approved by the Parties such approval to not be unreasonably withheld.

4. For the purpose of administrative and/or technical assistance, the Operator may conclude contracts with its Affiliated Companies. Copies of such contracts shall be made available by the Operator to Non-Operators. Costs shall be charged in accordance with the Accounting Procedure.
5. Operator shall enter into and maintain in force insurance policies covering the Joint Operations as required by laws and regulations or as authorized by the Operating Committee. The charges for such insurance shall be for the Participation Account. Any benefit derived therefrom shall be for the Participation Account.

All the insurance policies thus entered into by Operator shall mention the waiver on the part of the insurers with respect to any recourse against the Non-Operators. Copies of such insurance policies shall be made available by the Operator to Non-Operators.

Operator shall inform the Non-Operators of the insurance policies entered into under this Contract for Joint Operations and shall inform the Non-Operators of the cancellation or expiration of this insurance.

If the insurers cancel an insurance policy or if they do not wish to continue it, Operator shall inform the Non-Operators as soon as possible. Operator shall require Subcontractors to enter into and maintain in force all the insurance policies required by applicable laws and regulations and shall require all Subcontractors to obtain from their insurers a waiver of any recourse against Operator and the Non-Operators.

No provisions hereof shall interfere with the right of any Party to obtain any insurance policy for its own account relating to the activities referred to under this Contract. However, any Party which acquires its own insurance policy shall provide a certificate of insurance to Operator.

6. Subject to paragraph 3 of this Article, each Party shall bear its share in proportion to its Participation in the Expenditures in any losses and disbursements, relating to or resulting from any justified claim, any payment of damages, indemnity or any executory judicial decision as well as any other expenses, including fees and expenses of legal advisors, that may arise from the Joint Operations and not covered by insurance.
7. Any losses, damages or other financial consequences resulting directly or indirectly from an error or mistake in judgment committed by Operator shall be entered into the Participation Account and borne by each Party according to its Participation in the Expenditures, so long as the said mistake or error in judgment was not committed by an act of Serious Negligence.

ARTICLE VII

Work Programs and Budgets

1. No expenses or liabilities may be incurred by Operator unless they have been provided for in a budget approved by the Operating Committee.

For the purpose of simplifying the conduct of Joint Operations, the Operator shall be exempt from obtaining the Non-Operators prior agreement:

To incur extra expenses arising from an unforeseen increase in cost relating to intangible fixed assets provided that their amount does not exceed ten (10) percent of the budgeted cost of the article concerned and in no case exceeding 200,000 US Dollars per item.

To incur any new expenses for equipment (fixed or movable) not foreseen in the cumulative approved budget heading provided that the amount does not exceed ten (10) percent of the budget heading, it being specified that, for small budgetary expenses, the increase may be greater than ten (10) percent, without exceeding 80,000 US Dollars per item.

To incorporate (without giving the enumeration thereof or a detailed justification under the caption "small sundry expenses"), the estimated expenses relating to the acquisition or the production of goods, without exceeding 80,000 US Dollars per item.

In case of extreme urgency, Operator may immediately incur expenditures it deems necessary for the protection of personnel or property, subject to a notification to the Non-Operators as soon as possible.

Exploration

- a. Operator shall submit to the Parties, at the latest on October 1st of each year, a predraft of a work program for the following calendar year, and an estimate of corresponding expenditures. Operator shall submit to the members of the Operating Committee, on November 1st at the latest, the final work program and corresponding detailed budget for approval thereof by the Committee before 30 November. The level of detail of the budget for predraft and final work programs will be the AFE (Authorisation for Expenditure) level, within generally accepted petroleum industry standards and practices. For planning purposes only, it shall also submit anticipated programs for the two subsequent years, including an estimate of Exploration Costs.
- b. The Operating Committee shall also be called upon to decide possible changes in the program and initial budget submitted to it during the course of the calendar year.

Development and Exploitation

- a. The draft work programs and budgets shall be presented within the framework of the perspectives for the longer term which have already been submitted to the Operating Committee by Operator. For planning purposes only, they shall show the work programs and the corresponding budget estimates for the subsequent two calendar years.
- b. The provisions of paragraphs a) and b) above under Exploration shall also apply to Development and Exploitation activities.

Expenditures

1. Subject to the provisions of Article IX of this Contract, the Parties shall contribute towards all expenditures for Petroleum Operations including overhead, in proportion to their respective Participation in the Expenditures.
- 2a. In order to be able to timely settle the expenses incurred within the scope of exploration and production Joint Operations, as well as the financing of stocks for Joint Operations, Operator shall send the Non-Operators before the 15th of the month a detailed month by month statement of the anticipated payments of the Monthly Cash Calls for the following Quarter in line with the forecast of payments, and of the financial contribution required from each Party in proportion to their Participation in the Expenditures.
- 2b. In order to be able to timely settle the expenses incurred within the scope of development Joint Operations, Operator shall send to the Non-Operators, before the 15th of each month, a detailed statement of the anticipated payments for each of the three following months, and the cash calls for each of these three months in line with the forecast of payments, and of the financial contribution required from each Party in proportion to their Participation in the Expenditures.
- 2c. These payments shall be assessed on the basis of the budgets, approved work programs, and estimated costs price for the Joint Operations expected to be carried out. Such payments shall not include amortization charges for the joint equipment and assets nor the consumption of materials taken from joint inventories.

Monthly Cash Calls shall be due in a Convertible Currency, at the latest on the 1st of the month under consideration. The Republic of Cameroon shall have the election to pay the Monthly Cash Calls in any Convertible Currency of its choice. The Republic of Cameroon, shall fifteen (15) days prior to the date of payment, give Contractor notice of the selected Convertible Currency. Conversion from U.S. Dollars into the currency selected by the Republic of Cameroon will be made two (2) working days prior to the date of payment using the rate quoted by Société Générale, Paris, France, at 11:00 a.m. Paris time on that day. Any amount not fully paid by a Party on this date shall be adjusted to reflect late payment interest. For loans, if any, payment shall be due two (2) days before the loan payment is due.

The Operator shall update his forecast cash flow taking into account the modifications made to the budgets and work programs and the changes, if any, in the cost of the Joint Operations. Cash Calls shall be readjusted pursuant to the provisions of the Accounting Procedure.

Any late payment of any amount owed by or to Operator by virtue of the provisions of this Paragraph c) shall bear late payment interest from its due date until the date of payment at the LIBOR rate in effect on such date, plus two percent (2 %).

Said interest shall not be taken into account for the calculation of Rente Minière but shall only be taken into account in the determination of taxable income for the Fiscal Year during which such interest shall have been paid or received. The payment of said interest shall be limited by the share of Joint Production allocated by the Republic of Cameroon for the reimbursement of the advances referred to in Article IX hereof.

3. The Accounting Procedure annexed to this Contract establishes the rules of financial and accountancy procedure. These rules define, inter alia, the terms and conditions applying to the reimbursement of overhead. This Accounting Procedure also sets out the terms under which a Non-Operator shall have the right to audit or cause to be audited the accounts of the Joint Operations.

ARTICLE IX

Particular Financial Conditions

1. Concerning exploration expenses, Contractor shall grant to the Republic of Cameroon advances for an amount which is equivalent to the Participation in the Expenditures to be borne by the Republic of Cameroon under the terms of this Contract, unless the latter decides to finance its part.
2. Concerning development and exploitation expenses made in the Area of Association, unless the Republic of Cameroon decides to finance its part, Contractor shall grant advances to the Republic of Cameroon, for an amount equivalent to its Participation in the Expenditures. Contractor shall finance these advances by loans from banks and credit establishments, loans contracted from its Affiliated Companies or internally generated funds, such method of financing to be at the sole election of Contractor. The Parties agree to bear the charges of these loans and give requested guarantees according to their Participation in the Expenditures.
3. The advances granted by Contractor to the Republic of Cameroon pursuant to paragraphs 1 and 2 of this Article, shall be made according to the following conditions:
 - a. The reimbursement of advances granted to the Republic of Cameroon by Contractor for exploration expenses are due on the date of the first metric ton of commercial production. Any amount not reimbursed on said date shall bear interest in accordance with the provisions of sub-paragraph b) hereinbelow.
 - b. With respect to development and exploitation expenses, advances granted by Contractor and financed through loans contracted from its Affiliated Companies or through internally generated funds shall be subject to the following conditions:
 - i. In the event of a loan contracted by any entity constituting Contractor, from an Affiliated Company on behalf of the Republic of Cameroon, the Republic of Cameroon shall have the right to review the conditions of said loan, in order to determine if it desires the loan from the entity constituting Contractor.
 - ii. In the event of advances financed by internally generated funds by any entity constituting Contractor on behalf of the Republic of Cameroon, the Republic of Cameroon shall have the right to review the conditions of said advances in order to determine if it desires the advances from the entity constituting Contractor.
 - iii. The applicable interest rate shall be the LIBOR rate in force on the date of the advance or loan plus two percent (2 %). Other conditions of the loan should be based on market conditions for similar transactions.
 - iv. Interests on loans or advances, whether contracted from Affiliated Companies or through internally generated funds, as the case may be, shall be included in their totality within the Technical Costs.
 - v. In the event the Republic of Cameroon chooses not to participate in the loans or advances as described hereinabove, the entity constituting Contractor shall no longer have the obligation to fund the Republic of Cameroon's Participation in the

Expenditures. In this case, the Republic of Cameroon shall be obligated to provide its portion according to its Participation in the Expenditures. In case of any failure by the Republic of Cameroon to provide its portion according to its Participation in the Expenditures, Contractor shall be entitled but not required to finance the Republic of Cameroon's portion. In case the entity constituting Contractor does finance the Republic of Cameroon's portion, it shall be entitled to recover all costs of said financing in accordance with the terms of this Contract.

