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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

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PART I

ITEM 1. BUSINESS

CORPORATE STRUCTURE

Abacan Resource Corporation ("Abacan") is a limited company subsisting under the Business Corporations Act (Alberta) that was created on February 10, 1995 following an amalgamation of five junior Canadian oil and gas companies each of which, prior to the amalgamation, held certain rights to receive production revenues and certain obligations to pay capital and operating costs (collectively referred to as "Participating Interests") in the same oil and gas concession properties located in the Federal Republic of Nigeria ("Nigeria"). Abacan currently has 14 wholly owned subsidiaries. These subsidiaries either hold or, prior to the recent and ongoing restructuring of its affairs, held certain rights to receive petroleum production revenues and certain obligations to pay for exploration, development and operating costs (hereafter collectively referred to as "Participating Interests") in Nigeria and the neighboring Republic of Benin ("Benin"). See "Properties".

At the end of the most recently completed fiscal year, neither Abacan nor any of its subsidiaries (collectively referred to hereafter as the "Company") were subject to any bankruptcy or similar proceedings. However, the Company does have outstanding debt obligations to secured and unsecured creditors and may be in default of certain security agreements. In 1998, the Company initiated a restructuring of its oil and gas operations and financial affairs through: (1) the disposition of a number of its oil and gas properties and related production facilities; (2) the reduction of operating, general and administrative expenses; and (3) the reduction of a portion of the Company's secured and unsecured debt. This restructuring is ongoing and in the future may include the sale, farmout or other disposition of some or all of its oil and gas properties. The Company currently has a significant working capital deficiency, no appreciable revenues or cash flow and limited cash reserves. Therefore, the

Company believes that it must successfully attract new equity, debt, joint venture partners, buyers, merger partners or a combination thereof in order to remain viable and continue operations. See "History and Development of the Business - Restructuring of Operations and Financial Affairs", "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity" and "- Risks and Uncertainties - Financing Risks".

HISTORY AND DEVELOPMENT OF THE BUSINESS

General

- - - - -

The Company's current business relates primarily to the exploration of oil and gas properties located in West Africa. To date, the Company's operations have included the acquisition of Participating Interests in concession blocks located in both Nigeria and Benin and the exploration, development and production of oil and condensate from concession blocks located in Nigeria. In the case of Nigeria, the Participating Interests of the Company relate to oil prospecting licences ("OPL") and oil mining leases ("OML") granted to several different Nigerian companies with whom the Company has a number of separate joint venture agreements. In Benin, the Participating Interests of the Company are held pursuant to production sharing contracts ("PSC") granted by the Benin Government.

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Prior to a reorganization of its oil and gas operations in June 1998, the Company's operations were focused in two distinct geological regions - the Niger Delta, Nigeria's prolific oil producing region located in south-central Nigeria, and the Benin Basin, a largely unexplored area located in the coastal waters of western Nigeria and Benin. Recently, the Company has focused its efforts on its large Benin Basin holdings where negotiations are currently underway for the establishment in Benin of a natural gas powered electrical generation plant that is expected to utilize the natural gas resources identified in the Company's Benin Basin concessions. The Company is also actively marketing the farm-out, sale or other disposition of its properties to industry partners which is expected will provide the financial resources necessary to explore and develop the Company's prospects in the region. The Company has not undertaken research and development activities during the past two fiscal years.

Acquisition, Exploration and Development of West African Oil and Gas Properties

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In December 1992, the Company acquired a Participating Interest in an on-shore concession block located in Benin from Wade Cherwayko, a former director and executive officer of the Company who, until that time had been involved in his personal capacity in identifying opportunities to acquire unallocated oil and gas concession properties in West Africa. Prior to acquiring this Participating Interest, the Company had been involved in oil and gas exploration activities in western Canada and the western United States but had not earned any ownership interests in respect thereof. Following the purchase of the Participating Interest in Benin from Mr. Cherwayko for common stock, the Company initiated a program of additional acquisition and exploration of petroleum properties in Nigeria and other countries in West Africa.

In June 1993, the Company acquired Participating Interests in Benin Basin Concession Block OML 113 (formerly OPL 309) from Yinka Folawiyo Petroleum Company Limited ("YFP") and Concession Block OPL 302 from another Nigerian company. YFP is a company that is substantially owned by the father of Mr. Tunde Folawiyo, a director of the Company. In August 1993, the Company acquired a Participating Interest in offshore Concession Block OML 112 (formerly OPL 469). The Company then undertook an aggressive campaign to expand its concession acreage in West Africa through the addition of Participating Interests in Niger Delta Concession Blocks OPL 237 (located adjacent to OML 112)

and OPL 233, Benin Basin Concession Block OPL 310 in Nigeria and Benin Basin Block 4 and Block 1 in Benin. See "- The Petroleum Industry in Nigeria and Benin", AProperties" and "Certain Relationships and Related Transactions".

In February 1995, in order to consolidate its Participating Interests in Concession Blocks OML 112, OML 113 and OPL 302, the Company amalgamated with four other Canadian junior oil and gas companies, each of which at the time of the amalgamation held Participating Interests in Blocks OML 112, OML 113 and OPL 302. The amalgamation resulted in the acquisition of the Participating Interests of the amalgamating junior oil and gas companies by the Company.

Throughout 1994 and 1995, the Company conducted 2-D and 3-D seismic programs on Blocks OML 112 and OPL 237 and a 2-D seismic program on Blocks OML 113 and OPL 310. The Company's first off-shore exploration well was successfully drilled on the Ima Field on Block OML 112 in September 1994. Between September 1994 and January 1997, the Company successfully drilled six additional wells on the Ima Field and completed the construction and installation of a mobile off-shore production facility capable of producing up to 50,000 barrels of oil and condensate per day. Commercial production of crude oil and condensate commenced from the Ima Field in January 1997. Production levels from the Ima Field peaked at approximately 27,500 gross (13,400 net) barrels of oil and condensate per day from six producing wells. In June 1996, the Company signed a Crude Oil Sale Agreement pursuant to which a large international crude oil marketing company agreed to market and sell the crude production from the Ima Field. A total of 6.1 million gross (2.9 million net) barrels of crude oil were produced and sold during the fiscal period ended December 31, 1997. In fiscal 1998 prior to the disposition of the Company's interest in June 1998, a total of 2.64 million gross (1.45 million net) barrels of crude oil were produced and sold from the Ima Field.

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The Company drilled its first well in the Benin Basin on on-shore Block OPL 302 in December 1993. The well was not successful and the Company's Participating Interest in the concession was allowed to expire in 1997. Between November 1996 and March 1997, the Company successfully drilled two off-shore wells on the Aje Field on Benin Basin Concession Block OML 113. The wells tested maximum flow rates of 8,800 and 5,500 barrels of oil per day respectively along with significant volumes of natural gas. Both wells have been shut-in following testing pending the financing and construction of a suitable off-shore production facility. See "Properties - Benin Basin - Drilling, Development and Future Work Commitments".

Restructuring of Operations and Financial Affairs

In June 1997 production rates from the Ima Field began to decline. It was subsequently determined that the decline in production was attributable to compartmentalization of the main producing zones and the absence of a strong water drive for the Ima Field. In February 1998, Abacan appointed a new President and Chief Executive Officer. A comprehensive reservoir analysis of the Ima Field completed in the spring of 1998 suggested that the Ima Field was no longer economically producible. The Company immediately initiated a restructuring strategy in respect of its oil and gas operations and financial affairs which both management and the Board of Directors considered essential to maintain the financial viability of the Company. The Company's restructuring strategy, which is ongoing, was comprised of a series of steps which included: (1) the disposition of the Company's Participating Interests in the Ima Field; (2) the sale or disposition of the Company's mobile offshore production unit ("MOPU") which was then being utilized on the Ima Field; (3) the reduction and extension of the repayment terms of the Company's secured debt; (4) the settlement of claims of trade and other unsecured creditors; (5) the reduction of general and administrative expenses; and (6) the maximization of exploitation opportunities with joint venture partners for the exploration and development of the Company's large acreage position in the Benin Basin.

On June 30, 1998, the Company concluded the first two phases of its overall restructuring strategy. Under the terms of a settlement agreement (the "Amni Settlement Agreement") reached with its Nigerian partner, Amni International Petroleum Development Company Limited ("Amni"), the Company relinquished all rights and Participating Interests to the "shallow" zones of the Ima Field. At the time of disposition, the "shallow" zones comprised all of the Company's proved developed reserves in the Niger Delta and all of its petroleum production. In exchange, Amni agreed: (1) to assume all outstanding unsecured financial claims against the Company (including trade claims) related to the development of the Ima Field; (2) to assume responsibility for ongoing and future lease obligations with existing service providers to the Ima Field; (3) to release the Company from certain financial obligations due or accruing under the terms of the joint venture agreements between the Company and Amni valued at approximately \$20 million; and (4) to release the Company from any claims Amni had to the MOPU. The Company retained a 10% Participating Interest in the "Deep Ima Prospect" which is located below the producing shallow zones of the Ima Field and which prospect was previously identified in 1997 by one of the Company's exploration wells.

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Concurrent with concluding the terms of the Amni Settlement Agreement, the Company conveyed its interest in the MOPU to a major international service company in exchange for the extinguishment of approximately \$18.8 million of debt, representing all of the debt due from the Company to the international service company. In connection with this settlement, the Company also restructured an existing secured loan (the "Secured Loan"). The Secured Loan had been previously advanced to the Company in August 1997 with the proceeds therefrom being utilized to repay project financing used for the construction of the MOPU and a portion of the exploration and development costs associated with the Ima Field. The restructuring of the Secured Loan by the lender (the "Secured Lender") enabled the Company to defer quarterly interest payments until December 31, 1998 and to extend the maturity of approximately \$20.1 million of the loan until June 30, 1999, with the remainder of \$10.6 million due on December 31, 1999. The terms of its agreement with the major international service company, provided that if a future sale price of the MOPU is above a pre-determined threshold, a portion of the proceeds of sale will be applied to reduce the Company's obligations under its existing Secured Loan.

Subsequent to December 31, 1998, the Company received confirmation from the Secured Lender that the interest payment due December 31, 1998 had been capitalized and that the first payment was amended to March 31, 1999. The Secured Lender has since advised the Company that notwithstanding its written extension, payment of the first interest instalment was due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating with its Secured Lender regarding further relief from this and other near-term cash interest payments. There is no assurance that such negotiations will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Financing Risks".

In July 1997, the Company increased its participating position in Benin Block 4 and Block 1 to a 100% Participating Interest. This acquisition was followed in June 1998 with the execution of a Letter of Intent with a major international natural gas and electrical power generating company and the Government of Benin for the development, construction, financing and operation of a natural gas powered electrical generation power plant to be located in Cotonou, Benin. Negotiations are ongoing to finalize the details of a power plant that is expected to provide electrical energy to Benin and the neighbouring countries of Togo and Ghana. Natural gas feedstock is expected to be supplied from the Company's Benin Block 1 in Benin and the Aje Field in Nigerian Block OML 113. The Company has drilled and tested significant gas resources on the Aje Field that are awaiting development of a suitable market before being classified as proved reserves. The Company believes that it will

require an industry partner to fund the costs of developing a natural gas market and to fund the costs of developing the natural gas resources contained in the Aje Field. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity".

THE PETROLEUM INDUSTRY IN NIGERIA AND BENIN

All of the Company's oil and gas properties are located in Nigeria and Benin, both of which are developing third world nations that have experienced periods of civil unrest and political and economic instability. The regulation of the petroleum industry has been and is expected to continue to be affected by economic and political events that occur in each country. Such events are beyond the control of the Company and may adversely affect the future operations of the Company.

Nigeria

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Overview

Oil has been produced in Nigeria by multinational companies since 1958 with only limited interruptions despite periods of civil and political unrest. The oil industry constitutes the most important segment of the Nigerian economy and accounts for approximately 90% of the country's total exports and approximately 75% of total government revenue.

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The Company currently operates in Nigeria in conjunction with a number of Nigerian companies (the "Nigerian Partners") under a program (the "Indigenous Program") introduced in 1990 by the Nigerian Ministry of Petroleum Resources (the "MPR") in an effort to increase production and domestic participation in the country's oil industry. The Indigenous Program provides qualified, privately owned Nigerian companies with both preferential treatment in the allocation of available petroleum concession blocks and favourable economic terms for the development of such blocks. Participating Nigerian companies are permitted to establish revenue and cost sharing arrangements with foreign companies that provide the technical expertise, operational support and financial resources required for the exploration and development of the concession blocks. In the case of the Company, such arrangements have been established by way of joint venture agreements between the Company and its various Nigerian Partners. As part of the Indigenous Program, the Nigerian government receives a combination of production royalties and taxes and is not required to fund any exploration or development costs. The Nigerian National Petroleum Company is not involved in concession blocks awarded under the Indigenous Program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation - Dependence Upon the Indigenous Program".

Regulation

All phases of oil exploration, development and production are regulated by the Nigerian government either directly, through the MPR or through the Nigerian Department of Petroleum Resources ("DPR") pursuant to the Petroleum Decree, 1969, under periodic policy statements issued by the Nigerian government and through administrative practices of the DPR. Areas of government regulation include restrictions on petroleum production, price controls, export controls, taxes and royalties, expropriation of property, environmental protection and rig safety. In addition, all petroleum drilling and production in Nigeria must be approved in advance by the Nigerian government through the MPR or the DPR. In the case of the Company, any future operations to be conducted on its Nigerian concessions, including the establishment of a production facility on Block OML 113 and the export of natural gas to Benin will require MPR or DPR approval. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation".

Under current Nigerian legislation, a petroleum concession is required for a party to conduct petroleum exploration and development. Concessions may be obtained directly from the MPR or from an existing concession owner, provided that prior MPR approval to an assignment is obtained. Petroleum concessions granted by the MPR consist of either an oil exploration license, an oil prospecting licence ("OPL") or an oil mining lease ("OML"). Concession Blocks are typically designated on the basis of whether they are subject to an OPL or OML. An OPL gives the holder the exclusive right to conduct both seismic and exploratory drilling operations within a concession block and the right to carry away and dispose of petroleum produced during the term of the OPL. An OML is issuable to the holder of an OPL following testing or production of a minimum of 10,000 barrels per day and the fulfilment of a number of other conditions and requirements established by the MPR and DPR.

An OML provides the holder with an exclusive right to conduct exploration and development drilling operations and to export petroleum produced on the concession block for a term of up to 20 years. An OML may be renewed upon application to the MPR. The Petroleum Decree, 1969 contains provisions that require the holder of an OML to relinquish 50% of the geographic area encompassed by the OML after 10 years upon the request of the MPR. The acreage to be relinquished is identified by the holder of the OML and not the MPR. The Nigerian government may also elect, during the currency of an OML or OPL to directly participate in the concession, which could result in a reduction of the Participating Interest of the Company. The Petroleum Decree, 1969 does not specify the maximum level of government participation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation - Government Right of Participation".