- c. The advances granted by Contractor to the Republic of Cameroon under this Contract shall be reimbursed and, if applicable, the interest relating thereto shall be paid out of the Joint Production from the Exploitation Titles. This reimbursement shall cease when there is no Joint Production from the Area of Association.
- 4a. For purposes of reimbursing advances as well as for servicing joint loans, if any, for Joint Operations, the Republic of Cameroon shall assign a part of its share in the Joint Production equivalent to the following:

When cumulative production from all Exploitation Titles since the beginning of commercial exploitation within the Area of Association is: less than fifteen (15) million metric tons:

- 35 % of the turnover from the Joint Production generated by that portion of the Posted Price at or below the benchmark price "p";
- 30 % of the turnover from the Joint Production generated by that portion of the Posted Price above the benchmark price "p".

Between fifteen (15) million metric tons and thirty (30) million metric tons:

- 40 % of the turnover from the Joint Production generated by that portion of the Posted Price at or below the benchmark price "p";
- 35 % of the turnover from the Joint Production generated by that portion of the Posted Price above the benchmark price "p".

More than thirty (30) million metric tons:

- 45 % of the turnover from the Joint Production generated by that portion of the Posted Price at or below the benchmark price "p";
- 40 % of the turnover from the Joint Production generated by that portion of the Posted Price above the benchmark price "p".

For Fiscal Year 1994/1995, the benchmark price "p" is set at 14 U.S. Dollars per barrel.

For each future Fiscal Year n/n+1, the benchmark price "p" shall be calculated as follows:

$$"p" = \frac{14 \times I_n}{I_o}$$

where I_o is the arithmetic average as of July 1994 of the two following indexes:

- Index of the Consumer Prices (not seasonally adjusted) of the major seven countries (U.S.A., CANADA, JAPAN, GERMANY, FRANCE, GREAT-BRITAIN, ITALY) , that are members of the Organisation for Economic Cooperation and Development (OECD) published in the monthly publication of the main Economic Indicators by the Department of Business and Statistics of the OECD.(Base 100 in 1985).
- Index of the Producer Prices (not seasonally adjusted) of the above mentioned major seven countries that are members of the Organisation for Economic Cooperation and Development (OECD) published in the above referred monthly publication. (Base 100 in 1985).

and In is the arithmetic average of the two above referred indexes as of July of the year n.

- 4b. 1. For the purpose of reimbursement of the advances granted by Contractor to the Republic of Cameroon under this Contract and, if applicable, the interest related thereto, the Republic of Cameroon shall have the choice of either:
- i. assigning to Contractor a part of its share in the Joint Production (which shall be valued at the Posted Price) within the limitations as stipulated above. Contractor shall thus market production and keep the proceeds therefrom;
 - or
 - ii. directly pay in a Convertible Currency (such Convertible Currency being at the sole election of the Republic of Cameroon) to Contractor the proceeds from the sales of a part of its share in the Joint Production within the limitations as stipulated above. The Republic of Cameroon shall, fifteen (15) days prior to the date of payment, give Contractor notice of the selected Convertible Currency. Conversion from U.S. Dollars into the currency selected by the Republic of Cameroon will be made two (2) working days prior to the date of payment using the rate quoted by Société Générale, Paris, France, at 11:00 a.m. Paris time on that day. Any amount not fully paid by a Party on this date shall be adjusted to reflect late payment interest. For loans, if any, payment shall be due two (2) days before the loan payment is due.

The Republic of Cameroon shall notify Contractor of its choice of method of reimbursement for the following calendar year by October 1st of each year failing which it shall be deemed to have elected to directly pay Contractor in cash.

2. It is understood that where, for a given Fiscal Year, the Republic of Cameroon's share of the Joint Production allotted for the cumulative reimbursement of the advances granted by Contractor exceeds the actual amount to be reimbursed pursuant to Article IX, that portion of the Republic of Cameroon's share not used for reimbursement to Contractor shall be carried forward to subsequent Fiscal Years until Contractor receives complete reimbursement of said advances. The right to carry forward that portion of the share not used shall apply regardless of whether the reimbursement of advances is in cash or in kind. This reimbursement shall cease when there is no Joint Production from the Area of Association.

The reimbursement limitation, as referred to in sub-paragraph b.1 (i) and (ii) above shall not apply to Negative Royalty (quarterly provisional payment or final annual settlement) which might be due pursuant to the provisions of Article 14 of the Convention.

In case the application of Paragraph 4a) above will not allow the fulfillment of the conditions of Article 16.2 of the Convention, and unless there is agreement of the Republic of Cameroon and Contractor when the time comes, the Republic of Cameroon shall transfer to Contractor during the year under consideration, Liquid

Hydrocarbons or cash in quantities or amounts such that Contractor actually receives its guaranteed share of Rente Miniere as provided in the Convention.

- c. In case, according to the conditions of paragraph b) hereabove, the Republic of Cameroon assigns to Contractor its share in the Joint Production, the reimbursement thus made by the Republic of Cameroon will be considered having been made at the value on the due date of the invoice corresponding to the Hydrocarbons lifting.
- d. For the purpose of this Article IX, the proceeds collected by Contractor shall be applied for reimbursement in the following order:
 - payment of interest
 - payment of Exploitation Costs as defined in the Accounting Procedure;
 - reimbursement of the advances granted by Contractor;
 - servicing of joint loans, if any.
- e. The price at which Contractor may market the part of the share of the Republic of Cameroon in the Joint Production, according to the conditions provided for in paragraph b) hereabove, shall be a price to which the Parties agree in advance. If the Parties fail to agree, the price will be the Posted Price at the time of the lifting.
- f. The Republic of Cameroon may at any time reimburse in advance, the advances granted to it by Contractor.

A detailed statement of the advances granted by Contractor and the reimbursements made by the Republic of Cameroon for each calendar Quarter shall be sent in the thirty (30) days following the expiration of each Quarter.

The Republic of Cameroon will audit on site the accounting supporting these statements, in accordance with the Accounting Procedure.

5. The amounts not reimbursed to Contractor as result of the reimbursement limitation shall bear interest from their due date until the date on which they are fully paid at the LIBOR rate as in effect on such due date plus two percent (2%). Such interests shall be compounded annually until the date of payment, subject to the reimbursement limitation provided for in this Contract.

The rate to be applied to the aggregate outstanding amount shall be the rate in effect at the time of each compounding operation. In case of partial payment, the amount paid shall be applied first to the payment of interests accrued as of the date of payment.

Interest shall be calculated on the basis of a 360 day year.

Interests so received by Contractor shall not be taken into account for the calculation of Rente Miniere but shall only be taken into account in the determination of taxable income, for the Fiscal Year during which such interests shall have been received.

ARTICLE X

Ownership of Property - Fixed Assets

1. To the extent the Operating Committee deems it desirable, any Party has the option to use its own buildings, materials, supplies and equipment which are capable of being used for Joint Operations. In such case, the costs pertaining thereto shall be charged to the joint account in accordance with the provisions of the Accounting Procedure. Any losses or damages to such buildings, materials, supplies and equipment as a result of their use for Joint Operations shall be charged to the Participation Account.
2. Fixed assets purchased with Participation Account funds shall be considered the undivided property of the Parties who shall enter them in their respective accounting systems in proportion to their Participation in the Expenditures. It is specified that the fixed assets financed by advances of Contractor to the Republic of Cameroon shall become the property of the Republic of Cameroon only to the extent of the full reimbursement of these advances.