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The Company's current Participating Interests in Nigeria exist pursuant to the terms of joint venture agreements between the Company and its Nigerian Partners. In the case of Concession Block OML 113, an OML was issued to YFP for this block on July 3, 1998. The OPL for Concession Block OPL 310 has expired, however, at the request of the Company's Nigerian Partner, the DPR confirmed in February 1997 that the OPL was in good standing. Nothing has been received by the Company or to the Company's knowledge, by its Nigerian Partner that would indicate that either the MPR or DPR consider OPL 310 not to be valid or in good standing at the current time. See "Properties - Benin Basin" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation - Assignment of Interests Under Joint Venture Agreements" and "Risks and Uncertainties - Nigerian Title Issues".

Revenues generated from petroleum operations are subject to a number of tax/royalty regimes. Under the Indigenous Program, the fiscal regime consists of a production royalty and an adjusted profits tax. The payment of the royalty to the Nigerian Government is dependant upon the levels of petroleum production and is determined on the basis of the chargeable value of the crude oil produced less an allowance for oil used in the extraction process. Royalty rates vary depending upon whether the concession is on-shore or off-shore and, in the case of off-shore concession, the average water depth of the concession. A royalty of 20% is applicable to on-shore concessions reducing to no royalty for concessions situated in over 1000 metres of water. The royalty applicable to the Company's Nigerian concessions OML 113 and OPL 310 have not yet been formalized but are expected to be not greater than 15%.

In addition to the royalty, producers are subject to a tax on adjusted petroleum profits. Adjusted petroleum profits consist generally of revenues from petroleum sales less operational expenses and certain capital costs (including drilling costs). The Petroleum Profits Tax Act, 1969, prescribes a petroleum profits tax rate of 85%. The Company understands that a reduced petroleum profits tax rate may be applicable to concession blocks awarded under the Indigenous Program. Any changes to the current royalty regime or the Petroleum Profits Tax Act, 1969 or their applicability to the Indigenous Program

will affect the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation - Uncertainty Regarding Tax and Royalty Arrangements".

Benin

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The Benin petroleum industry is less developed than the Nigerian petroleum industry. Petroleum exploration started in Benin in 1964 and has been focused primarily in the off-shore area of the Benin Basin. The country's first major discovery occurred in 1982 with the discovery of the Seme Field located off-shore near the Nigerian border. There has been a number of significant off-shore discoveries made recently on the Nigerian side of the Benin Basin (including the Company's discovery on OML 113) which has heightened interest in Benin's petroleum sector in recent years.

Regulation

Responsibility for the regulation and control of the petroleum industry in Benin rests with the national government pursuant to the Petroleum Code of the Republic of Benin and the administrative decrees and ordinances established thereunder (collectively, the "Benin Petroleum Code"). Regulation of exploration, exploitation, title, transportation, marketing and taxation of petroleum rests with the Ministry of Energy, Mines and Hydraulics (the "Benin Oil Ministry"). All drilling and production and other petroleum operations in Benin require prior approval of the Benin Oil Ministry. Consequently, any future operations to be conducted on its Benin concessions, including the drilling of exploration wells on Block 1 and Block 4, will require the prior approval of the Benin Oil Ministry.

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The Company's current Participating Interests in Benin exist pursuant to separate Production Sharing Contracts for Block 1 and Block 4 between the Company and the Government of Benin. Each of the PSC's establish a minimum work commitment that must be met by the Company. In the case of Block 1, the minimum work commitment includes the drilling of one well and the completion of a seismic program by the end of February 1999. The requisite work commitments for Block 1 were not satisfied by the February 1999 deadline. The Company is currently negotiating an extension with the Benin Oil Ministry and risks the loss of its Participating Interest in Block 1 should an extension not be secured. In the case of Block 4, the minimum work commitment includes and the completion of a seismic program which has been satisfied, and the drilling of one exploratory well by the end of February 2002. The Company believes that it will require an industry partner to fund the requisite minimum work commitments associated with Blocks 1 and 4. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity" and A - Risks and Uncertainties - Benin Title Issues".

COMPETITIVE AND INDUSTRY CONDITIONS

The oil and gas industry is intensely competitive and the Company will continue to compete with a substantial number of other companies, many of whom have greater technical, financial and other resources. Many such companies not only explore for and produce crude oil and natural gas, but also carry on refining operations and market oil, natural gas and other products on a worldwide basis.

The Company does not currently own production facilities or refining operations and will rely upon other parties to produce, market and refine any future petroleum production. Due to the changes in the affairs of the Company arising out of its recent restructuring, the Company will have to secure adequate sources of funding to retain the services of such parties. In the case of the Benin Basin Concessions, there is currently no market for the Company's natural gas resources. Subject to completion, the establishment of a natural

gas electrical generation project currently being negotiated is expected to create a market. The electrical generation project has not yet been formally approved, financed or constructed. There is no assurance that the project will be approved, or if approved, that it will be successfully completed. If completed, the project will rely upon an electrical distribution network that is owned by the governments of Benin, Togo and Ghana as well as other third parties. If a sustainable market for the Company's natural gas is created, the Company will have to finance and construct or rely on other parties to finance and construct a suitable production facility and natural gas pipeline to the natural gas electrical generation project. There are currently other sources of electricity which may affect the amounts that can be generated and sold which in turn will affect demand for the Company's natural gas resources. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Benin Regulation".

ENVIRONMENTAL PROTECTION

The Company's operations are and will continue to be affected in varying degrees by legislation intended to ensure the protection of the environment. Much of Nigeria's and Benin's environmental legislation is administered by the DPR and the Benin Oil Ministry, respectively. These government departments may require environmental impact assessments prior to granting approval for certain larger scale or environmentally sensitive activities or may impose restrictions or prohibitions on releases or emissions of various substances generated by the Company's oil and gas operations or any future electrical generation project. Compliance with such legislation or administrative requirements may require significant expenditures and the breach of such requirements may result in the imposition of material fines and penalties. Guidelines and regulations continue to be developed and implemented by the DPR, Benin Oil Ministry and other government ministries in areas of waste management, contaminated sites, environmental impact assessments and habitat protection.

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The Company believes that its Nigerian and Benin operations have at all times complied in all material respects with applicable Nigerian and Benin legislation and administrative requirements relating to safety and environmental protection. The costs of such compliance has been included as either capital expenditures or operating costs. The Company intends to continue conducting its operations in both Nigeria and Benin in a manner that complies with environmental standards imposed by the DPR and the Benin Oil Ministry and all applicable legislation.

EMPLOYEES

At December 31, 1998, the Company had 7 employees and consultants in Houston, 3 consultants in Calgary and 22 employees and consultants in London, Benin and Nigeria. None of the Company's employees or consultants are party to a collective bargaining agreement.

ITEM 2. PROPERTIES

OVERVIEW

Between 1993 and 1997, the Company acquired Participating Interests in eight oil and gas concession blocks in the Benin Basin and Niger Delta. In the case of its Nigerian concession blocks, the Participating Interests of the Company are held pursuant to joint venture agreements with the Company's indigenous Nigerian Partners who in turn have been issued oil prospecting licences or oil mining leases from the MPR. In the case of its two concession blocks located in Benin, the Participating Interests of the Company are held pursuant to two separate production sharing contracts directly between the Company and the national Government of Benin. Participating Interests in two of the Company's Nigerian concession blocks have been subsequently surrendered or released by the Company. Consequently, at the end of the most recently

completed financial year, the Company held Participating Interests in six concession blocks, two of which were located in the Niger Delta and four of which were located in the Benin Basin. See "Niger Delta - Cost Obligations and Revenue Interests" and "Benin Basin - Cost Obligations and Revenue Interests".

NIGER DELTA

Recent Events

Prior to June 1998, all of the Company's proven reserves and all of its production came from the Ima Field located in Niger Delta Concession Blocks OML 112 and OPL 237. In June 1998, following an assessment that the shallow producing zones of the Ima Field were no longer economic, the Company began to restructure its oil and gas operations and in so doing, relinquished substantially all of its Participating Interest in Nigerian Blocks OML 112 and OPL 237. The only interest retained in the blocks by the Company is a 10% Participating Interest in the Deep Ima Prospect located beneath the existing producing zones of the Ima Field. There are no reserves allocated to the Deep Ima Prospect. In January 1998, the Company cancelled its joint venture agreement in respect of Concession Block OPL 233.

As a consequence of this ongoing restructuring, at the end of the most recently completed financial year, the Company has no Participating Interests or production from the Niger Delta with the exception of a 10% working interest in the Deep Ima Prospect. PERSONS READING THIS DOCUMENT SHOULD NOTE THAT THE PARTICIPATING INTERESTS ATTRIBUTABLE TO THE COMPANY IN THE NIGER DELTA AND DISCUSSED IN THIS SECTION WERE DISPOSED OF AND THAT WITH THE EXCEPTION OF THE INTEREST HELD IN THE DEEP IMA PROSPECT, ARE NO LONGER HELD BY THE COMPANY. See "Business - History and Development of the Business - Restructuring of Operations and Financial Affairs".

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Location

Prior to the disposition of its Participating Interests on June 30, 1998, the Company held Participating Interests in adjoining Niger Delta Concession Blocks OML 112 and OPL 237. Concession Blocks OML 112 and OPL 237 are located approximately six miles off the coast of south-central Nigeria, cover an area of approximately 150,000 acres, and are in the vicinity of a number of Nigeria's largest oil producing fields, including Mobil's Oso and Kpono Fields; Shell's Bonny, Opobo and Kalaekule Fields; and Elf Aquitaine's Ameram Field.

Prior to the cancellation of its joint venture agreement in early January 1998, the Company also held a Participating Interest in Niger Delta Concession Block OPL 233. Concession Block OPL 233 covers an area of approximately 30,000 acres and is located along the Nigerian coastline 100 miles northwest of Concession Blocks OML 112 and OPL 237 in the vicinity of Texaco's producing Middleton, North Apoi and Pennington Fields.

Participating Interests

An oil prospecting licence for Concession Block OPL 237 was granted by the MPR to Amni in December 1994. An OML for Concession Block OML 112 (formerly Concession Block OPL 469) was issued to Amni in February 1998 following a prior grant of an OPL for the concession block in August 1993. The Company acquired its Participating Interests in Concession Blocks OML 112 and OPL 237 pursuant to joint venture agreements signed with Amni in August 1993 and December 1994 respectively. On June 30, 1998, the existing joint venture agreements for Blocks OML 112 and OPL 237 were terminated with the consent of Amni and replaced by a new joint venture agreement (the "June 1998 JVA") which granted a 10% Participating Interest to the Company restricted to the Deep Ima Prospect.

An OPL for Concession Block OPL 233 was granted by the MPR to Petroleum Products Company Limited ("PPCL") in August 1993. The Company acquired a

Participating Interest in Concession Block OPL 233 through a joint venture agreement with PPCL signed in November 1996. The joint venture agreement was terminated by mutual consent of the Company and PPCL in January 1998 with no work having been performed by the Company on the block.

Drilling, Development and Production

Prior to the disposition of its Participating Interests in the Niger Delta, the Company had drilled 10 exploratory and development wells in the region. The following table provides a summary of the wells drilled and completed by the Company in the Niger Delta:

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CONCESSION BLOCK	WELL NAME	DATE COMPLETED	TOTAL VERTICAL DEPTH (FEET)
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OML 112	NGO #3	September 1994	11,400
OML 112	NGO #4	November 1994	11,400
OML 112	NGO #5	March 1995	11,450
OPL 237	Ima #1	May 1995	11,600
OPL 237	Ima #2	November 1995	11,400
OPL 237	Ima #6	June 1997	12,350
OPL 237	Ima #7	August 1997	10,735
OML 112	Ima #8	October 1997	11,380
OML 112	Ima #9	February 1998	12,940
OPL 237	Ima #10	April 1998	10,765

</TABLE>

The Company commenced commercial production of oil and condensate from the Ima Field in January 1997. During the most recently completed fiscal year, a total of approximately 2.64 million gross (1.45 million net) barrels were produced from the Ima Field prior to the disposition of the Company's Participating Interest in June 1998. Production levels from the Ima Field for 1998 prior to the disposition averaged approximately 14,600 gross (8,050 net) barrels of oil per day.

The following table sets forth the average sales price (including transfers) and the average production cost per barrel of oil produced since the commencement of production in January 1997 to the disposition of the Company's Participating Interest in the Ima Field on June 30, 1998.

<TABLE>

<CAPTION>

	Year Ended	
	December 31, 1997	December 31, 1998(1)
<S>	<C>	<C>
Average Sales Price per Barrel	\$ 17.56	\$ 12.22
Average Production Cost per Barrel	\$ 13.61	\$ 14.94

<FN>

(1) Reflects production to June 30, 1998

</TABLE>

Oil and condensate produced from the Ima Field was lifted and sold pursuant to a Crude Oil Sale Agreement signed in August 1996 (amended July 1997) between the Company, Amni and a large international crude oil marketing company. The sale price under the Crude Oil Sale Agreement was linked to world markets prices for crude oil and was payable in U.S. dollars outside of Nigeria through a bank

in Europe. As part of the restructuring, the Crude Oil Sale Agreement was terminated effective June 30, 1998. See "- Marketing and Sale of Petroleum".

Cost Obligations and Revenue Interests

The Company's Participating Interests in Concession Blocks OML 112 and OPL 237, (both before and after the disposition of its Participating Interest in the shallow zones of the Ima Field) are held by subsidiaries and consist of an obligation to pay for exploration and development costs ("Cost Obligation") and an entitlement to receive revenues from the sale of production ("Revenue Interest"). Prior to the signing of the June 1998 JVA with Amni, the Cost Obligation and Revenue Interest of the Company varied depending upon whether Payout has been reached on the applicable concession block. The June 1998 JVA establishes the same Cost Obligation and Revenue Interest both before and after Payout.

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<PAGE>

A summary of the Company's Cost Obligation and Revenue Interest in its Niger Delta concessions both before and after the disposition of its Participating Interests in June 1998 is outlined in the tables below. In all cases, the Revenue Interest is after giving effect to gross overriding royalties (or their equivalent) payable to third parties. Royalties are payable on Blocks OML 112 and OPL 237 to a company controlled by Wade Cherwayko, a former senior executive officer and director of the Company. A royalty is also payable on all of the Niger Delta concessions to YFP, a company substantially controlled by the father of Tunde Folawiyo, a current director of the Company. See "Certain Relationships and Related Transactions".

Prior to June 30, 1998

<TABLE>

<CAPTION>

CONCESSION OBLIGATION	COUNTRY	BEFORE PAYOUT		AFTER PAYOUT	
		REVENUE INTEREST	COST OBLIGATION	REVENUE INTEREST	COST
<S> Block OML 112 40.0%	<C> Nigeria	<C> 49.7%(2)	<C> 100.0%	<C> 25.3%(2)	<C>
Block OPL 237 40.0%	Nigeria	48.7%(2)	100.0%	24.8%(2)	
Block OPL 233(1) 40.0%	Nigeria	48.5%(3)	100.0%	24.1%(3)	

Subsequent to June 30, 1998

<TABLE>

<CAPTION>

CONCESSION OBLIGATION	COUNTRY	BEFORE PAYOUT		AFTER PAYOUT	
		REVENUE INTEREST	COST OBLIGATION	REVENUE INTEREST	COST
<S> Block OML 112(4) 10.0%	<C> Nigeria	<C> 10.0%(5)	<C> 10.0%	<C> 10.0%(5)	<C>
Block OPL 237(4) 10.0%	Nigeria	10.0%(5)	10.0%	10.0%(5)	

<FN>

-
- (1) Reflects Cost Obligation and Revenue Interest to January 30, 1998 at which time the Joint Venture Agreement between the Company and PPCL was terminated by mutual consent. No work was performed or expenditures incurred by the Company on Concession Block OPL 233.
- (2) Revenue Interest gives effect to (i) the interest of the Company's Nigerian Partner, (ii) combined government royalties and taxes of 30% both before and after Payout and (iii) a number of gross overriding royalties that vary from concession to concession and range between approximately 6.4% and 5.3% before Payout and 3.2% and 2.6% after Payout. A portion of the total gross overriding royalties are held by a company controlled by Wade Cherwayko, a former senior executive officer and director of the Company and by YFP, a company substantially controlled by the father of Tunde Folawiyo, a director of the Company. Tunde Folawiyo is also an executive officer of YFP.
- (3) The Revenue Interest shown gives effect to the Company's proportionate share of (i) combined government royalties and taxes of 30% both before and after payout and (ii) a number of gross overriding royalties equal to approximately 6.5% before Payout and 3.9% after Payout. A portion of the total gross overriding royalties is payable to YFP.
- (4) The joint venture agreements governing the Company's participation in its Niger Delta concessions reserve to the Nigerian government the right to acquire a Participating Interest in each of the respective concession blocks. If the Nigerian government elects to participate, the Company's after-Payout Revenue Interest could be reduced to approximately 8.0% after accounting for the interests of others. In such an event, there would be a corresponding reduction in the Company's after-Payout Cost Obligation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Regulation - Government Right of Participation".
- (5) Excludes applicable gross overriding royalties or their equivalent payable to others (including YFP and a company controlled by Wade Cherwayko). The level of the royalties is currently under review by the Company as a result of the signing of the June 1998 JVA and the Company anticipates re-negotiating the levels of royalties held by royalty-holders prior to commencing any further operations on the Deep Ima Prospect.
- </TABLE>

BENIN BASIN

Location

The Benin Basin is a large geological region located along the western coastal region of Nigeria and much of offshore Benin. In Nigeria, the Company's Benin Basin concessions consist of adjoining offshore Concession Blocks OML 113 and OPL 310. In Benin, the Company's Benin Basin concessions consist of offshore Concession Block 1 and Block 4, located adjacent to Nigerian Concession Block OML 113. Concession Block 1 encompasses the area around and below the

producing zones of the Seme Field. Concession Block 4, located further offshore than Concession Block 1 spans from the Nigerian border on the east to the Togo border on the west.

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<PAGE>

Participating Interests

In Nigeria, an OML for Concession Block OML 113 (formerly OPL 309) was issued to YFP in July 1998 following the prior grant of an OPL for the concession block in June 1991. YFP is a company that is substantially controlled by the father of Tunde Folawiyo, a director of the Company. Tunde Folawiyo is also an executive officer of YFP. An OPL for Concession Block OPL 310 was granted to Optimum Petroleum Development Limited ("Optimum") by the MPR in February 1992. The Company acquired its Participating Interest in Concession Block OML 113 in June 1993 pursuant to a joint venture agreement with YFP and in Concession Block OPL 310 in December 1996 pursuant to a joint venture agreement with Optimum. The OPL for Block OPL 310 expired in February 1997 however, at the request of Optimum, the DPR confirmed in February 1997 (subsequent to the expiry date) that the OPL continued to be in good standing notwithstanding the expiry of its formal term. Nothing has been received by the Company or, to the knowledge of the Company, by Optimum subsequent to February 1997 that would indicate that the MPR or DPR consider OPL 310 not to be valid or in good standing at the current time. To maintain its Participating Interest in Concession Block OPL 310, the Company is required to satisfy certain future work commitments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Nigerian Title Issues - Expiration or Cancellation of Nigerian Oil Prospecting Licences".

In Benin, the Company and Addax Petroleum Benin Limited ("Addax Benin") executed a Production Sharing Contract in respect of Benin Block 1 (the "Block 1 PSC") and Benin Block 4 (the "Block 4 PSC") in February 1997. On September 30, 1997, the Company acquired all of Addax Benin's Participating Interest in the Block 1 PSC and Block 4 PSC. To maintain its Participating Interest in Block 1 and Block 4, the Company is required to satisfy certain future work commitments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Benin Title Issues".

The Company has paid total acquisition fees of approximately \$9.125 million for its Participating Interests in the Benin Basin concessions. With the conversion of OPL 309 into OML 113 in July 1998, an additional \$5.0 million in acquisition fees is payable to YFP out of a portion of the Company's share of future production revenues. YFP is a company that is substantially controlled by the father of Tunde Folawiyo, a director of the Company. Tunde Folawiyo is also an executive officer of YFP. On Concession Block OPL 310, \$1.0 million is payable to Optimum within nine months following testing of the first exploration well and \$2.0 million following commencement of production.

Drilling, Development and Future Work Commitments

The following table provides a summary of the wells drilled by the Company on its Benin Basin concessions since 1996:

<TABLE>

<CAPTION>

CONCESSION BLOCK	WELL NAME	DATE COMPLETED	TOTAL VERTICAL DEPTH (FEET)	FLOW RATE (BOPD)(1)
<S>	<C>	<C>	<C>	<C>
OML 113	AJE #1	November 1996	7,605	5,500
OML 113	AJE #2	March 1997	11,551	8,800

<FN>

(1) Flow rate results are from testing only and are not necessarily indicative of flow rates that may be realized during production. Results shown

include oil and condensate but not natural gas. Testing and compilation of the test results from the Company's wells was conducted by Schlumberger.
</TABLE>

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<PAGE>

The Company has fulfilled its minimum work obligations in respect of Concession Block OML 113. However, significant additional expenditures will have to be incurred by the Company under the terms of its joint venture agreement with YFP in order to produce the petroleum resources identified in OML 113. Most notably, the Company will have to establish or secure a market for the natural gas identified in the Aje Field of Block OML 113, secure a suitable floating off-shore production facility and finance, construct or lease a pipeline to an on-shore market. There is no assurance that the Company will, by itself or with others, be able to establish a suitable market for the petroleum resources contained in the Aje Field of Block OML 113 or that it will be able to secure a production facility or construct a pipeline necessary to produce such resources. See " - Cost Obligations and Revenue Interests" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity".

On Concession Block OPL 310, the Company is required to complete a minimum work program consisting of three wells and a seismic program. The obligation of the Company to initiate expenditures towards the minimum work program commences after receipt of applicable government approval for the joint venture agreement between the Company and Optimum. The OPL for Concession Block OPL 310 has expired and Optimum has not yet secured an extension or replacement OPL or the requisite government approval for the joint venture agreement. Optimum has advised the Company that it wishes the Company to proceed with fulfilling its minimum work commitment in advance of receipt of requisite government approvals.

In Benin, the work commitments of the Company are set out in the Block 1 PSC and Block 4 PSC. In the case of Block 1, the Company is required to drill one well and complete a seismic program by the end of February 1999. The requisite work commitment for Block 1 was not satisfied by this deadline. The Company is currently negotiating an extension with the Benin Ministry and risks the loss of its Participating Interest in Block 1 if an extension is not secured. In the case of Block 4, the Company is required to drill one well and complete a seismic program by February 2002. The Company has satisfied the seismic commitment but not the drilling commitment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Benin Title Issues" and "- Risks and Uncertainties - Liquidity".

In June 1998, the Company entered into a Letter of Intent with a subsidiary of a major international natural gas producing and electrical power generating company and the Government of Benin for the development, financing, construction and operation of an electrical generation power plant to be located in Cotonou, Benin. Under the terms of the Letter of Intent, natural gas feedstock for the project is expected to be supplied from the Company's Aje Field natural gas resources identified on Nigerian Block OML 113 and from Block 1 in Benin. Negotiations are continuing towards the signing of a definitive Power Purchase Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Benin Regulation".

Cost Obligations and Revenue Interests

The Company's Participating Interests in the Benin Basin, consisting of a Cost Obligation and Revenue Interest, are held by the Company pursuant to joint venture agreements with its Nigerian Partners in Nigeria and pursuant to the Block 1 PSC and Block 4 PSC in Benin. The Cost Obligation and Revenue Interest of the Company vary based upon whether Payout has been reached on the applicable concession block.

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<PAGE>

The joint venture agreements with the Nigerian Partners generally provide that, as part of its Cost Obligation, the Company must fund all exploration and development costs before Payout and 40% of all such costs after Payout. Provided there is production from a concession block, the Company is entitled to 55% of revenues before Payout and 28% after Payout (before accounting for gross overriding royalties or their equivalent payable to others). The balance of revenues before Payout is payable as to 30% to the Nigerian government for taxes and royalties and as to 15% to the Nigerian Partner. There is a pro-rata adjustment mechanism in place should applicable government royalties and taxes be less than 30% of total revenues. The Company's Nigerian Partner on Block OML 113 is YFP, a Company substantially controlled by the father of Tunde Folawiyo, a director of the Company.

In Benin, the PSC's with the Government of Benin require the Company to fund 100% of all exploration and development costs of a prescribed minimum work program. Petroleum costs (to a prescribed maximum) are recoverable out of future production sale proceeds after payment of a 12.5% crude oil production royalty to the Benin Government. Remaining crude is subject to a sliding scale allocation between the Company and the Benin Government based upon daily production. The Company is also subject to a tax on corporate profits and to an export revenue tax.

A summary of the Company's Revenue Interest and Cost Obligation in each of its Benin Basin concessions is set forth below.

<TABLE>
<CAPTION>

CONCESSION OBLIGATION	COUNTRY	BEFORE PAYOUT		AFTER PAYOUT	
		REVENUE INTEREST	COST OBLIGATION	REVENUE INTEREST	COST
<S>	<C>	<C>	<C>	<C>	<C>
Block OML 113(1) 40.0%	Nigeria	52.5%(2)	100.0%	26.7%	
Block OPL 310(1) 40.0%	Nigeria	48.5%	100.0%	24.7%	
Block 1/Seme 100.0%(3)(5)	Benin	69.0%(3)(5)	100.0%(3)(5)	50.0%(5)	
Block 4 100.0%(4)(5)	Benin	75.0%(4)(5)	100.0%(4)(5)	50.0%(4)(5)	

(1) The agreements governing the Company's participation in Blocks OML 113 and OPL 310 reserve to the Nigerian government the right to acquire a Participating Interest in each of the respective concession blocks. If the Nigerian government elects to participate, the Company's after-Payout Revenue Interest could be reduced to 20.0% after accounting for the interests of others. In such an event, there would be a corresponding reduction in the Company's after-Payout Cost Obligation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Government Right of Participation."

(2) The Revenue Interest set forth above gives effect to (i) the interest held by the Company's Nigerian Partner, (ii) government royalties and taxes both before and after Payout

and (iii) a number of gross overriding royalties that vary from concession to concession and range from 6.4% to 2.5% before Payout and 3.2% to 1.3% after Payout. Certain of these gross overriding royalties are held by a company wholly owned by Wade Cherwayko, a former executive officer and director of the Company.

(3) Under the terms of the Block 1 PSC, the Company is responsible for payment of all exploration and development costs of a prescribed minimum work program. Petroleum costs incurred by the Company are recoverable out of future proceeds of production after payment of a 12.5% crude oil production royalty. In any particular year, cost recovery is limited to 69% of total crude oil sale proceeds. The balance of crude oil sale proceeds ("Profit Oil") is allocated between the Company and the Government of Benin based upon total daily production in accordance with the following progressive scale:

AVERAGE DAILY

PRODUCTION (BOPD)	GOVERNMENT SHARE	COMPANY SHARE
0 to 5,000	50%	50%
5,001 to 10,000	55%	45%
10,001 to 20,000	60%	40%
20,001 to 50,000	65%	35%
50,000 to 100,000	70%	30%
Over 100,000	75%	25%

(4) Under the terms of the Block 4 PSC, the Company is responsible for payment of all exploration and development costs of a prescribed minimum work program. Petroleum costs incurred by the Company are recoverable out of future proceeds of production after payment of a 12.5% crude oil production royalty. In any particular year, cost recovery is limited to 75% of total crude oil sale proceeds. The balance of crude oil sale proceeds ("Profit Oil") is allocated between the Company and the Government of Benin based upon total daily production in accordance with the following progressive scale:

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<PAGE>
Oil

AVERAGE DAILY

PRODUCTION (BOPD)	GOVERNMENT SHARE	COMPANY SHARE
0 to 100,000	50%	50%
over 100,000	55%	45%

Condensate

AVERAGE DAILY

PRODUCTION (BOPD)	GOVERNMENT SHARE	COMPANY SHARE
0 to 100,000	45%	55%
over 100,000	50%	50%

(5) The Company may also be subject to a 55% tax on profits received from the sale of petroleum (after full cost recovery including capital and operating

costs). An export revenue tax of 3.12% of the FOB value of the petroleum sold is also applicable to petroleum exported to a location outside of Benin.
 </TABLE>

RESERVES

Niger Delta

The following table sets forth certain summary information at December 31, 1997 contained in the Reserve Report prepared by Gilbert Laustsen dated April 13, 1998 of the gross and the Company's net oil and condensate reserves and the Present Value of such reserves on a constant price and cost basis after adjustment for applicable Nigerian taxes and royalties, as understood by the Company and gross overriding royalties or their equivalent and interests held by the Company's Nigerian Partners. ALL OF THE RESERVES REFERENCED IN THE RESERVE REPORT WERE DISPOSED OF BY THE COMPANY ON JUNE 30, 1998 AS PART OF THE ONGOING REORGANIZATION OF ITS OIL AND GAS OPERATIONS.

All of the Company's reserves reflected in the Reserve Report relate to the Ima Field located on Concession Blocks OML 112 and OPL 237. The Reserve Report also identified natural gas reserves, however, such reserves have not been assigned economic value as no market currently exists. No Reserve Report has been filed by the Company with any U.S. or Canadian Federal regulatory agency since the beginning of the last fiscal year.

The Reserve Report revises previous reserve reports prepared by Gilbert Laustsen dated August 1, 1995, November 15, 1995, September 1, 1996 and May 13, 1997. The forecasts shown in the Reserve Report reflect updated production facility capital, lease and operating expenditures, change in the constant price per barrel of oil and the commencement of production on the Ima Field. The reserve information, including Present Value, have been prepared in accordance with SEC Present Value Criteria which differs in some respects from the requirements of Canadian National Policy No. 2-B. The Present Values set forth in the Reserve Report do not necessarily reflect the fair market value of the reserves evaluated. THE INFORMATION RESPECTING THE COMPANY'S RESERVES ARE PRESENTED TO COMPLY WITH APPLICABLE SECURITIES REGULATIONS. THE COMPANY NO LONGER HOLDS ANY INTEREST IN THE RESERVES SHOWN.