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ARTICLE XI

Production and Lifting

1. Subject to the provisions of Article IX above and to paragraph 11 of this Article, each Party shall have the right and obligation every year to take in kind, and at its own expense, separately dispose of the quantities of Liquid Hydrocarbons corresponding to its participation in the Optimum Production Capacity, of each field established for the year in question.

Such right of each Party shall be called "Lifting Right" in this Article. Provisions of this Article shall not apply to Natural Gas.

- 2a. Before May 1st of year A, Operator shall forward to each Party the estimates of Optimum Production Capacities of each field for each of the three following calendar years: A + 1, A + 2, A + 3.
- 2b. If by June 1st of year A the Parties are unable to agree on Optimum Production Capacity, the matter shall forthwith be submitted to an independent expert for determination on the basis of the factors mentioned above, in accordance with the provisions of Article XVI of this Contract. The selected expert shall render his decision prior to August 1st of year A.
- 2c. The Optimum Production Capacity of each field shall be firm and on a quarterly basis for the year A+1, and provisional for the years A +2 and A + 3.

The so agreed upon Optimum Production Capacities shall be immediately notified by Operator to each of the Parties.

- 3a. Before August 1st of each year, the Parties, after mutual consultation, shall notify in writing to each other and to Operator their Lifting Requirements of Liquid Hydrocarbons from each field for each of the three following calendar years.

For the year A + 1, the Lifting Requirements from each field shall be on a quarterly basis, taking into consideration the Optimum Production Capacity as fixed on a quarterly basis under the provisions of Paragraph 2 b) hereinabove for the year in question. The Lifting Requirements will be evenly spread, as close as possible, over the year, unless otherwise agreed by the Parties.

- 3b. In order to fix their Lifting Requirements for the year A + 1, the Parties agree that if the Lifting Requirements of a Party from a field for the year A+1 is lower than its Lifting Right ("underlifter"), a Party or several Parties, provided that their initial Lifting Requirements are equal to their Lifting Right, may purchase at the fair market value from the underlifter and lift ("overlifter") all or part of the quantities of Liquid Hydrocarbons corresponding to the difference between the Lifting Right and the Lifting Requirements of the underlifter from the mentioned field for the year A+1. Fair market value for the purpose of this provision will be determined by published spot crude prices of similar quality and location on the five (5) days around loading. For this purpose, before September 1st, the underlifter shall communicate to the other Parties, the quarterly quantities of Liquid Hydrocarbons from each field which will not be lifted and which will thus be put at their disposal during the year A+1. The quantities consisting of a Party's initial Lifting Requirements, increased where so indicated by overlifts applicable to it, shall be considered to be such Party's "Lifting Requirements".

- 3c. Before September 15 of year A, any Party wishing to overlift all or part of the quantities of Liquid Hydrocarbons which are not lifted, shall notify the underlifter of its decision to purchase these quantities.
- 3d. The Lifting Requirements of each Party shall show, if applicable, the total quantities of Liquid Hydrocarbons for all Parties to be overlifted during this year as well as the distribution thereof on a quarterly basis in the course of year A + 1.

The quarterly Lifting Requirements of each Party so notified to Operator shall, subject to Paragraph 8 below, be firm by Quarter for the year A + 1, and provisional for the years A + 2 and A + 3. These firm Lifting Requirements for year A + 1 may not be amended unless:

- Unanimous agreement of the Parties.
- In case of any variation of the Optimum Production Capacity of a field, as agreed by the Operating Committee for the year A + 1.
- In case of modification of the Participation in the Production.
- In case the owner of an underlifted quantity of Liquid Hydrocarbons for which no other Party has exercised a purchase right in a relevant quarter give Operator a 90-day notice prior to the commencement of such Quarter of its intention nevertheless to take all or part of such underlifted quantity.

It is understood that for a given field, the total of the Lifting Requirements of all Parties in a given year, cannot be higher than the total of the Lifting Right of all Parties (i.e. more than the field's Optimum Production Capacity of this field as determined pursuant to the provisions of Paragraph 2 hereinabove). The Parties further agree that the setting of Lifting Requirements of each Party shall not increase or decrease the Lifting Right of any Party in any succeeding year, it being understood that the quantity, if any, by which a Party's Lifting Right in any year exceeds its Lifting Requirements during such year shall (except to the extent that liftings are adjusted pursuant to paragraph 8 hereof) at the end of such year remain unproduced and shall be subject solely to the future Lifting Right of the Parties. For the year A + 1, the Operating Committee shall fix before October 1st the production on a quarterly basis of each field which will be equal to the total of the firm Lifting Requirements of all of the Parties, as notified to Operator.

- 4a. Should the actual production availability of a field for any period of year A + 1 differ from the Optimum Production Capacity fixed for this period, Operator shall immediately notify the Parties of the so ascertained difference; the Operating Committee shall in this event in accordance with sub-paragraph 2b) above decide upon a new Optimum Production Capacity for that period of year A + 1.
- 4b. If the actual production availability of an oilfield for any period of the year A + 1 is less than the relevant total Lifting Requirements of the Parties for this period, all firm Lifting Requirements of the Parties shall be reduced in proportion to their respective Lifting Requirements to the extent of the reduction of the Optimum Production Capacity of the field for the relevant period, unless otherwise agreed.
- 4c. If the actual production availability of an oilfield for any period for the year A + 1 is greater than the relevant Optimum Production Capacity determined for this period, the excess quantity of production resulting therefrom shall be apportioned among the Parties on the basis of their respective Lifting Right for the field in question; it being understood that, if a Party requires less

than its Lifting Right, the other Parties may purchase all or part of available underlifted quantity of Liquid Hydrocarbons according to applicable provisions of paragraph 3 hereinabove.

The Lifting Requirements of a Party relative to the excess production of a given field shall then be added to the initial firm Lifting Requirements of this Party and constitute the new firm Lifting Requirements of the Party for the year A + 1.

5. Except under application of the provisions of Paragraph 8 hereafter, each Party shall take delivery of the Liquid Hydrocarbons quantities corresponding to its Lifting Requirements at the Delivery Point (or Points) as may be mutually agreed.
6. Unless otherwise agreed, each Party shall lift the required Liquid Hydrocarbons quantities corresponding to its Lifting Requirements at an approximately equal rate over each quarter. It is understood, however, that all Liquid Hydrocarbons stored for the account of a Party in any jointly owned storage facilities shall be lifted by said Party at such time and in such quantity that there shall not remain at any time in such storage any quantity hereof in excess of the storage capacity to which this Party may benefit. This storage capacity is equal to the ratio of its Lifting Requirements to the sum of total Lifting Requirements of all Parties during the aforesaid quarter.

In no case, moreover, may any Party lift Liquid Hydrocarbons quantities in excess of its Lifting Right except in the circumstances provided under Paragraph 3b) above.

7. Promptly after the granting of an Exploitation Title and prior to commencement of production, the Parties shall negotiate and agree upon the terms and conditions of lifting procedures, including such matters as listing programs, loading conditions, measuring and accounting of the Liquid Hydrocarbons quantities corresponding to the Parties' Lifting Requirements. Those lifting procedures will be stipulated in a separate agreement to be attached to this Contract as an annex to be called "Technical Loading Conditions".
8. At the end of each calendar quarter of year A + 1, Contractor will report the actual liftings during the quarter for each of the Parties. Each Party may ask Operator to carry some of the Liquid Hydrocarbons it lifted at the end of such Quarter over to the succeeding Quarter or on the other hand to add onto the expiring quarter Liquid Hydrocarbons it lifted in the succeeding quarter so that the Lifting Requirements and lifting be balanced.

However, the quantity which may be involved in such an adjustment may not, unless otherwise agreed between the Parties, exceed the lesser of one half of the storage capacity at the field or the largest cargo loaded at the terminal during the twelve month period which ends on the last day of the expiring quarter. The maximum period allowed for making such adjustments shall be determined at a later date on the basis of the relationship of the daily production rate to the storage capacity.

9. If, due to insufficient liftings during any quarter of year A + 1, and notwithstanding the tolerance at the end of each Quarter during that year, as defined in Paragraph 8, the actual Liquid Hydrocarbons liftings of a Party from a field for the aforesaid year are lower than its firm Lifting Requirements from this oilfield, such lower liftings shall not increase or decrease the Lifting Right of a Party in any succeeding Quarter, it being understood that quantity, if any, by which a Party's Lifting Right in any Quarter exceeds its actual Liquid Hydrocarbons liftings during such year, shall (except to the extent that liftings are adjusted pursuant to Paragraph 8 hereof) remain unproduced and shall be subject solely to the future Lifting Right of the Parties.
10. It is expressly understood that the Parties shall not jointly sell the Liquid Hydrocarbons produced, although each Party may delegate authority to sell its share of production to another Party with its

prior consent for such reasonable periods of time as are consistent with the minimum needs of the industry but in no event to exceed one year.