<PAGE>

BASED ON CONSTANT PRICE AND COST ASSUMPTIONS(1)

<TABLE>

<CAPTION>

AT DECEMBER 31, 1997

 TOTAL PROVED

AND 50%

PROBABLE OF

RESERVES

<S>
 Oil and Condensate

Gross Reserves(3) (MMB)
 28.6

	PROVED PRODUCING RESERVES	PROVED NON- PRODUCING RESERVES	TOTAL PROVED RESERVES	50% OF PROBABLE RESERVES(2)	
	-----	-----	-----	-----	---
	<C>	<C>	<C>	<C>	<C>
	3.8	18.3	22.1	6.5	
	-----	-----	-----	-----	---

Company's Net Reserves (4)(5)	2.8	13	15.8	4.7
20.5				

Present Value of Company's Net Reserves (in \$millions) (1)(6)				
Undiscounted	\$ 11.7	\$ 65.6	\$ 77.1	\$ 41.9
119.0				
Discounted at 10%	11.4	53.1	64.5	30.7
95.2				
Discounted at 15%	11.2	48.4	59.6	26.5
86.1				

<FN>

(1) Utilizing SEC Present Value criteria based on a constant price of \$16.20 per barrel (being the price in effect on December 31, 1997). The SEC Present Value differs from the Present Value utilized under Canadian National Policy 2-B in that the SEC Present Value is based upon a price per barrel on the date the SEC Present Value is calculated. The Canadian Present Value is based upon an estimated average price per barrel of oil for the year following the date the Canadian Present Value is calculated.

(2) A risk factor of 50% has been applied to Probable Reserves and to the future estimated cash flow from Probable Reserves to account for the geological and engineering risk associated with these reserves.

(3) Gross Reserves reflects total cumulative reserves held by all participants.

(4) Net Reserves reflects reserves attributable to the Company after adjustment of the Company's understanding of applicable Nigerian taxes and royalties, and gross overriding royalties or their equivalent and interests held by the Company's Nigerian Partners.

(5) The total proved production forecast reflected in the Reserve Report is developed based on the following assumptions:

- Based on the inclusion of two wells forecast to be placed on production in April 1998 and January 1999, respectively.
- Gas injection is increased to a minimum of 40 MMCFD into the Upper C-1 Zone.
- With pressure maintenance, production from three existing wells is stabilized at 6,200 bopd until the end of 1999 and then forecast to decline to depletion of the assigned reserves.
- Pressure maintenance is implemented in the Lower C-1 Zone by January 1, 1999 with gas injection at 65 million cubic feet per day or water injection at 50,000 barrels of water per day.
- With pressure maintenance, production from three existing wells is forecast to be stabilized at 6,500 bopd until mid-year 2000 and then decline thereafter to depletion of the assigned reserves.

The total proved plus probable production forecast includes the following additional assumptions:

- Two wells are forecast to be placed on production in the first half of 1999 with production at a rate of 2,500 bopd per well.
 - The flat life production period of the Upper C1 zone is extended by one year.
 - Place the D zone on production from one additional well.
- (6) The economic parameters used to determine the present value are as follows:
- Constant crude oil price of \$16.20/barrel
 - Operating cost of \$32.3 million per year
 - Overhead cost of \$7.2 million per year
 - Government tax/royalty of 18.5%
 - Indigenous company royalty/carried interest of 10.0%
 - Drilling cost of \$7.3 million per well

</TABLE>

Benin Basin

- - - - -

<PAGE>

Between November 1996 and March 1997, the Company drilled and completed two off-shore wells on the Aje Field of Nigerian Block OML 113. The wells tested maximum flow rates of 5,500 and 8,800 barrels of oil per day, respectively, with associated natural gas. Subsequent analysis of log results and seismic data indicate that, in addition to oil, significant natural gas resources are located in the Aje Field. Although identified by exploration drilling, no reserves or Present Value has been assigned to the Aje Field on the basis that no market currently exists for the Aje Field's natural gas resources. The Company is currently negotiating with a major international natural gas producing and electrical power generating company and the Government of Benin for the development, financing and construction of a natural gas powered electrical generation power plant which is anticipated will provide electrical energy to Benin and the neighboring countries of Togo and Ghana. Natural gas feedstock is expected to be supplied from the natural gas resources identified in the Aje Field and from Benin Block 1. The completion of a power plant is expected to establish a market for the Company's natural gas resources. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity" and "Risks and Uncertainties - Benin Regulation".

RESERVE RECONCILIATION

The following table contains a reconciliation of Proved Reserves on a constant price basis from December 31, 1996 to June 30, 1998 when all of the Company's Proved Reserves were disposed of.

<TABLE>

<CAPTION>

	PROVED RESERVES (MMBLS) (1) (5)	
	GROSS RESERVES (2)	NET RESERVES (3)
	-----	-----
	<C>	<C>
PROVED RESERVES AT DECEMBER 31, 1996 (4)	47.7	23.5
	-----	-----
Add:		
Discoveries, additions, extensions	-	-
Purchases and Sales	-	-
Economic/Technical Revisions	(19.5)	(4.3)
Subtract:		
Production	(6.1)	(3.4)
	-----	-----

PROVED RESERVES AT DECEMBER 31, 1997 22.1 15.8

Add:

Discoveries, additions, extensions	-	-
Purchases	-	-
Economic/Technical Revisions	-	-

Subtract:

Production and Sales	22.1	15.8
----------------------	------	------

PROVED RESERVES AT DECEMBER 31, 1998(5) - -

<FN>

(1) Proved Reserves are those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of the reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir. Includes oil and condensate.

(2) Gross Reserves reflect total cumulative reserves held by all participants.

(3) Net Reserves reflect reserves attributable to the Company after adjustment of the Company's understanding of applicable Nigerian taxes and royalties, gross overriding royalties or their equivalent and interests held by the Company's Nigerian Partner.

(4) Based on a May 13, 1997 reserve report prepared by Gilbert Laustsen.

(5) All of the Proved Reserves of the Company are situated in the Niger Delta. These reserves were disposed of in June 1998. See "Business - History and Development of the Business - Restructuring of Operation and Financial Affairs".

</TABLE>

CAPITAL EXPENDITURES

The following table is a summary of the capital expenditures made by the Company on acquisition, exploration, drilling and production activities on its oil and gas properties for the fiscal periods indicated. In all cases, the total capital expenditures on the Company's oil and gas properties includes a provision for decline in property values. For the twelve months ended December 31, 1997, a total of \$110.9 million was spent on the Company's oil and gas properties compared to capital expenditures of \$15.2 million for the twelve months ended December 31, 1998.

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<PAGE>

<TABLE>

<CAPTION>

	TWELVE MONTHS ENDED			
	DEC. 31	DEC. 31	DEC. 31	
TOTAL TO				
1998(1)	1996	1997	1998	DEC. 31
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

(\$000)

NIGER DELTA CONCESSIONS

Land and Data Acquisitions	\$	-	\$	1,200	-
10,211					
Exploration, Drilling and Seismic		11,128		61,497	13,222
132,068					
Production Facilities		93,670		2,862	-

102,177				
Administration and Capitalized Interest	1,896	-	-	
9,461				
Acquisition of Royalty Interest	-	13,536	-	
13,536				
Acquisition by Plan of Arrangement	-	-	-	
28,038				
Depreciation, Depletion and Amortization	-	(28,159)	(4,244)	
(32,452)				
Provision for Decline in Property Values	-	(206,019)	-	
(206,019)				
Disposition of Niger Delta Concessions(2)	-	-	(57,020)	
(57,020)				
	-----	-----	-----	-----
TOTAL NIGER DELTA	106,694	(155,083)	(48,042)	
-	-----	-----	-----	-----
BENIN BASIN CONCESSIONS				
Land and Data Acquisitions	600	1,525	2,000	
9,125				
Exploration, Drilling and Seismic	52,136	24,311	-	
78,469				
Administration and Capitalized Interest	687	-	2	
2,782				
Acquisition of Royalty Interest	-	6,036	-	
6,036				
Provision for Decline in Property Values	-	(3,981)	-	
(3,981)				
	-----	-----	-----	-----
TOTAL BENIN BASIN	53,423	27,891	2,002	
92,431	-----	-----	-----	-----
TOTAL BENIN BASIN/NIGER DELTA	\$160,117	\$(127,192)	\$(46,040)	
92,431	=====	=====	=====	

<FN>

(1) The total includes all expenditures since the Company initiated oil and gas operations in Nigeria and Benin.

(2) See "Business - History and Development of the Business - Restructuring of Operations and Financial Affairs".

</TABLE>

OIL AND GAS DRILLING ACTIVITIES

All of the Company's drilling activities have been in Nigeria. No wells have been drilled to date by the Company in the Republic of Benin. The table that follows sets out the gross and net number of productive and dry wells drilled and completed in the periods indicated.

<PAGE>

<TABLE>

<CAPTION>

MONTHS CUMULATIVE TO			FOR THE 12		FOR THE 12		FOR THE 12	
			MONTHS ENDED		MONTHS ENDED		ENDED	
1998(1) DEC. 31, 1998			DEC. 31, 1996(1)		DEC. 31, 1997(1)		DEC. 31,	
-----			-----		-----		-----	
GROSS	NET		GROSS	NET	GROSS	NET	GROSS	NET
LOCATION OF WELLS	WELLS(2)	WELLS(3)	WELLS(2)	WELLS(3)	WELLS(2)	WELLS(3)	WELLS(2)	WELLS(3)
WELLS(3)	WELLS(2)	WELLS(3)						
-----			-----		-----		-----	
<S>			<C>	<C>	<C>	<C>	<C>	<C>
<C>	<C>							
NIGER DELTA CONCESSIONS:								
Productive Oil and Condensate								
1.0	10.0	4.78	-	-	3.0	1.4	2.0	
Dry and Abandoned								
-	-	-	-	-	-	-	-	-

Total Drilled Wells								
1.0	10.0	4.78	-	-	3.0	1.4	2.0	

BENIN BASIN CONCESSIONS:								
Productive Oil and Condensate								
-	2.0	1.0	1.0	0.5	1.0	0.5	-	
Dry and Abandoned								
-	1.0	0.51	-	-	-	-	-	-

Total Drilled Wells								
-	3.0	1.51	1.0	0.5	1.0	0.5	-	

TOTAL DRILLED WELLS								
1.0	13.0	6.29	1.0	0.5	4.0	1.9	2.0	
=====			=====		=====		=====	

<FN>

- (1) "Reflect wells completed in the periods indicated.
- (2) "Gross Wells" are the total number of wells in which the Company has a Participating Interest.
- (3) "Net Wells" are the aggregate of the percentage of Revenue Interest of the Company in each of the Gross Wells. In all cases, the Revenue Interest shown is before payout. The Revenue Interest of the Company declines after payout. See "-The Niger Delta - Cost Obligations and Revenue Interests" and "- Benin Basin -

</TABLE>

AREA HOLDINGS

As at December 31, 1998, following the disposition of its Participating Interest in the shallow zones of Ima Field, the Company's crude oil, natural gas and natural gas liquids holdings consisted of approximately 148,000 gross acres and 14,800 net acres in the Niger Delta and approximately 3.5 million gross acres and 2.1 million net acres in the Benin Basin. Pursuant to the disposition of its Participating Interest in the Niger Delta in June 1998, the Company no longer holds proved or unproved acreage in the Niger Delta. Rather, the Company's net acreage position is restricted to 10% Participating Interest in the Deep Ima Prospect in respect of which there is currently no proved or probable reserves.

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<PAGE>

<TABLE>

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The following table summarized the Company's land holdings as of December 31, 1998.

CONCESSION ACREAGE (1) (3)	ACQUIRED	PARTNER	PROVED ACREAGE (1) (2)		UNPROVED
			GROSS ACRES (4)	NET ACRES (5)	GROSS ACRES (4)
<S>	<C>	<C>	<C>	<C>	<C>
NIGER DELTA					
Block OML 112 (6) 13,410(7)	Aug. 1993	Amni	-	-	134,100
Block OPL 237 (6) 1,433(7)	Dec. 1994	Amni	-	-	14,335
Total Niger Delta 14,843			-	-	148,435
BENIN BASIN					
Block OML 113 215,250	June 1993	YFP	-	-	410,000
Block OPL 310 237,650	Dec. 1996	Optimum	-	-	490,000
Block 1 434,700(8)	Sept. 1997	-	-	-	720,000
Block 4 1,246,800(8)	Sept. 1997	-	-	-	1,900,000
Total Benin Basin 2,134,400			-	-	3,520,000

TOTAL AREA HOLDINGS - - 3,668,435
2,149,243

=====
<FN>

(1) As at December 31, 1998

(2) "Proved Acreage" means the acreage to which the Company has assigned Proved Reserves at December 31, 1998.

(3) "Unproved acreage" refers to the acreage to which the Company has assigned no Proved Reserves.

(4) "Gross Acres" means all acreage in which the Company has a Participating Interest.

(5) "Net Acres" means Gross Acres after deducting interests of all other participants.

In each case, the Net Acres is shown before Payout. The Net Acres position will decline after Payout is achieved. See "- Niger Delta - Cost Obligations and Revenue Interests" and

"- Benin Basin - Cost Obligations and Revenue Interests".

(6) The Company released its Participating Interest in the shallow zones of the Ima

Field located on this concession block in June 1998. Acreage references are restricted to

the Deep Ima Prospect only.

(7) Reflects interest in the Deep Ima Prospect only.

(8) Net Acres calculated based upon Cost Oil Recovery attributable to the Company after

giving effect to a 12.5% crude oil production tax payable on gross production. Does not

account for an additional sliding scale royalty that becomes payable by the Company to the

Benin government based upon average daily production rate.

</TABLE>

OPERATIONS AND PRESENT ACTIVITIES

Historically, operations in Nigeria have been conducted jointly by the Company, as technical partner and the applicable Nigerian Partner, as named operator. In the Niger Delta, the Company is no longer the technical partner on blocks OML 112 or OPL 237. In the Benin Basin, the Company continues to be the technical partner for Concession Block OML 113 and OPL 310. The Company is also the operator of Block 1 and Block 4 in Benin. The Company is currently evaluating the sale/farmout of part or all of its Participating Interests in these concessions. The role of the Company as operator is dependant upon the outcome of future farm-out arrangements.

Due to the restructuring of its affairs in June 1998, the Company is not currently conducting drilling activities nor does it currently own production or refining facilities. The ability of the Company to drill or participate in future wells or to secure or construct a suitable production or refining facility to produce any discoveries is dependant upon the Company securing sufficient financial resources or a suitable industry partner. There is no assurance that the Company will be able to attract new equity, debt, joint venture partners, buyers, merger partners or a combination thereof in order to remain viable and continue operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Liquidity".

<PAGE>

PRODUCTION FACILITY

Components

On June 30, 1998, the Company conveyed its entire interest in the MOPU situated on the Ima Field to a major international service company in exchange for the extinguishment of approximately \$18.8 million of debt, representing all of the debt due from the Company to the international service company. Consequently, the MOPU ceased to be a material asset of the Company at its most recently completed year end. See "Business - History and Development of the Business - Restructuring of Operations and Financial Affairs"

Financing

In order to fund a portion of the capital and installation costs for the MOPU and the drilling of certain wells on the Ima Field, the Company and Amni entered into a \$30.0 million credit facility (the "European Bank Facility") with two European banks in August 1996. In July 1997, the Company received a Secured Loan of \$35.0 million under a crude oil pre-payment agreement, the proceeds of which were used to fully repay the European Bank Facility and for exploration and development costs on the IMA Field. On June 30, 1998, the Secured Loan was restructured as part of the Company's overall financial restructuring. The restructuring of the Secured Loan by the Secured Lender enabled the Company to defer quarterly interest payments until December 31, 1998 and to extend the maturity of approximately \$20.1 million of the loan until June 30, 1999, with the remainder of \$10.6 million due on December 31, 1999. The terms of its agreement with the major international service company, provided that if a future sale price of the MOPU is above a pre-determined threshold, a portion of the proceeds of sale will be applied to reduce the Company's obligations under its existing Secured Loan.

Subsequent to December 31, 1998, the Company received confirmation from the Secured Lender that the interest payment due December 31, 1998 had been capitalized and that the first payment was amended to March 31, 1999. The Secured Lender has since advised the Company that, notwithstanding its written extension, payment of the first interest instalment was due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating with its Secured Lender regarding further relief from this and other near-term cash interest payments. There is no assurance that such negotiations will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Financing Risks".

The Company has granted security to the Secured Lender in respect of its repayment obligations under the Secured Loan. Included as security to the Secured Lender are (1) a pledge of all of the common shares of those subsidiaries that hold Participating Interests in the Company's Niger Delta and Benin Basin Concessions; (2) a series of debentures granting a security interest against the Company's Participating Interest in its Niger Delta and Benin Basin Concessions; and (3) a guarantee of Abacan for all outstanding amounts under the Secured Loan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Financing Risks".

MARKETING AND SALE OF PETROLEUM

Prior to the relinquishment of its Participating Interest in the Ima Field, the Company sold its crude oil production to a major international oil marketing company pursuant to the terms of a Crude Oil Sale Agreement dated August 29, 1996. The Crude Oil Sale Agreement was terminated in June 1998 concurrent with the restructuring of the Company's oil and gas operations and financial affairs. Consequently, the Company has no existing crude oil delivery commitments.

Prior to the restructuring of its oil and gas operations and as protection against operating hazards, the Company maintained insurance coverage against some, but not all, potential losses. Following the disposition of its Participating Interest in the Ima Field the Company cancelled all policies of insurance that related to its involvement as an operator and producer of oil and condensate. The Company anticipates that it will obtain future insurance coverage, as is prudent for the Company, based upon the nature and extent of the exploration and development activities being conducted by the Company. Losses could, however, occur for uninsurable or uninsured risks or in amounts in excess of any existing or future insurance coverage. The occurrence of an event that is not fully covered by insurance or that is uninsured could have a material and adverse impact on the Company's financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Oil and Gas Exploration, Development and Production".

ITEM 3. LEGAL PROCEEDINGS

As at December 31, 1998, the Company is not involved in any lawsuits where the claim for damages for any such lawsuit exceeds 10% of the value of the Company's current assets except as indicated below:

1. Weatherford Enterra U.S. L.P. v. Abacan Resource Corporation et. al.

Action commenced by Weatherford Enterra U.S. L.P. (the "Plaintiff") in 1998 in the 61st Judicial District Court, Harris County, Texas against Abacan and four of its affiliates alleging breach of contract and unjust enrichment. Amni International Development Company Limited ("amni") and a subsidiary of Abacan were parties to a Joint Venture Agreement relating to oil exploration and development of Nigerian Concession Blocks OPL 237 and OML 112 (the "Joint Venture"). The Plaintiff's claims arose out of transactions with respect to the Joint Venture. The Plaintiff seeks an unspecified amount of actual damages, plus interest, costs and legal fees. Abacan has denied the Plaintiff's claim. Abacan is also indemnified by Amni for any of the Plaintiff's claims. Amni and the Plaintiff have signed a settlement agreement however, the Company is not aware if the settlement terms have been performed by Amni. On January 19, 1999, the Plaintiff filed a non-suit of the case, without prejudice.

2. Global Marine International Services Corporation v. Abacan Technical Services Ltd.

Action commenced by Global Marine International Services Corporation (the "Plaintiff") in the 125th Judicial District Court, Harris County, Texas against Abacan Technical Services Ltd. ("Abacan Technical"), a subsidiary of the Company on March 25, 1998 alleging breach of contract arising out of the provision of services to Abacan Technical. The Plaintiff seeks damages of \$1,963,148.80 plus interest, costs and legal fees. Abacan Technical has denied the Plaintiff's claims.

Abacan Technical has filed an interlocutory appeal of the trial court's order denying its special appearance, which disputes that Texas has jurisdiction of the Plaintiff's claims. That appeal is pending. In late December 1998, the trial court granted the Plaintiff's Motion for Partial Summary Judgement for the full amount of its claim, excluding legal fees, plus interest. However, the order is subject to appeal. Pending the appeal, the Plaintiff is precluded from finalizing proceedings in the trial court or undertaking any collection efforts. The date of the hearing of the appeal or its disposition is uncertain at this time.

3. SBM Offshore Contractors v. Amni International Petroleum Development

Company Limited, Liberty Technical Services Ltd. and Abacan Resources (Nigeria)

Ltd.

SBM Offshore Contractors (the "Plaintiff") has commenced action against Amni, Liberty Technical Services Ltd. ("Liberty") and Abacan Resources (Nigeria) Ltd. ("Abacan Nigeria") in a suit filed in the United Kingdom. Liberty and Abacan Nigeria are subsidiaries of Abacan. The Plaintiff claims that the Defendants owe it approximately \$1.8 million for alleged past due invoices. The Defendants have denied the claims. Amni has indemnified the Company for any of the Plaintiff's claims. Amni has received authorization to conduct the action on behalf of all of the Defendants.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company had no matters requiring a vote of security holders during the fourth quarter of fiscal 1998.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Common Shares of Abacan Resource Corporation commenced trading on The Toronto Stock Exchange (the "TSE") on June 14, 1995 under the trading symbol "ABC", and on the Nasdaq National Market ("NASDAQ") on December 4, 1995 under the trading symbol ABACF. The following table sets forth the high and low closing sale prices of Abacan's Common Shares as reported by the TSE (in Canadian dollars) and by NASDAQ (in U.S. dollars) for the periods indicated.

<TABLE>
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	NASDAQ		TSE	
	(US \$)		(Canadian \$)	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
1997				
First Quarter	\$ 11.7500	\$ 7.8125	\$15.65	\$10.75
Second Quarter	9.0000	1.8125	12.45	2.50
Third Quarter	4.0000	2.4375	5.50	3.35
Fourth Quarter	3.5156	1.5625	4.85	1.38
1998				
First Quarter	2.6250	1.4062	3.64	1.75
Second Quarter	1.6250	0.3438	2.25	0.52
Third Quarter	0.9375	0.2188	1.38	0.34
Fourth Quarter	0.5625	0.1562	0.88	0.27
1999				
January	0.4375	0.2188	0.67	0.36
February	0.2812	0.1562	0.40	0.23
March 1-20	0.2500	0.1562	0.38	0.25

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The Company has received notice from The Nasdaq Stock Market Inc. ("Nasdaq") that its common shares are not in compliance with the \$1.00 minimum

bid price requirement for ongoing listing on the Nasdaq National Market System. In order to endeavor to achieve compliance, the Company's shareholders will be asked to consider and approve at a Shareholders Meeting scheduled for March 29, 1999, a resolution authorizing the directors, in their discretion, to give effect to a reverse stock split of the Company's common stock. In the event the Company's common stock does not satisfy the \$1.00 minimum bid price requirement (which is the only requirement it does not currently comply with) by April 7, 1999, the Company's common shares will be de-listed from Nasdaq's National Market System. The Company must also meet all other Nasdaq requirements on an on-going basis. The Company's common shares are not currently eligible for listing on the Nasdaq Smallcap Market.

There is no assurance that shareholders' approval will be obtained for a reverse-stock split or if obtained, that the directors will proceed with a reverse stock split. There is no assurance that if a reverse stock split is completed that the minimum bid price will rise above or be sustained above the \$1.00 minimum bid requirement or that the Company's common stock will not be delisted for some other reason. A delisting of the Company's common stock from the Nasdaq National Market System will be materially adverse to the liquidity of the Company's common stock.

The Company has received notification from The Toronto Stock Exchange that it does not currently meet the TSE's requirements for a reverse stock split. Consequently, if the Company elects to proceed with the reverse stock split without meeting the applicable TSE requirements, its common shares will be delisted from the TSE immediately prior to the completion of the reverse stock split. A delisting of the Company's common shares from the TSE may be materially adverse to the liquidity of the Company's shareholders, particularly shareholders who reside in Canada. If the Company's common shares are delisted from the TSE, Canadian residents would have to trade their shares on the Nasdaq National Market System (provided the Company meets all Nasdaq continued listing requirements referenced above). Quotations on the Nasdaq National Market System are in U.S. dollars. Consequently all purchases and sales of the Company's common shares would be in U.S. rather than Canadian currency. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks and Uncertainties - Stock Market Maintenance Requirements".

HOLDERS

As of December 31, 1998, there were approximately 1997 record holders of the Abacan's Common Stock.

DIVIDENDS

Abacan has not previously paid any cash dividends on its Common Stock and does not anticipate or contemplate paying dividends on the Common Stock in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business. In addition, the Company may not pay any dividends on common equity unless and until all dividend rights on outstanding preferred stock, if any, have been satisfied. The only other restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future, are those restrictions imposed by law or by certain credit agreements.

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SALE OF NON-REGISTERED SECURITIES

In connection with the restructuring of the Company's Secured Loan in June 1998, the Company agreed to issue options to acquire 600,000 common shares to the Secured Lender. The exercise price of the options is Cdn \$0.91 per common share expiring June 30, 2000. The common shares issuable upon exercise of the options were exempt from registration requirements of the Securities Act of 1933.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information contained in the Company's audited consolidated financial statements, including related notes, for the years ended December 31, 1997 and 1998 and its other public filings. References herein to the Company include Abacan Resource Corporation and its subsidiaries.

OVERVIEW OF 1998

The Company underwent several changes during 1998 including discontinuing its uneconomic oil and gas operations, significantly reducing its liabilities and ongoing obligations, streamlining its administrative overhead expenses and focusing efforts to optimize the potential value of its Benin Basin oil and gas concessions.

SALE OF IMA FIELD

A comprehensive reservoir analysis of the Ima Field completed in the spring of 1998 suggested that the Ima Field was no longer economically producible. On June 30, 1998, the Company reached a settlement agreement with its Nigerian partner, Amni International Petroleum Development Company Limited ("Amni"), regarding the Company's interests in Nigerian Concession OML 112 (formerly OPL 469), OPL 237 and the mobile offshore production unit ("MOPU") used to produce the Ima Field. Under the agreement, the Company relinquished all rights and interests in Concession Blocks OML 112 and OPL 237, including its interest in the "shallow" zones of the Ima Field. The Company retained an interest in a deep hydrocarbon prospect (the "Deep Ima Prospect") located beneath the Ima Field. As consideration for the cancellation of the Company's rights on these blocks, Amni assumed all of the Company's Ima Field related claims and liabilities valued at approximately \$47 million, extinguished approximately \$20 million of claims it had against the Company and released any claims it had to the Ima Field MOPU. The shallow zones encompassed all of the Company's proved developed reserves and production.

SALE OF THE MOBILE OFFSHORE PRODUCTION UNIT

Concurrent with its agreement with Amni, the Company exchanged its interest in the topside equipment on the MOPU which was being used to produce the Ima Field, to a major international service company in return for the extinguishment of all of the major service company's debt valued at approximately \$18.8 million. Subject to a sale or disposition price of the MOPU being above a pre-determined threshold, a portion of the proceeds of sale will be applied to reduce the Company's obligations under its existing senior secured loan.

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RESTRUCTURING OF SECURED LOAN

Concurrent with the above transactions, the Company also restructured its existing senior secured loan (the "Secured Loan"). In June 1998, at the time of the restructuring, the Company owed its senior secured lender (the "Secured Lender") approximately \$30.7 million under the secured loan agreement. The restructuring enabled the Company to defer quarterly interest payments until December 31, 1998 and extend the maturity of approximately \$20.1 million of the loan until June 30, 1999, with the remainder of \$10.6 million due December 31, 1999. Subsequent to December 31, 1998, the Company received written confirmation from its Secured Lender that the first quarterly interest payment due December 31, 1998 had been capitalized and that interest payments would commence on March 31, 1999. The Secured Lender has since advised that notwithstanding its written extension, the first interest instalment continued to be due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating with its Secured Lender regarding further relief from this payment and from other near-term cash interest payments. There

is no assurance that such negotiations will be successful and that the Company will be able to successfully defer its principal and interest payment obligations until a future date. Failure of the Company to pay the principal and interest amounts to its Secured Lender when due constitutes an event of default which could result in a loss of part or all of the Company's assets and render it insolvent.

NEW INITIATIVES

Since the sale of the Ima Field, the Company has turned its attention towards its significant Benin Basin acreage. The Company is focusing on two initiatives: (1) the Benin Power Project, which is expected to be supplied fuel from the Company's Block OML 113 and Benin Block 1 gas reserves; and (2) the exploration of its sizeable Benin Basin Concessions (Block OML 113 and Block OPL 310 in Nigeria and Block 4, offshore Benin).

Benin Power Project

On May 27, 1998, the Company entered into a Letter of Intent ("LOI") with a subsidiary of a major international natural gas and electrical power generating company and the Government of Benin for the development of an electrical power plant to be located in Cotonou, Benin. Under the terms of the LOI, the required natural gas feedstock for the project is expected to come from the Company's Aje Field natural gas resources identified on Nigerian Block OML 113 and from Block 1 in Benin. Negotiations are continuing towards the signing of a definitive Power Purchase Agreement.

Exploration of Additional Benin Basin Acreage

The Company continues to hold a significant position in the Benin Basin. However, it does not currently have the financial resources necessary to explore and develop its prospects and therefore will be reliant on third-party funding sources to provide the necessary capital to do so. The Company continues to explore various options with respect to securing a partner. Types of relationships that are currently being contemplated are joint venture transactions, farm-outs, sales of interests or a merger. The Company is actively marketing the farm-out, sale or other disposition of its concessions to industry participants.

LIQUIDITY, OPERATING AND CAPITAL REQUIREMENTS AND FUNDING ALTERNATIVES

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The Company has a serious liquidity problem that casts doubt upon the ability of the Company to continue operations in the foreseeable future. As of December 31, 1998, the Company had cash on hand of approximately \$3.3 million, current debt of approximately \$30.7 million, accounts payable of approximately \$9.7 million and royalties payable of approximately \$5.4 million. The decrease in the Company's long term debt and working capital deficiency from December 31, 1997 to December 31, 1998 is due principally to the Ima Field restructuring described above. As a consequence of the sale of its producing properties in June 1998, the Company does not currently have revenues or cash flow. The Company does not anticipate generating revenues or cash flow until the completion of the Benin Basin electrical generation project or the sale or farm-out of part or all of its existing properties. The Company has limited cash reserves and, despite a significant reduction in operational costs, is continuing to incur general, administrative and other related expenses. Based upon current expenditure levels, the cash reserves of the Company will not be sufficient to sustain the operations of the Company at current levels. That being the case, the Company's ability to continue as a going concern is dependent on the following:

1. The development of the natural gas resources in Benin Basin Concession

Blocks OML 113 and OPL 310 including the development of a commercial market for the natural gas produced in this area;

2. Obtaining financing in the form of equity, debt or a combination thereof in order to continue the development of the natural gas resources in the above referenced concession blocks;

3. Negotiating a joint venture for the continued exploration and development of the West African acreage position;

4. Continuing to finance general and administrative expenses from existing cash or financing in the form of equity, debt or combination thereof until such time as the above negotiations and financing are complete;

5. Negotiations with certain suppliers to settle current liabilities and forbearance of the Company's secured and unsecured creditors;

The Company has received an indication from a major shareholder that, subject to the fulfillment of certain conditions, additional funding may be available to the Company. However, there is no assurance any such funding, joint venture transactions or asset sales will be available to the Company.