11. At the request of the Republic of Cameroon, and upon terms to be mutually agreed, each entity constituting Contractor may market the production of the Republic of Cameroon. The Republic of Cameroon shall grant to each entity constituting Contractor priority, under conditions equal to those proposed by other buyers, for the purchase of the production which it exports.

ARTICLE XII

Confidential Information

1. None of the Parties may communicate to third parties the text of this Contract, nor any extracts of it, nor any other information pertaining to the operations hereunder, before having obtained the agreement of the other Parties, with the exception of the following:

Any Party may communicate any information regarding this Contract and the operations, to the following:

- a. to any Republic of Cameroon authorities upon their official request, through the Societe Nationale des Hydrocarbures (SNH), except as otherwise provided by laws and regulations;
 - b. to Affiliated Companies;
 - c. to third parties acting on orders from any governmental or municipal authorities or the Republic of Cameroon authorities or from a service of the judiciary department;
 - d. to third parties having the status of advisors to a Party, such as but not limited to legal representatives, accounting commissioners, "auditors";
 - e. to the extent disclosure pursuant to the rules or requirements of any stock exchange upon which the shares of the disclosing Party or its Affiliated Companies is listed and to the extent that any Party shall disclose information in an annual or periodic report to stockholders, provided that any Party making public disclosure under this provision shall use its best endeavors to consult the other Parties regarding the terms thereof;
 - f. to the extent required by laws or regulations;
 - g. to prospective assignees;
 - h. to the extent the information has become public through no fault of one of the Parties.
2. The provisions of this Article shall be applicable to any individual or entity, except disclosures required by items 1.e) and f) of this Article XII, to whom any information regarding this Contract or other information relating to the Petroleum Operations is communicated. Furthermore, they shall continue to be applicable to any Party who ceases to hold an interest by virtue of the provisions of Article XIV of this Contract for a period of five (5) years from the effective date thereof.

3. Any Party may, with prior written approval of all other Parties and on such terms and conditions as all such other Parties may reasonably determine, exchange any such data and information for other similar data and information and shall promptly provide all the other Parties with a conformed copy of the agreement relating to such exchange and all such other data and information, provided that if any Party is also the owner or part owner of such other data or information it shall not be entitled to prevent an exchange which has been approved by the other Parties.
4. Subject to the paragraph 1 of this Article, the Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Contract or the Joint Operations provided always that no such public announcement or statement shall be issued or made unless prior thereto all the Parties have been furnished with a copy thereof and the approval of the Operating Committee has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property, the environment or of pollution arising from Petroleum Operations, Operator shall be authorised to issue and make such announcement or statement without prior approval of the Operating Committee but shall promptly furnish all the Parties with a copy thereof.
5. Without prejudice to paragraph 1 e) and f) of this Article, if any Party wishes to issue or make any public announcement or statement regarding this Contract or the Joint Operations, it shall not do so unless prior thereto it furnishes all the Parties with a copy of such announcement or statement and obtains the approval of the Operating Committee.

ARTICLE XIII

Force Majeure

No delay or default of Contractor or the Republic of Cameroon in performing any of the obligations under this Contract shall be considered a breach of contract if such delay or default is caused by a case of Force Majeure.

If, in the event of Force Majeure, the performance of any of the obligations under this Contract is suspended, the time period the obligation is under suspension extended by the time required to repair any damage caused by the Force Majeure event and during such suspension shall be added to any period provided by this Contract for the performance of said obligation and the terms of any Mining Title being affected by Force Majeure and any other term hereunder shall be extended by that same period.

Withdrawals - Relinquishment - Assignments

1. Withdrawal

- a. Each Party has the right to withdraw from this Contract in as far as it relates to the whole or any part of the Area of Association, subject to it having fulfilled its proportionate share of the financial commitments to which it has committed under any work program and budget in any Mining Title subject to notification given to the other Parties six (6) months in advance.
- b. The withdrawing Party shall endeavor to minimize the hindrance to the current operations.

As of the effective date of its withdrawal, the withdrawing Party is released from any future obligations and is deprived of any right to explore or take production.
- c. Unless otherwise agreed, all the rights and obligations of the withdrawing Party are transferred to the other Parties without compensation. Any possible expenditures relating to the transfer shall be borne by the withdrawing Party.
- d. In case a Party withdraws from less than or the total Area of Association, the withdrawing Party shall retain its right to its proportional share of production extracted from all the fields, which have been discovered on the relevant permit, prior to the withdrawal date, provided that the said Party remains obligated towards the relevant production costs.

2. Relinquishment

- a. At any time, this Contract may be terminated by Contractor, provided, however, that Contractor has satisfied all commitments including work obligations and financial commitments as provided in Annex III of the Convention.
- b. In case of full relinquishment by Contractor, the assets of the Parties under this Contract shall be sold by Operator under the best possible terms in agreement with the other Parties and the available funds shall be distributed prorata to their Participation in the Expenditures on the date of cancellation after deduction of any amounts required to settle any Party's debts to the Participation Account.
- c. If only one or more but less than all of the Parties find that a field discovered through Joint Operations and for which a Mining Concession has been obtained is noncommercial, it can withdraw and the other Parties electing to develop the Discovery shall alone have the benefit therefrom, provided they bear the whole of the corresponding costs. The conditions and value concerning the takeover of the material, equipment and installations pertaining to that field and financed jointly shall be established by agreement between the Parties, the recovery price being their recoupment value.
- d. Fixed installations which were the undivided property of the Parties shall revert free of charge to the Republic of Cameroon at the expiration date of the Exploitation Title.

3. Assignment

Any assignment shall be made according to the provisions of the Convention.

4. Withdrawal and Assignment by the Republic of Cameroon

The Republic of Cameroon may not, in any case whatsoever, request the application of paragraphs 1, 2 and 3 of this Article. However, the Republic of Cameroon may freely assign all or part of its rights and obligations under this Contract to an agency or a company entirely owned by the Republic of Cameroon provided such agency or company has been designated to the International Center for Settlement of Investment Disputes (ICSID) in accordance with Article 25 of the Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID Convention) and provided further such agency or company remains bound by all the terms of this Contract.

ARTICLE XV

Dispute Resolution and Applicable Law

- a. Subject to the provisions of Article XVI, any disputes between the Republic of Cameroon and Contractor concerning the interpretation or the application of this Contract, including the implementation of the decision of an expert under Article XVI, shall be settled by the arbitration procedure defined herein.
- b. The Parties hereby consent to submit to the International Center for Settlement of Investment Disputes (ICSID) any dispute in relation to or arising out of this Contract for settlement by arbitration pursuant to the Convention of the Settlement of Investment Disputes between States and Nationals of other States. (ICSID Convention).

The Parties hereby agree that, for the purpose of Article 25(1) of the ICSID Convention, any dispute in relation to or arising out of this Contract is a legal dispute arising directly out of an investment.

- c. The Parties shall not be relieved from meeting their obligations arising from this Contract during the arbitration procedure.

However, the commencement of the arbitration procedure shall bar enforcement of the contested measure for the duration of such arbitration.

- d. The ruling of the arbitrators shall be final and irrevocable. It shall be binding on the Parties and enforceable according to Article 54 of the ICSID Convention.

The Parties shall henceforth formally and without reservations renounce the right to challenge the said ruling, to obstruct its execution by any means or to appeal against it before any court or jurisdiction whatsoever.

- e. Cameroon law, generally accepted principles of international law and standard practices widely used in the international petroleum industry shall be applied with respect to this Contract.

ARTICLE XVI

Technical Expert Clause

Any technical matter in dispute between the Republic of Cameroon and the Contractor including, but not limited to:

- the areal extent of a Discovery or Discoveries and the corresponding Mining Concession as referred to in Article 5 of the Convention;
- the Technical Costs;
- Petroleum Operations;
- Calculation of the Posted Price;
- any other matter of a technical nature that the Parties mutually agree;

may, at the request of either of such Parties by written notice to the other(s), be proposed to be referred for determination by a sole expert to be appointed by agreement between the Parties. If the Parties fail to agree on the submission of the matter and dispute to an expert, the matter and dispute shall be referred to arbitration under Article XV hereinabove.