SENIOR SECURED LOAN

A Secured Loan was initially advanced to the Company in August 1997 pursuant to a Crude Oil Prepayment Agreement between the Company and a major international oil marketing company. The proceeds of the Secured Loan were used at that time to repay outstanding project financing incurred by the Company in constructing the MOPU located on the Ima Field and for Ima Field exploration and development costs. The \$30.7 million Secured Loan was restructured on June 30, 1998. As restructured, repayment of \$20.1 million was deferred until June 30, 1999 with the balance of \$10.6 million due on December 31, 1999. Interest payments were to commence quarterly on December 31, 1998. Subsequent to December 31, 1998, the Company received written confirmation from the Secured Lender that the first quarterly interest payment due December 31, 1998 had been capitalized and that interest payments would commence on March 31, 1999. The Secured Lender has since advised that notwithstanding its written extension, the first interest instalment continued to be due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating with the Secured Lender regarding relief from this payment and from other near-term cash interest payments.

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ACCOUNTS PAYABLE

As at December 31, 1998, the Company had approximately \$9.7 million in unsecured trade debt primarily related to its Aje Field exploration activities. Two creditors hold approximately \$8.0 million of this debt, with the remainder held by numerous other entities. The Company continues to work to reach settlement arrangements with its creditors. In addition to the trade creditors, the Company continues to have a contingent liability with respect to the debts assumed by Amni under the Ima Field restructuring. In consideration of the sale of the Ima Field, Amni agreed to assume all of the Company's trade payables specifically related to the development of the field and has indemnified the Company in respect of such obligations. The Company understands that Amni has settled a majority of the claims of the large creditors. However, there can be no assurance that the remaining creditors will not seek redress from the Company should Amni be unable to pay or otherwise settle their claims. Until the Benin Basin initiatives begin to generate cash flow to the Company, the Company anticipates it will not be in a position to settle any remaining creditor's claims.

ROYALTIES PAYABLE

As at December 31, 1998, royalties payable included an amount of \$1.0 million owed to Abacan International Resource Management Inc. ("Airmi"), \$1.4 million to Yinka Folawiyo Petroleum Company Limited ("YFP") and \$2.9 million to several other unrelated companies. All of the royalties relate to the Ima Field. AIRMI is a company wholly owned by Wade G. Cherwayko, a former senior executive officer and director of the Company. YFP is substantially controlled by the father of Mr. Tunde Folawiyo, a director of the Company. Mr. Folawiyo is also an executive officer of YFP. Until such time as the Company generates cash flow, it will be unable to make cash settlements of its outstanding royalty obligations.

FUTURE WORK COMMITMENTS

The Company has fulfilled its minimum work obligations in respect of Nigerian Block OML 113. However, significant additional expenditures will have to be incurred in order to produce the resources contained in the Aje Field and elsewhere in OML 113 and to establish a market for such resources. Most notably, the Company will have to secure a suitable offshore production facility as well as construct a pipeline to an electrical generation project to be located on-shore Benin. An electrical generation project, which is not yet constructed, will have to be completed and tied into the West African electricity grid in order for there to be a market for the Company's natural gas resources. The Company believes that it will require an industry partner to fund the commercial development of its resources. The Company has a commitment to YFP to pay \$5 million to be paid out of net cash flow out of future production of Block OML 113.

Under the terms of its Block OPL 310 joint venture agreement with its Nigerian partner, Optimum Petroleum Development Company ("Optimum"), the Company is obligated to complete a minimum work program consisting of three wells and a seismic program. The obligation of the Company to initiate expenditures towards the minimum work program commences after receipt of applicable government approval for the joint venture agreement between the Company and Optimum. The oil prospecting licence for OPL 310 expired in February 1997, however, the Nigerian Department of Petroleum Resources confirmed shortly after the expiry of the OPL to Optimum that the OPL remains in good standing. Subsequently, nothing has been received by the Company, or to the Company's knowledge, by Optimum, that would indicate that the Nigerian authorities do not consider OPL 310 to be valid and in good standing.

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Optimum has not yet secured an extension or renewal of the OPL or the requisite joint venture agreement approval from the Nigerian Ministry of Petroleum Resources. Despite this, Optimum has advised the Company that it wishes the Company to proceed on the minimum work program in advance of the required extension or renewal and receipt of requisite government approval to the joint venture agreement.

In the Republic of Benin, the work commitments of the Company are set out in separate Production Sharing Contracts for Block 1 and Block 4. In the case of Block 1, the minimum work requirements include the drilling of one well and the completion of a seismic program by the end of February 1999. The requisite work commitment was not satisfied by this deadline. The Company is currently negotiating an extension with the Benin Ministry and risks the loss of its interest in Block 1 should an extension not be secured. In the case of Block 4, the minimum work requirements include the drilling of one well and completion of a seismic program by February 2002. The Company believes that it will require an industry partner to fund the requisite work commitments of Block 4 and Block 1.

CAPITALIZED COSTS OF PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

Through to December 31, 1998 the Company had expended a total of approximately \$392 million on the acquisition, exploration and development of

its concession blocks, including approximately \$296 million in the Niger Delta and \$96 million in the Benin Basin. This compares to the total expenditures of \$376 million as at December 31, 1997. The capital spending in 1998 totaling approximately \$15 million included the acquisition of additional concession interests in the Benin Basin at a cost of \$2.0 million and the drilling, testing and placing on production of the Ima #9 and Ima #10 wells at a cost of approximately \$13 million.

In 1997, the Company recorded a provision for the decline in value of the Niger Delta properties of approximately \$206 million. With the 1998 sale of Blocks OML 112 and OPL 237, the Company disposed of its remaining interest in the Niger Delta properties and equipment, including the hydrocarbon reserves and related production equipment. This disposition resulted in a reduction of the petroleum and natural gas property costs by approximately \$57 million.

OIL AND GAS RESERVES

With the sale of its interest in OPL 237 and OML 112, the Company sold all of its proved producing and developed hydrocarbon reserves. The Company conducted a 2-D seismic program on Nigerian Blocks OML 113 and OPL 310 in 1994 and 1996. Following the evaluation of the data from this program, the Company drilled two wells on Block OML 113 that tested cumulative flow rates of 5,500 and 8,800 barrels per day of oil and condensate, with associated natural gas. Based on the results of the Company's first two wells, the Company believes that, in addition to oil and condensate, the Benin Basin has significant natural gas. Based on these results, the Company also believes there is sufficient natural gas resources in the Aje Field to supply the electrical generation power project in Benin.

RESULTS OF OPERATIONS

The Company discontinued its hydrocarbon production operations due to the sale of the Ima Field in June 1998. The tables below illustrate the significant components of its 1997 and 1998 production operations up until the point of sale.

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Production and Sales

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The Company recognized petroleum revenues for its oil and condensate at the time of production at the then prevailing market rate for the Company's oil and condensate. The Company produced oil and condensate and stored its production in a floating storage tanker ("FSO") until sufficient quantities were inventoried for transfer to a crude tanker. Any difference between the value of crude oil and condensate recorded at production and the amount actually realized from the sale was recorded by the Company as income in the period of realization.

The following table sets forth the average daily gross and net production levels (in barrels) for the periods indicated.

<TABLE>

<CAPTION>

	Gross Production		Net Production(1)	
	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>
January	10, 141	18, 207	5, 578	10, 014
February	12, 842	15, 358	7, 068	8, 447
March	16,880	14, 262	9, 284	7, 844
April	23, 995	14, 799	13, 197	8, 139

May	21, 483	13, 202	11, 816	7, 261
June	18, 447	11, 963	10, 146	6, 580
July	12, 668	N/A	6, 967	N/A
August	18, 896	N/A	10, 393	N/A
September	20, 079	N/A	11, 043	N/A
October	16, 782	N/A	9, 230	N/A
November	20, 664	N/A	11, 365	N/A
December	9, 376	N/A	5, 157	N/A

<FN>

(1) Net figures reflect the Company's pre-payout participation before royalties
</TABLE>

The following table sets forth information pertaining to the quarterly production and liftings on a gross and net basis as well as quarterly revenue and operating cost information for the Company prior to the sale of the Ima Field on June 30, 1998.

<TABLE>
<CAPTION>

	Three Months Ended March 31	Three Months Ended June 30
<S>	<C>	<C>
Gross Production (bbls)	1,436,583	686,461
Net Production (bbls)	790,121	377,554
Gross Sales (bbls)	1,528,753	592,561
Net Sales (bbls)	840,814	325,909
Average Price	\$ 12.75	\$ 13.57
Net Revenue	\$ 9,986	\$ 4,272
Operating Costs	\$ 8,041	\$ 9,390

</TABLE>

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Operating Costs

The majority of the Company's operating costs relates to the operation of the MOPU and FSO located on the Ima Field. Such costs were fixed on a per diem basis. Following the sale of the Ima Field, the Company ceased to incur operating costs.

General and Administrative Expenses

General and Administrative expenses for the year ending December 31, 1998 were approximately \$4.6 million versus approximately \$3.9 million for the year ending December 31, 1997. Since the sale of the Ima Field in June 1998, the Company has made significant strides towards reducing its overhead expenses. The Company has closed or is in the process of closing three offices, has reduced staff levels and has out-sourced several of its administrative functions. Offsetting these changes, however, has been a significant amount of additional legal and accounting expenses incurred related to the sale of the Ima Field and the Company's ongoing restructuring process. Critical to continued existence of the Company is the continued reduction and re-alignment of general and administrative expenses to better reflect the Company's current situation and future prospects. The Company currently has no revenue or cash flow and limited cash reserves. Accordingly, the Company will require additional financing in the near term in order to sustain its current level of operations.

Interest and Other Financial Expense

For the year ending December 31, 1998, the Company incurred approximately \$3.0 million in interest and other financial expenses versus \$4.3 million in 1997. These charges are primarily related to the Secured Lender both prior to and following its restructuring. The December 31, 1998 quarterly interest payment was not made. Subsequent to December 31, 1998, the Company received written confirmation from the Secured Lender that the first quarterly interest payment had been capitalized and that interest payments would commence on March 31, 1999. The Secured Lender has since advised that notwithstanding its written extension, the first interest instalment continued to be due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating with the Secured Lender regarding relief from this payment and from other near-term cash interest payments.

Depletion, Depreciation and Amortization

For the year ended December 31, 1998, the Company incurred approximately \$4.2 million in depletion, depreciation and amortization versus approximately \$28.2 million in 1997. The decline in 1998 expense is primarily attributed to the 1997 write down in costs associated with the Ima Field and its sale in June 1998.

1997 Provision for Decline in Value of Petroleum Properties in the Niger Delta

As a result of the application of the ceiling test and other considerations related to the Company's intention to sell its production assets, the Company recorded a provision for decline in the value of its Niger Delta petroleum properties in 1997 of approximately \$206 million. Application of this write-down resulted in a remaining Niger Delta petroleum cost balance of approximately \$47 million at December 31, 1997.

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1998 Gain on Sale of Assets

At the time of the sale of the Ima Field and the related production facility transaction with a major international service company, the Niger Delta petroleum properties remaining cost balance was approximately \$57 million. As a result of the above transactions, approximately \$86 million in debt and other liabilities were either extinguished or assumed by other entities. This resulted in the Company realizing a book gain on the sale of assets of approximately \$29 million. Though these transactions resulted in a significant book gain for the Company, no cash was received by the Company as a result of any of the transactions.

OUTLOOK

The continuing corporate financial restructure is a critical priority and the Company is exploring opportunities to raise additional capital, reduce the level of total liabilities and reduce overhead costs. In addition, the Company is exploring various options that allow for external funding for further development of its remaining Benin Basin concession blocks, including a farm-out, sale of interests or merger. Should the Company be unable to raise additional capital, either directly or through a combination of a sale or farm-out of assets, or a business combination, it will be required to cease operations.

YEAR 2000 ISSUE

The Year 2000 problem arises with the change in century and the potential inability of information systems to correctly "rollover" dates to the new

century. To save on computer storage space, many systems were programmed with a two-digit century (ie. December 31, 1999 would appear as 12/31/99) assuming that all years would be part of the 20th century. On January 1, 2000, systems with this programming will default to 01/01/1900 instead of 01/01/2000, and calculations using or reporting the date will not be correct and errors will arise. To prevent this from occurring, information systems need to be updated to ensure they recognize the Year 2000.

The Company began its Year 2000 strategy by compiling a list of all computerized equipment and making a determination of how, if at all, the software will be affected by the Year 2000 problem. All of the Company's hardware and software were recently acquired and are Year 2000 compliant. All of the data related to the Company's royalty fees, consulting fees, and other payment obligations related to its properties are stored on its computer systems. The Company has and will continue to back up all of its financial and business records, property data and engineering data to ensure that no loss of information will occur in the event that its systems are affected by Year 2000 problems.

The Company also requested all of its principal consultants, engineers, advisors and joint venture partners to conduct similar reviews of their computerized equipment, software and operating systems to determine the risk, if any, that the Year 2000 problem poses to the Company. The Company has no knowledge of any material risks that will result from the Year 2000 problem and does not believe its business will be impacted as a result of Year 2000 problems related to such third parties.

The Company does not anticipate it will commence drilling or other exploration activities that will be affected by the Year 2000 problem. The Company intends to engage only established contractors, consultants, engineers and advisors for work related to its properties and intends to source its exploration and development equipment and information systems from established vendors who have designed Year 2000 compliant systems. The Company also intends to locate alternative sources for exploration and development equipment and information systems in the event its primary suppliers cannot meet the requirements of the Company in a timely manner.

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In the event the Year 2000 problem affects the exploration and development equipment and operating systems of the Company's third party consultants, engineers, advisors and joint venture partners, the cost of exploration and development of the Company's properties may increase and the Company's business and results of operations may be adversely affected. There can be no assurance that the Year 2000 problem will not cause delay in the exploration and development of the Company's properties or that the Company will be able to resolve a Year 2000 problem on acceptable terms. Any delay in exploration and development of the Company's properties will have a material adverse effect on the Company's business and results of operations.

The Company intends to monitor the Year 2000 problem as it relates to the oil and gas industry and the Company's properties and to implement contingency plans as required. Management does not anticipate incurring significant costs in this regard.

SUBSEQUENT EVENTS

Announcement of Listing Status

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On January 26, 1999, Abacan announced that it had been advised by NASDAQ that the trading prices for Abacan's Common Stock was below the \$1.00 per share minimum established by the NASDAQ National Market for continued listing on that market. Subject to a further extension, unless the minimum trading price is met

(during a ten day period) beginning March 22, 1999, Abacan's Common Stock will be delisted from the NASDAQ National Market. Abacan expects to meet this requirement by implementing a reverse stock split that will be submitted to its shareholders at Abacan's Annual Meeting of Shareholders. Any reverse stock split will also be subject to approval of the Toronto Stock Exchange. Abacan has been advised that it does not meet the applicable requirements for stock consolidation approval by The Toronto Stock Exchange. If the requirements are not met and Abacan proceeds with the reverse stock split, its shares will be delisted from The Toronto Stock Exchange.

Insurance claim on Ima #9 / Major Creditor Settlements

During February 1999, settlement agreements were reached with a majority of the large creditor claims assumed by Amni in the Ima Field restructuring. The proceeds used to settle these claims were derived by a lump sum cash payment Amni and the Company negotiated with respect to the Ima #9 well underground blowout claim.

RISKS AND UNCERTAINTIES

Liquidity

The Company has a serious liquidity problem that casts doubt upon the ability of the Company to continue operations in the foreseeable future. As of December 31, 1998, the Company had cash on hand of approximately \$3.3 million, current debt of approximately \$30.7 million, accounts payable of approximately \$9.7 million and royalties payable of approximately \$5.4 million. The decrease in the Company's long term debt and working capital deficiency from December 31, 1997 to December 31, 1998 is due principally to the Ima Field restructuring described above.

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As a consequence of the disposition of its Participating Interest in Blocks OML 112 and OPL 237 in June 1998, the Company does not currently have any revenues or cash flow. The Company does not anticipate generating revenues or cash flow until the completion of the Benin Basin electrical generation project or the sale or farm-out of part or all of its existing properties. The Company has limited cash reserves and, despite a significant reduction in operational costs, is continuing to incur general, administrative and other related expenses. The Company's ability to continue as a going concern is dependent on the following:

1. The development of the natural gas resources in Benin Basin Concession Blocks OML 113 and OPL 310 including the development of a commercial market for the natural gas produced in this area;
2. Obtaining financing in the form of equity, debt or a combination thereof in order to continue the development of the natural gas resources in the above referenced concession blocks;
3. Negotiating a joint venture for the continued exploration and development of the West African acreage position;
4. Continuing to finance general and administrative expenses from existing cash or financing in the form of equity, debt or combination thereof until such time as the above negotiations and financing are complete;
5. Negotiations with certain suppliers to settle current liabilities and forbearance of the Company's secured and unsecured creditors;

There is no assurance that the Company will be able to achieve part of all of the elements required to continue operations prior to fully exhausting its

current cash reserves. Should the Company not be able to secure new sources of funding in the very near term, it will be required to wind up its affairs and cease operations.

The Company will not be able to meet its payment obligations under the Secured Loan or the contractual commitments on its existing properties without additional capital. There is no assurance that additional capital will be available or, if it is available, that the Company would not have to sell all or substantially all of its properties or assets to access such capital. Should the Company be unable to access additional capital through capital markets or otherwise, or should the Company be unable to further restructure its existing secured loan and extend the time pursuant to which it must commence operations in its existing properties, the Company may lose all of its Participating Interests in some or all of its remaining properties which would be materially adverse to the financial condition of the Company.

Stock Market Maintenance Requirements

The Company has received notice from The Nasdaq Stock Market Inc. ("Nasdaq") that its common shares are not in compliance with the \$1.00 minimum bid price requirement for ongoing listing on the Nasdaq National Market System. In order to endeavor to achieve compliance, the Company's shareholders will be asked to consider and approve at a Shareholders Meeting scheduled for March 29, 1999, a resolution authorizing the directors, in their discretion, to give effect to a reverse stock split of the Company's common stock. In the event the Company's common stock does not satisfy the \$1.00 minimum bid price requirement (which is the only requirement it does not currently comply with) by April 7, 1999, the Company's common shares will be de-listed from Nasdaq's National Market System. The Company must also meet all other Nasdaq requirements on an on-going basis. The Company's common shares are not currently eligible for listing on the Nasdaq Smallcap Market.

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There is no assurance that shareholders' approval will be obtained for a reverse-stock split or if obtained, that the directors will proceed with a reverse stock split. There is no assurance that if a reverse stock split is completed that the minimum bid price will rise above or be sustained above the \$1.00 minimum bid requirement or that the Company's common stock will not be delisted for some other reason. A delisting of the Company's common stock from the Nasdaq National Market System will be materially adverse to the liquidity of the Company's common stock.

The Company has received notification from The Toronto Stock Exchange that it does not currently meet the TSE's requirements for a reverse stock split. Consequently, if the Company elects to proceed with the reverse stock split without meeting the applicable TSE requirements, its common shares will be delisted from the TSE immediately prior to the completion of the reverse stock split. A delisting of the Company's common shares from the TSE may be materially adverse to the liquidity of the Company's shareholders, particularly shareholders who reside in Canada. If the Company's common shares are delisted from the TSE, Canadian residents would have to trade their shares on the Nasdaq National Market System (provided the Company meets all Nasdaq continued listing requirements referenced above). Quotations on the Nasdaq National Market System are in U.S. dollars. Consequently all purchases and sales of the Company's common shares would be in U.S. rather than Canadian currency.

If the Company proceeds with the reverse stock split and thereafter fails to meet Nasdaq's continued listing requirements, it risks the loss of listing status on both of its current stock markets.

International Operations

All of the Company's operations are currently being conducted in Nigeria and Benin. International operations are subject to political, economic and other uncertainties, including, among others, risk of war, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Company's international operations. Certain regions of Africa have a history of political and economic instability. Such instability could result in new governments or the adoption of new policies that might assume a substantially more hostile attitude toward foreign investment. In an extreme case, such a change could result in voiding pre-existing contracts and concession agreements and/or expropriation of foreign-owned assets without compensation. The Company's international operations may also be adversely affected by laws and policies of the United States and Canada affecting foreign trade, taxation and investment. Furthermore, in the event of a dispute arising from international operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Nigeria is a developing third world national that has experienced periods of civil unrest and political and economic instability. In June 1998, the country experienced a significant political change with the death of Col. Sani Abacha and the appointment of Col. Abdulsalem Abubakar as President of Nigeria. Under Col. Abubakar, political and social change has been initiated. These changes included the release of a number of prominent political prisoners and the holding of democratic elections in early March 1999. As a result of the elections, Olusegan Obasanjo was elected to become the new President of the country. Mr. Obasajo's government is scheduled to assume power on May 29, 1999.

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Despite these recent events, Nigeria's membership in the British Commonwealth of Nations remains suspended. Pending the appointment of the new government, the imposition of trade sanctions continues to be under consideration by a number of western countries including Canada, the United States and the United Kingdom. The implementation of trade sanctions may be dependent, in large part, on the outcome of future democratic elections and the appointment of a democratically elected government. If trade sanctions are imposed, and if they significantly reduce the amount of oil purchased from Nigeria or impede the ability of producers in Nigeria to market their production or receive market prices for such production, such sanctions could adversely affect Nigeria's oil producers and the country's overall economy. There can be no assurance that actions taken by the international community, future political unrest or actions by companies doing business in Nigeria will not have a materially adverse effect on Nigeria and in turn, on the Company's financial condition or future results of operations. The Company has no ability to control the factors that may lead to such events.

Benin is a developing third world nation that has experienced periods of civil unrest and political and economic instability. Future civil unrest or political and economic instability is beyond the control of the Company and may adversely affect any future operations of the Company in the country. The ability of the company to successfully operate in Benin will, in large part, be dependent upon its maintaining good relations with the Benin government and the Benin Oil Ministry. See "- Benin Regulation".

Nigerian Regulation

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All phases of oil exploration, development and production in Nigeria are regulated to varying degrees by the Nigerian government, either directly or through the MPR and the DPR, under the provisions of the Petroleum Decree, 1969 and under various policy statements issued by the Nigerian government and

administrative practices followed by the DPR. Such government regulation includes matters relating to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental protection and rig safety. All drilling and production programs and operations undertaken or to be undertaken by the Company (including petroleum export permits) must be approved by the Nigerian government through the MPR or the DPR. If the Company is unable to obtain the requisite approvals from the DPR or the MPR for its ongoing operations, such operations could be suspended or delayed until such approvals are granted. In addition, the Company must, either directly, or through its Nigerian Partners, maintain satisfactory working relationships with the Nigerian government, the MPR and the DPR. Any suspension or delay in the Company's operations or failure to maintain satisfactory working relationships could materially and adversely affect the financial condition or results of operations of the Company.

Dependence Upon the Indigenous Program

All of the Company's Participating Interests in Nigeria have been acquired under the Indigenous Program. The Indigenous Program is not formally written into the Petroleum Decree, 1969, or any other law of Nigeria but exists solely pursuant to an oral policy statement (the "1990 Policy") issued by the Nigerian Government in 1990. Should the Company's or its Nigerian Partners' interpretation of the 1990 Policy prove incorrect, or should the Nigerian Government change this policy, the Company and its Nigerian Partners' Participating Interests, business and future results of operations in Nigeria could be materially and adversely affected.

The Company relies on its Nigerian Partners for compliance with all requirements of Nigerian law, the 1990 Policy and all dealings with the Nigerian Government. If either the relationship between the Company and its Nigerian Partners or that between the Company's Nigerian Partners and the Nigerian Government deteriorates for any reason or if the Company's Nigerian Partners cannot meet their obligations to the Company or the Nigerian Government for financial or other reasons, the Company's financial condition and results of operations may be adversely affected. Additionally, the Company does not control its Nigerian Partners and may be adversely affected by the detrimental activities of any of its Nigerian Partners or the principals thereof.

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Uncertainty Regarding Nigerian Tax and Royalty Arrangements

The Company has negotiated tax/royalty arrangements with its Nigerian Partners on each of the Niger Delta concessions and the Benin Basin concessions in Nigeria. These tax/royalty arrangements, included in the joint venture agreements between the Company and its Nigerian Partners, provide for a combined tax/royalty payment to the Nigerian Government equal to a maximum of 30% of the gross production revenues, both before and after Payout. Notwithstanding the tax/royalty arrangements contained in the joint venture agreements, the Company has subsequently learned and currently believes that the tax/royalty regime applicable to blocks awarded under the Indigenous Program are the same as applicable to the tax/royalty regime applicable generally to petroleum production in Nigeria. To date, the Company has paid royalties of 18.5% of production from its Ima Field to the Nigerian government in accordance with the existing royalty regime. The Company has not generated taxable profits and consequently, no petroleum profits taxes have been or are expected to be paid to the Nigerian Government. Should the Nigerian Government audit the operations conducted on the Ima Field and disagree with the level of royalties or taxes paid by the Company, the Company may become liable for additional payments to the Nigerian Government.

There is no assurance that the Nigerian Government will not alter or amend the existing royalty structure or definition of taxable profits. Any future amendments of changes in the interpretation of the current fiscal regime that imposes and increased royalty or tax rate upon the Company will be materially

adverse to the Company's business, financial position and future results of operations.

Assignment of Interests Under Joint Venture Agreements

The 1990 Policy prohibits the assignment of an interest in a concession block without MPR approval and also prohibits the assignment to the Company of an interest in a concession that is greater than 40% of the Nigerian Partner's interest. The Company's Participating Interests in Nigerian concession blocks OML 112 and OPL 237 were, prior to the reorganization of its oil and gas operations, governed by the terms of joint venture agreements that had been approved by the MPR. As a consequence of the reorganization, a new joint venture agreement reflecting a reduced Participating Interest restricted to the Deep Ima Prospect was executed between the Company and Amni. MPR approval of the new joint venture agreement and the revised Participating Interest of the Company has not yet been obtained. Although the Company has no reason to believe that the applicable MPR approval will not be received in the normal course, there is no assurance the MPR will grant the requisite approvals. Failure to obtain MPR approval to the new joint venture agreement could bring into question the level of the Participating Interest of the Company, if any, in the Deep Ima Prospect, which in turn could have a materially adverse affect on the future results of operations of the Company.

The joint venture agreements between the Company and YFP in respect of Block OML 113 and Optimum in respect of OPL 310, allocate to the Company an approximate 55% beneficial interest in gross revenues prior to Payout and an approximate 28% beneficial interest in gross revenues after Payout (before gross overriding royalties or their equivalent payable by the Company to others). YFP is a company substantially controlled by the father of Tunde Folawiyo, a director of the Company. Tunde Folawiyo is also an executive officer of YFP. The allocation to the Company of 55% of revenues before Payout could be an assignment that exceeds the maximum allocation of revenues permitted under the 1990 Policy, notwithstanding that the MPR has approved the allocation. As a result, the Company could have its entitlement to production revenues reduced or its interests in the concessions blocks terminated, either of which would have a materially adverse affect on the financial condition and future results of operations of the Company.

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Governmental Right of Participation

Under the Petroleum Decree, 1969, the Nigerian Government is entitled, at any time, to take a Participating Interest in any concession block in Nigeria. Neither the Petroleum Decree, 1969 nor any subsequent correspondence between the MPR and any of the Company's Nigerian Partners addresses either the payment to the Company or its Nigerian Partner of a proportionate share of future costs or the reimbursement of past costs by the Nigerian Government. If the Nigerian Government exercises its right to participate in any of the Company's existing concession blocks, the Revenue Interest of the Company would be reduced and the financial position and results of operations of the Company could be materially affected. Under the terms of its joint venture agreements for the Benin Basin concessions, should the Nigerian government choose to participate, the Company does not believe its Revenue Interest would be reduced to less than a 20% post-Payout Revenue Interest, after deducting existing gross overriding and other royalty interests. While the Company is not aware of any efforts on the part of the Nigerian Government to participate directly in any concession blocks awarded under the Indigenous Program, the government has, in all cases, reserved the right to do so.

Nigerian Title Issues

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Expiration or Cancellation of Nigerian Oil Prospecting Licenses

The Company's primary Nigerian assets are its Participating Interests in oil and gas concession blocks OML 113 and OPL 310. The Participating Interest of the Company is held pursuant to Joint Venture Agreements in place for the applicable concession blocks. Such Agreements operate for the life of the OPL and any resulting OML. In the case of Block OML 113, the Company believes that the economic life of any reserves contained in such blocks will expire before the expiration of the 20 year term of the OML. In the event that the productive life of reserves exceeds the current term of the OML, a successful renewal application will have to be made to the MPR by YFP, failing which ownership of the block reverts to the Nigerian government. The Joint Venture Agreements between the Company and its Nigerian Partners impose certain obligations upon the Company, failing which the Company could forfeit its interest as prescribed by the Joint Venture Agreement. Failure of the Company to meet such obligations (which includes an obligation that the Company at all times be and remains solvent) could allow the Nigerian Partner to terminate the applicable Joint Venture Agreement and extinguish the Participating Interest of the Company in the affected concession block. In view of the Company's current financial circumstances, there is no assurance that one or more of its Nigerian Partners will not endeavour to terminate its Joint Venture Agreement with the Company.