If the Republic of Cameroon and the Contractor agree on the referral of the matter to a sole expert but fail to agree on the appointment of the expert within sixty (60) days of their agreement to submit the matter to an expert, either of such Parties may have such expert appointed by the President for the time being of the Institute of Petroleum (London).

If the aforesaid President shall be disqualified to act by reason of professional, personal, or social interest or contract with any of the Parties in dispute, their Affiliated Companies, their officers or employees, the next highest officer for the time being of said Institute of Petroleum (London), who is not disqualified shall act in lieu of said President. No person shall be appointed to act as an expert under this Article unless he shall be qualified by education, experience and training to determine the subject matter.

The mission of the expert shall be to determine which Party has adopted the position with respect to the matter in dispute which is the most consistent with the terms of this Contract, the Convention and good oilfield practices as applied by the international petroleum industry. The expert shall render his decision within sixty (60) days after the date of his appointment, unless the Parties agree otherwise.

The decision of the expert shall be final and binding on both Contractor and the Republic of Cameroon. All costs associated with a determination hereunder and duly justified, including the experts' fees and expenses, and the costs associated with an appointment, if any, made by the President of the Institute of Petroleum (London) shall be borne equally by the Parties.

ARTICLE XVII

Implementation of the Contract

The Republic of Cameroon and the entities constituting Contractor undertake to cooperate in all possible ways to achieve the objectives of this Contract.

If the Republic of Cameroon considers that any entity constituting Contractor has committed a breach in the performance of any of its obligations under this Contract, it shall so notify Contractor in writing specifying the nature of the breach and said entity constituting Contractor shall have ninety (90) days to remedy the breach or refer the matter to arbitration in accordance with the provisions of Article XV hereof.

Unless otherwise provided for in this Contract, each entity constituting Contractor shall be jointly and severally liable for the obligations of Contractor under this Contract.

ARTICLE XVIII

Violation of the Contract

Violation by an entity constituting Contractor of the provisions of this Contract may entail denunciation thereof with respect to such entity by the Republic of Cameroon after notification and 90-day period to remedy in accordance with the provisions of Article XVII hereof.

However, without prejudice to the provisions of Articles XV and XVI hereof, the following violation by an entity constituting Contractor may entail automatic denunciation of the Contract with respect to such entity if, after having been notified in writing, it does not take remedial action within ninety (90) days following such notification:

- a. refusal to furnish to the Republic of Cameroon authorities upon their official request, non confidential information pertaining to Petroleum Informations as provided by Article XII hereof;
- b. refusal to grant advances to the Republic of Cameroon in accordance with the provisions of Article IX hereof;
- c. violation of the provisions of the Convention such as described in Article 27 of said Convention;

Where an entity constituting Contractor is guilty of one of the above mentioned violations, and where it has not commenced to take remedial action within prescribed time limit, such entity shall lose all its rights and interests, except its rights to recover all or part of its investments made in the Area of Association as provided in Article 16 (3) of the Convention, and the Contract shall be denounced with regard to that entity by mere notification in writing.

Termination of the Contract shall not relieve the Parties of contractual obligations that they may have to honor on the date of such termination.

ARTICLE XIX

Notices

All notices and other communications required or permitted hereunder or any notices that Parties may desire to give to the other Parties shall be in writing in the English or French language and deemed to have been properly delivered if personally handed to an authorized representative of the Parties for whom intended or sent by registered airmail, telegram, cable or telex with all costs prepaid, upon receipt, at or to the address of such Party for whom intended as indicated below, or such other addresses as any Party may from time to time designate by notice in writing to the other Parties:

XXXXXX Company Cameroon

P.O. Box

Douala

Republic of Cameroon

Copy to:

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The Republic of Cameroon

c/o Societe Nationale des Hydrocarbures (S.N.H.)

P.o.Box 955

Yaounde

Republic of Cameroon

Telephone: (237) 20-19-10

Telefax: (237) 20-46-51

Telex 8513 KN; 8514 KN

ARTICLE XX

Signature

This Contract has been signed in three originals in English and in three originals in French, both languages being equally binding and authoritative.

ARTICLE XXI

Final Clause

This Contract shall be printed and registered at the expense of the entities constituting Contractor.

Done in Yaounde,

_____ day of _____, 199.

For the Republic of Cameroon:

For XXXXXX Company Cameroon:

For YYYYYY Company Cameroon:

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ANNEX A

Accounting Procedure

The purpose of this Accounting Procedure is to define the relevant rules in accordance with the principles generally allowed in the international petroleum industry and to establish equitable methods for the calculation of the amounts due and credited within the framework of the operations. If any of said methods appear unfair or inequitable, the Parties shall meet and try, in good faith, to adopt modified methods necessary to remedy any unfairness or inequity whatsoever.

Definitions

The words used in this Accounting Procedure shall have the following meaning, unless specified otherwise

1. GENERAL ACCOUNT

All of the accounting kept by the Operator (for Separate or Participation Accounts) for the recording of any expense and other accounting operations of the Operator.

2. PARTICIPATION ACCOUNTS

The accounts opened in the name of each of the Parties from which are debited their proportionate share of the expenses for the Joint operations and to which their contribution and the financing of Joint operations are credited.

3. SEPARATE ACCOUNTS

The accounts opened by the Operator for the recording of any expenses and other accounting operations relating to the Joint Operations performed on the account of a Party in the Area of Association

3. EXPLORATION COSTS

The cost price for Exploration Operations and the cost price for the acquisition as joint property of fixed assets and consumable material necessary for the carrying out of Exploration Operations. Any amortization charged on the above costs will be properly accounted, it being the intention of the Parties not to charge an amortization twice.

4. DEVELOPMENT COSTS

The cost price for development work in a mining concession and the cost price for the acquisition as joint property of fixed assets, equipment necessary for exploitation, processing, stabilization, storage, transportation and shipment of Hydrocarbons. -Any amortization charged on the above costs will be properly accounted, it being the intention of the Parties not to charge an amortization twice.

5. EXPLOITATION COSTS

Excluding Exploration Costs and Development Costs, all cost prices generally charged in accordance with international petroleum industry standards and practices and reported in accordance with OCAM rules for operations, maintenance, processing, stabilization, transportation, storage and shipment of Hydrocarbons. These costs are not subject to amortization but are immediately expensed.

It is understood fixed assets (Exploration costs and Development Costs) which have not been fully amortized prior to the exploitation phase shall be amortized and properly accounted, it being the intention of the Parties not to charge an amortization twice.

Accounting Documents and Settlements between the Parties

0. BEARING OF THE COSTS

The Exploration Costs, Development Costs and Exploitation Costs shall be shared between the Parties according to their Participation in the Expenditures, subject to particular methods of financing foreseen in Article IX of the Contract.

1. GENERAL OBLIGATIONS OF THE OPERATORS

The Operator shall permanently keep in its accounting books true and exact accounts of the costs and the expenses incurred for exploration, development, and exploitation relating to the Area of Association, as well as any other necessary or useful data for the settlement of the accounts between the Operator and the Non-Operators with respect to their rights and obligations as defined in the Contract.

2. FORM OF BOOKS AND ACCOUNTS - REQUESTED INFORMATION

- 2.1. The Operator must keep the accounts in a form which will allow the Non-operators to receive extracts therefrom, so that the latter may normally register in their books the operations pertaining to their Participation in the Expenditures. This shall be done according to the rules of the "General Accounting Plan for the Organisation commune Africaine, Malgache et Mauricienne (OCAM)" and according to the "Professional Accounting Procedure Guide for Companies in Hydrocarbon Exploration and Exploitation".
- 2.2. The Operator shall separately register in his books and accounts all movements representative of his separate interests which are not attributable to Joint operations.

3. CURRENCY, PLACE OF ESTABLISHMENT, AND KEEPING OF ACCOUNTS AND DOCUMENTS

The General Account, Participation Accounts and Separate Accounts for Exploration Costs, Development Costs, and Exploitation Costs will be kept by the Operator in United States Dollars (US Dollars) or in any other Convertible Currency chosen by the Operator.

Any currency exchange difference which might occur shall be allocated in the Participation Accounts and/or Separate Accounts at the prorata of the participation of each Party.

The expenses incurred in any currency by the Operator for the account of the Parties will be accounted for at the rate of exchange at which these currencies have been actually bought or sold.

If the payments in currencies incurred by the operator are settled with currencies not purchased specifically for this payment, the payments in cash shall be accounted for in US Dollars according to the currency exchange rate such as quoted by Société Générale, Paris, France, 11 a.m. Paris time, two (2) working days prior to the liquidation day of the expenditure.

It is the intention of the Parties that, whenever converting currencies for the accounting of the advances in various currencies, as provided in paragraph 6 herebelow, and for the accounting of any

operation of currency exchange relating to the operations, no Party shall make a profit or a loss whatsoever.

4. CHARGING TO ACCOUNTS

All costs shall be charged on the basis of actual payments by Operator except for expenses due and not paid, which will be charged on a provisional basis. Expenses due and not invoiced will be allocated on a provisional basis. The operator will ensure that any provisional recording of an expense is adjusted diligently by the subsequent recording of the actual payment in the accounting or by the recording as a certain debt of the exact expense incurred.

5. BUDGETS

The budgets will be drawn up for a Fiscal Year according to the procedure defined in Article VII of the Contract.

These budgets must include on the one hand, for Exploration Costs, the wells as well as the items of geological and geophysical activities per Mining Title and on the other hand for Development Costs the items for the investments and the development wells being carried per mining concession. The Exploitation Costs shall also be analyzed in the budgets by Mining Concession. No expense may be incurred by the Operator in an exploration, development, or exploitation period if it has not been foreseen in the regularly approved budget or unless said expense incurred out of the budget or beyond the allowed limits is admissible in terms of the management regulations stipulated in Article VII of the Contract. The level of detail in the budget will be the AFE (Authorization For Expenditure) level.

The budgets shall provisionally determine for the next Fiscal Year the rate of the proportional mining royalty for the Area of Association, so that each entity constituting Contractor receives the share of Rents Minière guaranteed under Article 16 of the Convention.

A final statement of the proportional mining royalty or the Negative Royalty, as the case may be, shall be made before October let as provided under Article 14 of the Convention.

6. ADMINISTRATION OF ADVANCES GRANTED TO THE REPUBLIC OF CAMEROON BY CONTRACTOR

6.1. Advances granted pursuant to Article IX of the Contract

The advances granted to the Republic of Cameroon will cover fifty percent (50%):

- of the exploration expenses ;
- of the development expenses ;
- of the exploitation expenses, if required to be advanced.

6.2. Reimbursement of advances and interest relating thereto

The advances made by Contractor to the Republic of Cameroon as provided by Article IX of the Contract shall be reimbursed by the Republic of Cameroon, either in cash or in kind, according to the following order:

- 6.2.1. Interest charged for advances for exploration, development and exploitation expenses, if any ;
- 6.2.2. Advances under the heading of late payment interests;

- 6.2.3. Advances under the heading of interests on loans;
- 6.2.4. Advances under the heading of exploitation expenses;
- 6.2.5. Advances under the heading of exploration expenses;
- 6.2.6. Advances under the heading of development expenses.

The methods of reimbursement of said advances and interest related thereto are listed in Chapter VI hereof.

7. INVOICES, QUARTERLY AND ANNUAL STATEMENTS

Within thirty (30) days following each Quarter of the Fiscal Year and within sixty (60) days following the end of the Fiscal Year, the operator shall account for expenses set forth within the scope of the operations entrusted to it. For this purpose, it shall send to the Non-Operators the following documents:

7.1. Invoices and statements relating to operations

Invoices will be at least as detailed as the corresponding budgets.

7.1.1. An invoice concerning the share of the Non-Operators in the Exploration Costs.

A detailed statement of the Exploration Costs by permit shall be attached to this invoice mentioning by kind of activity (geology, geophysics, and exploration drilling) the amount of costs defined in Chapter I, paragraph 4 hereof. This statement shall mention the share of overhead allocated to Exploration Costs.

7.1.2. An invoice relating to the share of Non-Operators in the Development Costs.

A detailed statement of the Development Costs shall be attached to this invoice mentioning by Mining Title, the work and investments such as production facilities, processing, transportation, storage and shipment defined in Chapter I, paragraph 5 hereof. This statement shall mention the share of overhead allocated to the Development Costs. Detailed source of financing will also be attached.

7.1.3. An invoice relating to the share of Non-Operators in the Exploitation Costs.

A detailed statement of the Exploitation Costs by Mining Concession shall be attached to this invoice, the costs of which are defined in Chapter I, paragraph 6 hereof. This statement shall mention the share of overhead allocated to the Exploitation Costs.

7.1.4. An invoice (or a balance) relating to the share of the Non-Operators in the variation of the amount of joint stock for consumable material and equipment.

7.1.5. A statement for the wells terminated, classified as exploration and exploitation wells.

7.1.6. A statement of investments indicating the movements which have occurred during the Quarter : operations started, transfers and withdrawals.

7.1.7. A statement of production mentioning the quantities of Hydrocarbons:

- produced and/or saved ;
- used for the operations (internal consumption) as well as the entitlement of each of the Parties.

- 7.1.8. An invoice relating to the shares of Non-operators in the interests of joint loans, if any. A detailed statement shall be attached to this invoice mentioning the reimbursements of various loans (reimbursements of principal and interests).
- 7.1.9. A statement of Liquid Hydrocarbons stocks mentioning:
- the entitlement of each Party (including unlifted quantities from the preceding period);
 - the quantities subject to firm commitment and actually lifted by each of the Parties;
 - the quantities belonging to the Republic of Cameroon and lifted by Contractor:
 - . for the reimbursement of the advances made and of the related interests as provided by Article IX, paragraph 2 of the Contract,
 - . as Negative Royalty;
 - the quantities under or over-lifted by each of the Parties.
- 7.1.10. A statement for each of the accounts of advances made by Contractor to the Republic of Cameroon, indicating the details of the movements regarding these advance accounts and detailed source of financing.
- The advance account shall specifically indicate:
 - . the balance of the advances at the beginning of the Quarter ;
 - . the amount of the interests due regarding the Quarter;
 - . the amount of new advances made during the Quarter;
 - . the amount of reimbursements made during the Quarter;
 - . the new advance account balance.
 - Whenever these reimbursements are made in kind, an annexed statement shall show the items concerning the sale of the corresponding Liquid Hydrocarbons and its valuation. Essential elements necessary toward valuation include, but are not limited to:
 - . Reference invoices
 - . Client
 - . Vessel
 - . Date of loading
 - . Quantities
 - . Unit invoice price
 - . Amount invoiced in US Dollars and conversion (exchange) rate, if any
 - . Marketing costs
 - . Net amount to be assigned to the reimbursement of the advances and date of values
 - The exploitation advance account shall, in particular, indicate:
 - . the balance of advances at the beginning of the Quarter;
 - . the amount of the cash calls for exploitation which have not been paid by the Republic of Cameroon;
 - . the amount of payments made by the Republic of Cameroon in cash or in kind. In this case, an attached statement presented in the same way as above will mention the corresponding items relating to the sale of Liquid Hydrocarbons;
 - . the new balance for the advance accounts.

The advance account for investments relating to the operations shall, in particular, indicate:

- the balance of the advances at the beginning of the Quarter;
- the amount of Monthly Cash Call relating to exploration expenses;
- the amount of Monthly Cash Call relating to development expenses;
- the amount of payments made by the Republic of Cameroon in cash or in kind;
- the new balance for the advance accounts.

The new advance account balance of interests charged under Chapter II, paragraphs 6.2.1., 6.2.2. and 6.2.3. hereof.

7.2. Annual Statements

At the end of the Fiscal Year, a summary of the information contained in the quarterly statements shall be established as well as a statement determining the amount of the Rente Minitre and the corresponding proportional mining royalty. This last amount, minus the amounts paid provisionally, will allow for the determination of the balance for the proportional mining royalty or of the Negative Royalty, as the case may be, due for the Fiscal Year.

8. TREASURY

The funds necessary for carrying out Joint Operations are provided by the Parties following the procedure defined by Article VIII of the Contract (subject to the methods provided in Article IX of the Contract).

9. INVENTORY

The Operator will keep a permanent inventory in quantity and in value of the warehouse stocks from the Joint Operations and shall make the physical inventories necessary for the good management of these warehouse stocks reserving the right for the Non-Operators to make any verifications they might consider necessary.

The Operator shall inform the Non-operators, at least thirty (30) days before the beginning of the operations, of his intention to proceed with an inventory.

If, in spite of the notice which has been forwarded to them by the Operator, the Non-Operators cannot be represented at the moment of the establishment of the inventory, the resulting inventory may not be contested by the Non-operators.

A physical inventory shall be performed by the Operator once during a Fiscal Year, unless the Parties decide otherwise.

The report for a physical inventory performed in the presence of a Non-Operator shall not be changed by the Operator without the Non-Operator's prior consent.

10. VERIFICATION OF THE ACCOUNTS

10.1. The Non-Operators, upon minimum prior written notice of two months to the Operator and to the other Non-Operators, will have the right to examine and/or verify the accounts of the Operator relating to the Joint operations.

10.2. The accounts of the Joint Operations set up by the operator may be subject to an examination and/or verification either by an external auditor or by Internal auditor. The Non-Operators may therefore send one or a reasonable number of their representatives to verify in the Operatores accounting the accounts and books which relate to Joint Operations. The Parties

will make every reasonable effort to carry out said examination and/or verification together or simultaneously so as to cause a minimum of inconvenience to the Operator.

Subject to prior approval by the Parties, the cost of any examination and/or verification or accounting audit of the General Account made for the benefit of all Parties shall be charged to the Participation Accounts. If there is no agreement, a Non-Operator may, nevertheless, proceed to examine and/or verify the Participation Accounts at his own cost.

- 10.3. The right of examination and/or verification shall end for each Fiscal Year at the end of a twenty-four (24) month period after the end of the Fiscal Year under consideration. The operator will consider allowing a longer time for the examination and/or verification should exceptional circumstances be cited by a Non-Operator.

11. TAX OBLIGATIONS OF THE OPERATOR

The Operator must fulfill the fiscal obligations relating to Joint Operations with the various relevant administrations, except obligations concerning taxes, royalties and charges of each of the entities constituting Contractor for which each entity will prepare and file its own necessary statements.

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Principles of Charging to the Participation Accounts

1. GENERAL PRINCIPLES OF CHARGEABLE EXPENSES

There are three (3) categories of chargeable items:

- 1.1. The land, constructions, general equipment, specific equipment and facilities, material and consumable supplies and, generally, all the tangible and fixed assets, the acquisition of which was provided for in the mutually approved budgets and programs.
- 1.2. The functioning charges labeled 'operational' which consist of all costs whatsoever directly relating to the study, the organization and execution of the works defined in the budgets and programs and corresponding to activities displayed in the fields, in the offices and technical departments, and in the supporting departments of the Operator, either performed by the Operator with his own assets or with the participation of the Affiliated Companies or a third party.
- 1.3. The functioning charges labelled 'non-operational' or 'overhead'.

These are charges incurred by the head office of the Parent company of the Operator, not otherwise charged under 1. 2, for the purpose of management and administration with respect to the performance of the following duties and including staff and social environment expenses as mentioned herebelow:

- Direction and general management
- Public relations, excluding gifts and donations
- Finance
- Budget
- Management control
- Accounting
- Treasury
- Electronic data processing
- Taxes and legal matters excluding Operator's own taxes and legal matters.

2. BASIS OF APPLICABILITY

- 2.1. **Real estate property, construction, all joint equipment and facilities, materials and consumable supplies**

These tangible and fixed assets shall be charged to the Participation Accounts on the basis of their acquisition or production cost price on the location of utilization after deduction of the discounts

obtained. Should these tangible and fixed assets be provided by one of the Parties, the transfer price shall be determined in accordance with the rules stipulated in Chapter V hereof. The Parties agree that, in the case these rules should prove difficult to apply in certain instances, they will seek in good faith for the most equitable price in the interest of Joint operations.

2.2. Operational Charges

These are charged to the Participation Accounts at their cost price.

If the operator utilizes the personnel as well as the specific operational units belonging to an entity constituting Contractor, the charge therefrom shall be evaluated according to the methods in use by such entity, subject to approval of these methods by the Operating Committee, such approval not to be unreasonably withheld.

If the operator utilizes the personnel as well as specific operational units belonging to its Affiliated Company, it shall have the possibility to apply the corresponding costs to the Joint operations using either averages or standard rates, adjusting at the end of the Fiscal Year the variations which could arise between the charges thus evaluated and the actual charges incurred, or by any other means to which he is accustomed.

2.3. Non-Operational Charges Or 'Overhead'

The operator distributes the cost of his overhead among his various activities in the Area of Association at the prorata of the costs, excluding the finance costs, and excluding the amortization of the wells and specific installations of development accounted in these diverse activities.

The monthly statements forwarded by the Operator to the Non-Operators shall indicate, distinctively, the share of overhead which has been included in the Participation Accounts. The cost of the overhead shall be deemed to be three percent (3%) of annual expenditures for the Joint Operations. It is understood that all activities by the head office of the parent company of the operator mentioned in Chapter III, paragraph 1.3. hereof will be compensated by this percentage.

3. ANALYSIS, ACCORDING TO THEIR NATURE, OF THE CHARGES APPLICABLE TO THE COST PRICE

3.1. Personnel Expenses

3.1.1. Principles of applicability

The personnel expenses are charged to the Participation Accounts according to the analytical methods in force in operators' Affiliated Companies' internal regulations and methods with which the operator is accustomed. It is understood that the salaries of expatriate personnel shall be in line with those of the same profession in the country of origin. These expenses may be:

- either direct charges for the personnel employed in the operations; or
- indirect charges for the personnel employed in the supervising department (offices or technical departments) and in the management of supporting facilities.

3.1.2. Basic Items

These expenses are generated by the utilization of:

- the personnel recruited locally by the operator;
- the personnel made available by the Affiliated Companies or by third parties.

They include :

- wages and salaries of active personnel and related employer's social charges resulting from laws and regulations, individual and collective work contracts and from the internal procedures set by the operator;
- vacation expenses and salaries of the personnel;
- taxable and non-taxable compensations and premiums;
- contributions to the retirement funds.

The operator, according to his own analytical methods, may add to these costs the labor charges not specified above and which correspond to the management and social environment costs of the personnel, that is :

a. The personnel management costs including:

- the costs of recruiting and career development of the local Cameroonian personnel;
- the costs for the management departments in Cameroon;
- the costs for vocational training (including foreign language courses);
- the management costs billed by the Affiliated Companies under the heading of personnel made available.

b. The administration and social environment costs in accordance with operator's policy including, but not limited to:

- leasing, maintenance, and operating of administration facilities;
- office furniture;
- postal and communication, telex, mail, documentation costs;
- collective administration service (typing pool, etc.);
- transportation costs or compensations for personnel not otherwise charged;
- transfer to and from Cameroon and installation costs to and from Cameroon for expatriate personnel and their families, including holiday trips which are allowed to them according to operator's policy, provided such policy is in accordance with standard practices in the international petroleum Industry;
- lease and maintenance costs for housing, including related compensations for water, gas, electricity, telephone;
- costs of lodging;
- social welfare costs;
- medical and pharmaceutical costs.

3.2. Supply expenses

3.2.1. Items constituting the price of the supplied articles

The price of the supplied articles entering in the calculation of the cost price are the prices of the articles brought to the location of their utilization. These include the following items:

- a. The purchase price after possible deduction of any discount and rebate;
- b. The supply costs;
- c. The transportation, insurance, transit, handling and customs costs from the storage of the seller to the storage of the Operator;
- d. The Operator's storage costs;
- e. The transportation, insurance, and handling costs from the Operator's storage facilities to the location of utilization.

3.2.2. Cost of deliveries from the warehouse out of jointly owned stock

Each Party shall be credited with its proportionate share of the value of deliveries from storage (consumption) as incorporated in the cost prices.

3.2.3. Cost of deliveries from the storage out of stock owned by the Operator

In this case, the price of the delivery from stock may be increased by two percent (2%) to take into consideration the cost of financing the stock; however, it is the intent of the Parties to utilize joint stocks when available.

3.3. Service expenditures

Services rendered by, and rentals from, third parties shall be recorded at cost price, such as it appears from invoices issued by the latter.

The costs for technical, administrative, legal, supply, and accounting services incurred by Affiliated Companies for the direct benefit of Joint Operations shall be invoiced according to time spent and valued according to the Operators I cost system. It is understood the services will be provided at cost. Information about the cost system will be furnished to Non-Operators upon request.

Whenever the Operator shall use equipment and installations belonging exclusively to him or to Non-Operators rather than to resort to external purchases, the corresponding costs shall, depending upon the duration of utilization of said equipment, be charged on the basis of annual cost including:

- a. A rental equal to the initial purchase price of the equipment multiplied by the rate of depreciation defined in the Convention and thereafter using the same rate on salvage value after complete amortization;
- b. A sum intended to cover the usual and customary cost for one year, insurance premiums, maintenance and periodical Inspection costs and finance costs.

3.4. Miscellaneous Expenses

These shall be charged to the Joint operations.

3.4.1. Insurance

Insurance premiums contracted to cover the persons and property assigned to the Joint Operations or to cover the liabilities of the Operator with regard to third parties when he acts on the account of the Joint Operations. Any sums received from an insurer in settlement of a claim shall be credited to the account which paid the corresponding insurance premium, it being understood that Parties not insured shall not benefit from these settlements.

3.4.2. Court, legal, arbitration fees and other expenses required for the protection of rights relating to the Joint Operations.

3.4.3. Taxes and duties

Taxes and duties charged on Joint operations, except those taxes and duties relating to each Party personally, such as income taxes and the proportional mining royalty, the production bonus, the proportionate contribution to FOSHY and mining fees and rents.

3.4.4. Finance charges

Are chargeable to Joint Operations only

- finance costs relating to financing of Joint Operations;
- finance charges on advances or loans, if any, negotiated and entered into, as the case may be, for the financing of said operations;

These advances or loans, if any, are subject to the provisions provided in Chapter II, paragraph 6. hereof.

However, these finance charges shall not be taken into consideration for the calculation of the overhead as defined in paragraph 2.3. hereinabove. The interests relating to advances as provided in Article IX of the Contract are subject to the provisions provided in Chapter II, paragraph 6. hereof. Interests on loans or advances, whether contracted from Affiliated Companies, outside sources or through internally generated funds, as the case may be, shall be included in their totality within the Technical Costs; however, interest income will be taken outside Rente Minière.

Any financial proceeds coming from creditor interests or discounts remain the Party's sole property and are not credited to the Participation Accounts nor included inside Rente Minière.

3.5. Amortization charges of Operator's equipment and facilities

If the Operator has its own equipment and facilities (i.e. equipment and facilities not purchased for the Joint Operations), such as but not limited to transport, office equipment or a warehouse, these will be amortized in the Operator's account (outside of Rente Minière) according to the rates in the Convention.

If such equipment is used for Joint operations, a portion of the amortization shall be charged to the Participation Accounts according to its proportionate usage.

3.6. Overhead

Overhead is charged monthly to the Participation Accounts on the basis specified in Chapter III, 2.3 hereof.

3.7. Other Expenditures

Any other expenditures, not covered or dealt with in the foregoing provisions, which are incurred by the operator and its Affiliated Companies under work programs and budgets of Joint operations duly approved by the Operating Committee in accordance with Article V of the Contract.

4. SPECIAL PROVISIONS

4.1. Operational bases and camps set up for the Joint operations

The Operator shall charge to the Participation Accounts the expenses necessary for setting up operating field bases which are industrially oriented. Such charges shall be made only to the extent they are for Joint operations.

The corresponding charges shall be considered as operational.

4.2. Use of equipment or services in several areas

Should agreements be entered into with other operators for the possible use of the same drilling platform or for any other important equipment or service in the different areas where said operators carry out their activity, the arrangements thus agreed to shall be subject to specific agreements which shall include the required accountancy provision.

4.3. Expenses and interests of the Operator and Non-Operators which are irrelevant to Joint Operations

Expenses incurred by the Operator and the Non-Operators relating to their own affairs shall not be charged to the Participation Accounts. These expenses include, but are not restricted to, the following:

- costs of capital increase;
- financing charges and premiums;
- board member's attendance fees and traveling expenses;
- cost of legal publications and advertisements, stamp and registration rights relating to company deeds ;
- income taxes;
- proportional mining royalty;
- production bonus;
- proportionate contribution to FOSHY;
- union dues;
- any other expenses that have no connection with Joint Operations.

CHAPTER IV

Withdrawal of Joint Ownership Equipment

Upon decision of the Operating Committee, the surplus of new or used equipment and stocks of consumable items may be transferred, either to the caption 'Scrap Iron and Rejects', or sold to the Parties or divided between them in kind.

1. TRANSFER TO THE CAPTION 'SCRAP IRON AND REJECTS'

The Operator shall be entitled to dispose of stocks of scrap iron and rejects either by sale to third parties or by transfer to his own account, provided he credits the Participation Accounts with the appropriate sale price.

2. SALES TO THIRD PARTIES

Sales of consumable equipment and materials to third parties shall be credited by the Operator to the Participation Accounts for the net amount received from the purchaser.

Sales of equipment exceeding 50,000 US Dollars in value to third parties may only be made with the Operating Committee having agreed on the sale and price conditions.

2.1. Equipment and stocks of consumable items sold to the Operator or the Non-Operators or divided in kind

The equipment and consumable goods and items sold to the Operator or the Non-Operators or divided between them in kind shall be evaluated in accordance with the provisions of Chapter V hereof, unless the Operating Committee decides otherwise.

The corresponding reduction in the joint assets shall be recorded in the quarterly statement of tangible assets.

2.2. The Operator is not obligated to buy the interest owned by any other Party in any surplus of new or used equipment.

CHAPTER V

Definition and Valuation of Equipment

Equipment which is withdrawn from Joint Operations in order to be sold to the Operator or Non-Operators, shall be valued as follows :

1. DEFINITION OF 'TRANSFER PRICE'

The, current replacement value of the equipment concerned, delivered to the warehouses or storage areas of the Operator.

2. NEW EQUIPMENT (CATEGORY A)

Equipment which has never been used : one hundred percent (100%) of the 'Transfer Price'.

3. EQUIPMENT IN GOOD STATE (CATEGORY B)

Equipment in good condition and still usable for its original purpose without any repair being necessary: seventy five percent (75%) of the 'Transfer Price'.

4. USED EQUIPMENT (CATEGORY C)

Equipment which can still be used for its original purpose but only after repair and overhaul : fifty percent (50%) of the 'Transfer Price'.

5. EQUIPMENT IN POOR CONDITION (CATEGORY D)

Equipment which can no longer be used for its original purpose, but only for other purposes : twenty five percent (25%) of the 'Transfer Price'.

6. SCRAP IRON AND REJECTS (CATEGORY E)

Equipment out of use and irreparable: current price of rejects or scrap value.

CHAPTER VI

Cash Calls and Reimbursement of Advances

Cash calls and advances shall be made and paid or reimbursed, as the case may be, in accordance with Articles VIII and IX of the Contract.

1. RECORDING OF HYDROCARBON TURNOVER

For each Fiscal Year N, the Hydrocarbon Turnover shall be recorded as follows and shall be equal to:

$$\text{the sum of } (Q_k \times P_k) - BI \times C_{N-1} + EI \times C_H$$

- where
- Q_k is the sum of liftings or sales of Hydrocarbons accruing to Contractor and to the Republic of Cameroon during each Quarter of the Fiscal Year N and originating from a mining concession in the Area of Association;
 - P_k is Posted Price of the Quarter of the lifting or the sale Q_k ;
 - BI is the beginning inventory of the Fiscal Year N;
 - EI is the ending inventory of the Fiscal Year N;
 - C_N Technical Costs of Fiscal Year N
Production of Fiscal Year N

2. TECHNICAL COSTS RELATING TO THE AREA OF ASSOCIATION

The total of the direct and indirect exploitation charges including, but not limited to :

- the consumption of supplies and consumable material;
- personnel costs;
- transportation charges, excluding costs relating to liftings;
- other related services (including general and administrative expense and overhead);
- any other charges and losses;
- financial costs
 - pertaining to loans
 - pertaining to current operations
 - pertaining to advances having served Joint Operations;
- the amortization of the Exploration Costs and Development Costs relating to the Area of Association and any other costs charged hereunder, not captured by the aforementioned costs.

However, the Technical Costs do not include:

- the proportional mining royalty;

- fees paid for matters not related to the Joint operations;
- company tax and proportional tax;
- the contribution to FOSHY;
- any tariffs, duties, taxes, bonuses and royalties of any nature whatsoever payable to the Republic of Cameroon or any related entity;
- charges related to Contractor's own equipment not used for Joint Operations;
- expenses related to obligations of Contractor as stipulated in Article 6 b) , d) and e) of the Convention.

3. DIVISION OF RENTE MINIERE

The division of Rente Miniere shall be made in accordance with the Convention and the Contract. Within ninety (90) days following the end of each Fiscal Year, each entity constituting Contractor shall determine using its own accounts, the exact amounts and rates of either the proportional mining royalty owed to the Republic of Cameroon or the Negative Royalty owed to each entity constituting Contractor by the Republic of Cameroon, as the case may be, thus allowing said entity to receive the percentage of Rente Miniere provided in the Convention and the Contract.

A final settlement of the proportional mining royalty or of the Negative Royalty, as the case may be, shall be made before October 1st as provided in Article 14.3 of the Convention.