The formal five year term of the OPL 310 expired in February 1997. In February 1997, subsequently to the expiry date, the Company's Nigerian Partner received written confirmation from the MPR that OPL 310 was in good standing. The Petroleum Decree, 1969 does not contemplate or authorize the term of an OPL (inclusive of extensions) extending beyond five years. The Company believes that the written confirmation issued on behalf of the MPR confirming OPL 310 to be in good standing reflects an administrative practice that supersedes the provisions of the Petroleum Decree, 1969 respecting the term of the OPL. Should the Company's interpretation of the DPR written confirmation be incorrect, or should neither the DPR nor the MPR have the jurisdiction to implement an administrative practice inconsistent with the terms of the Petroleum Decree, 1969, or should the DPR or MPR change their position respecting the standing of Block OPL 310, the Company and its Nigerian Partner may be prohibited from continuing and pursuing future operations on Concession Block OPL 310. The Company also could lose its entire investment and Participating Interest in Concession Block OPL 310 without compensation.

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Benin Regulation

Responsibility for the regulation and control of the petroleum industry in Benin rests with the national government of Benin pursuant to the Benin Petroleum Code. Specific regulation of petroleum exploration, exploitation title, transportation, marketing and production taxation rests with the Benin Oil Ministry. The regulation of general business operations, income taxes and import/export licences and levies rests with a number of other ministries within the national government of Benin. All drilling, production and other petroleum operations in Benin require the prior approval of the Benin Oil Ministry. The import and export of natural gas and electricity and the construction of an electrical generation power plant will also require the prior approval of the Benin Oil Ministry and a number of other ministries within the Benin Government.

In order to produce and/or import natural gas, construct an electrical generation power plant and generate, transmit, sell and export electrical power, the Company and any future partners will require the prior approval of a number of Government Ministries and government and privately owned companies. The Company and its partners will also require the approval of other foreign governments, ministries and departments if it exports power generated from the electrical generation power plant outside of Benin. There is no assurance that the Company or its partners will be able to obtain all of the consents, permits or authorizations necessary to import natural gas from the Aje Field or produce natural gas from Block 1, construct an electrical generation power plant or produce, transmit, sell or export electrical energy. Failure of the Company to

obtain all necessary approvals or permits will materially and adversely affect its financial condition and future results of operations. See " - Liquidity".

Benin Title Issues

The Company's current Participating Interests in Benin exist pursuant to two separate production sharing contracts between subsidiaries of the Company and the Nigerian Government. The PSC's set out certain obligations that must be fulfilled by the Company. Failure to fulfill the requisite obligations constitutes an event of default and subject the affected PSC to cancellation by the government without compensation.

Included as part of the Company's obligations are certain minimum work commitments. In the case of Block 1, the Company is required to drill one well and complete a seismic program by the end of February 1999. The requisite work commitment for Block 1 was not satisfied by the February 1999 deadline. The Company is currently negotiating an extension with the Benin Oil Ministry. There is no assurance that the Company will secure an extension that is satisfactory to it, or at all. If the Company fails to secure an extension, it could lose its entire Participating Interest in Block 1 without compensation. In the case of Block 4, the Company is required to drill one well and complete a seismic program by February 2002. The Company has completed the seismic program requirement. The Company currently does not and, without securing a financial partner or other form of financing, will not have the financial resources to drill the requisite well on Block 4 by February 2002. Failure to comply with the minimum work requirements could result in the cancellation or termination of the Company's Participating Interest in Block 4. The loss of its Participating Interest in Benin Blocks 1 and 4 would have a material and adverse affect on the Company.

Labour Relations and Interruptions

Nigerian and Benin laws require that foreign companies involved in the petroleum industry hire and train indigenous personnel in petroleum operations. Nigerian oil workers are organized into a number of labour unions. In the fall of 1994, these labour unions called a general strike to protest against a number of the political changes that had occurred within Nigeria. This general strike ultimately affected the Company's oil and gas operations by delaying its drilling program. There is no assurance that there will not be strikes in the future in countries where the Company operates. Any future labour interruptions could adversely affect the Company's ongoing operations and its ability to explore for, produce, market and sell its oil and condensate reserves.

Oil and Gas Exploration, Development and Production

Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company on its properties will result in new discoveries of oil, condensate or natural gas that are commercially or economically producible. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as overpressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Production and development of offshore oil, condensate and natural gas properties also involve an increased degree of risk relative to on-shore or close-to-shore production and development primarily due to greater technical obstacles.

development and operation of oil, condensate and natural gas properties and the drilling of wells thereon, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse affect on the Company. The Company may become subject to liability for pollution, blow-outs or other hazards. The payment of such liabilities would reduce the funds available to the Company or could result in the total loss of the Company's Participating Interests.

Depletion of Reserves; Necessity of Successful Exploration and Development

Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The Company's future oil and natural gas reserves and production, and, therefore, cash flow and income, are highly dependent upon the Company's success in economically finding additional reserves that are economically recoverable. There can be no assurance that the Company will be able to find, finance, develop or acquire additional reserves.

Uncertainty of Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of reserves and the present value of net cash flows attributable to such reserves. Such estimates represent subjective judgments based on available data and the quality of such data. Different reserve engineers may make different estimates of reserve quantities and the present value of net cash flows attributable to the production of such quantities. Substantial revisions to the reserve quantities and present value estimates may be necessary due to numerous factors, including the results of drilling, testing and production and changes in the assumptions regarding decline and production rates, taxes, royalties, prices and costs made after the date of a reserve estimate. The reserve estimates included and incorporated by reference in this document could be materially different from the quantities and values ultimately realized.

Prices, Markets and Marketing of Crude Oil and Condensate

Oil, condensate and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and condensate have fluctuated widely in recent years and, most recently have been characterized by a significant decline in value. Future price fluctuations in world oil prices will have a significant impact upon the economics of the Company's undeveloped properties and the projected revenue of the Company.

Financing Risks

On June 30, 1998, the Company restructured its financial affairs including its Secured Loan. The Company has granted security to the Secured Lender in respect of its repayment obligations under the Secured Loan. The Secured Loan includes a number of events of default. In the event of the Company's default under the terms of the Secured Loan, the Secured Lender may call upon the Company to immediately pay the outstanding principal or interest due thereunder, or take title to, sell or otherwise dispose of the common shares of substantially all of the Company's subsidiaries. Should the Secured Lender become entitled to realize upon their security, the Company may lose part or all of its Participating Interest in part of all of its oil and gas properties. The Company may currently be in default of one or more terms of the Secured Loan.

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS AND UNAUDITED

SUPPLEMENTARY DATA

The Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 1998 (the "1998 Financial Statements") have been prepared in accordance with generally accepted accounting principles in Canada. These principles differ in some respects to generally accepted accounting principles in the United States. The Company's 1998 Financial Statements include "Comments by Auditors for U.S. Readers on Canada - U.S. Reporting Difference" as a supplement to the Auditors' Report. In addition, a detailed discussion entitled "Differences in Generally Accepted Accounting Principles Between Canada and the United States" is included as Note 12 of the 1998 Financial Statements. See "Consolidated Financial Statements and Unaudited Supplementary Data".

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AUDITORS' REPORT

To the Shareholders of
ABACAN RESOURCE CORPORATION:

We have audited the consolidated balance sheets of ABACAN RESOURCE CORPORATION as at December 31, 1998 and 1997 and the consolidated statements of operations and deficit and changes in cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997, the results of operations and changes in its financial position for the years then ended in accordance with accounting principles generally accepted in Canada.

Calgary, Alberta
February 17, 1999

/s/ Deloitte & Touche LLP
Chartered Accountants

Note: See separate Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

COMMENTS BY AUDITORS FOR U.S. READERS
ON CANADA-U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Our report to the shareholders, dated February 17, 1999 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

Calgary, Alberta

/s/ Deloitte & Touche LLP

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<TABLE>
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ABACAN RESOURCE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

	1998	1997
	-----	-----

<S>	<C>	<C>

ASSETS		
CURRENT		
Cash	\$ 3,305	\$
1,813		
Accounts Receivable	31	
15,267		
Inventory	-	
627		

	-----	-----
17,707	3,336	
Petroleum and natural gas properties		
(utilizing the full cost method of accounting) (Notes 1 and 3)	92,431	
138,471		
Deposits and other	42	
3,204		

	-----	-----
159,382	\$ 95,809	\$
=====	=====	
LIABILITIES		
CURRENT		
Accounts payable	\$ 9,663	\$
64,047		
Current portion of capital lease obligations (Note 5)	-	
1,353		
Royalties payable (Note 3)	5,373	
3,537		
Due to joint venture partner	-	
14,658		
Current portion of long term debt (Note 4)	30,702	
15,121		

	-----	-----
98,716	45,738	
Long term debt (Note 4)	-	
19,879		
Capital lease obligations (Note 5)	-	
5,213		

---		-----	-----
123,808		45,738	
---		-----	-----
Contingency (Notes 1 and 10) and Commitments (Note 8)			
SHAREHOLDERS' EQUITY			
Share Capital (Note 6)		276,750	
274,750			
Deficit		(226,679)	
(239,176)			
---		-----	-----
35,574		50,071	
---		-----	-----
159,382		\$ 95,809	\$
		=====	

</TABLE>

Approved by the Board:

/s/ Timothy Stephens

Director - Tim Stephens

/s/ James Harvie

Director - James Harvie

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<TABLE>

<CAPTION>

ABACAN RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

		1998	
1997		-----	-----

<S>		<C>	<C>
REVENUE			
Petroleum revenue (net of foreign taxes)		\$ 14,258	\$
59,702			
Royalties		(1,994)	
(6,704)			
Interest and other		181	
528		-----	-----

53,526		12,445	
----		-----	-----
EXPENSES			
Operating		17,431	
46,276			
General and administrative		4,623	

3,934		
Interest and other financial expense	3,022	
4,333		
Depletion, depreciation and amortization	4,244	
28,159		
Provision for decline in value of petroleum properties (Note 3)	-	
210,000		

	29,320	
292,702		

LOSS BEFORE GAIN ON SALE OF ASSETS (239,176)	(16,875)	
GAIN ON SALE OF ASSETS (NOTE 1)	29,372	
-		
=====		
NET EARNINGS (LOSS) FOR THE YEAR (NOTE 7) (239,176)	12,497	
DEFICIT, BEGINNING OF YEAR	(239,176)	
-		

DEFICIT, END OF YEAR \$(239,176)	\$(226,679)	
=====		
BASIC EARNINGS (LOSS) PER SHARE (2.13)	\$ 0.11	\$
FULLY DILUTED EARNINGS (LOSS) PER SHARE (2.13)	\$ 0.11	\$

</TABLE>

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<TABLE>
<CAPTION>

ABACAN RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

	1998	1997
	-----	-----
<S>	<C>	<C>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	\$ 12,497	\$(239,176)
Items not affecting cash:		
Gain on sale of assets (Note 1)	(29,372)	-
Provision for decline in value of petroleum properties	-	210,000
Depletion, depreciation and amortization	4,244	28,159
	-----	-----

Changes in non-cash working capital items	(12,631)	(1,017)
	22,123	6,432
	<u>9,492</u>	<u>5,415</u>
FINANCING ACTIVITIES		
Issue of share capital		
Exercise of options	-	1,624
Acquisition of petroleum and natural gas properties	2,000	-
Acquisition of royalty interest	-	19,572
Long term debt	(4,298)	35,000
Bank debt	-	(20,100)
Capital lease obligations	(6,566)	(35,342)
	<u>(8,864)</u>	<u>754</u>
INVESTING ACTIVITIES		
Expenditures on petroleum and natural gas properties	(15,224)	(110,967)
Disposition of assets (Note 1)	86,392	-
Changes in non-cash working capital items	(73,466)	43,770
Other	3,162	(1,204)
	<u>864</u>	<u>(68,401)</u>
INCREASE (DECREASE) IN CASH	1,492	(62,232)
CASH, BEGINNING OF YEAR	1,813	64,045
CASH, END OF YEAR	<u>\$ 3,305</u>	<u>\$ 1,813</u>

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

1. BASIS OF PRESENTATION

Continuation of business

The consolidated financial statements have been presented using accounting principles applicable to a going concern, which assumes that the Company will continue operations in the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. The Company has a liquidity problem which casts doubt upon the validity of this assumption.

The Company has incurred a net loss from operations of \$16,875,000 for the year. The cash flows from operations for the year amounted to a net outflow of cash of \$12,631,000. At December 31, 1998, the Company has a deficit of \$226,679,000 and a net working capital deficiency of \$42,402,000. Accounts payable and royalties payable are past due in terms of normal payment terms and the long term debt described in Note 4 is repayable as to \$20,100,000 on June 30, 1999 and the remainder of \$10,602,000 on December 31, 1999. As a result of the disposition of the Company's interests as disclosed below, the Company no longer has any revenue generating properties but is still incurring general and administrative costs.

In addition, on June 30, 1998, the Company's wholly-owned subsidiary Liberty Technical Services Ltd. ("Liberty") reached a settlement agreement with its Nigerian partner, Amni International Petroleum Development Company Limited ("Amni"), regarding the Ima Field and Liberty's interest in Nigerian Concession OML 112 (formerly OPL 469) and OPL 237. Under the agreement, Liberty relinquished all rights and interests in the "shallow" zones of the Ima Field in exchange for Amni (1) assuming all outstanding Ima Field related financial claims (including trade creditor claims); (2) assuming responsibility for ongoing and future lease obligations in respect of the Ima Field; and (3) releasing Liberty from certain outstanding financial obligations under the terms of joint venture agreements between Liberty and Amni. Although the Company expects Amni will settle all the liabilities it has assumed, if Amni is unable to settle all liabilities the Company may be held liable to settle the remaining liabilities. Concurrent with its agreement with Amni, Liberty and Amni exchanged their interest in the topside equipment of the mobile offshore production unit with a major international service company in return for the extinguishment of all outstanding debt due to that company. As a result, the Company has severed its operational responsibilities and associated overhead related to the Ima Field and removed \$86,392,000 of liabilities from its balance sheet.

The details of the assets and facilities disposed of are as follows:

Petroleum and natural gas properties	\$ 57,020,000
Assumption of liabilities and obligations	(86,392,000)
	=====
Gain on sale of assets	\$ (29,372,000)
	=====

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

1. BASIS OF PRESENTATION - CONTINUED

The Company's ability to continue as a going concern is dependent upon the following factors which outline management's plan:

- i) the development of the natural gas reserves in the Benin Basin Concessions OML113 (formerly OPL 309) and OPL 310 including the development of a market for the produced natural gas in this area;
- ii) obtaining financing in the form of equity, debt or a combination thereof in order to continue the development of the natural gas reserves in the above mentioned Concessions.
- iii) negotiating a joint venture for the continued exploration and development of the West African acreage position;
- iv) continuing to finance general and administrative expenses from existing cash or financing in the form of equity, debt or combination thereof until such time as the above negotiations and financing are complete.
- v) negotiations with certain suppliers to settle current liabilities and forbearance of the creditors;

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported net earnings (loss) and the balance sheet classifications used.

Reporting currency

The principal costs incurred in conducting the business operations of the Company are almost exclusively transacted in U.S. dollars and revenues were generated in that currency, therefore the Company has adopted U.S. dollars as its reporting currency for financial presentation. All dollar amounts set forth in these financial statements, including the notes thereto, are expressed in U.S. dollars, except where indicated otherwise.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting standards

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada which differ from accounting principles generally accepted in the United States as described in Note 12.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Consolidation

These financial statements include the accounts of Abacan Resource Corporation, a Canadian corporation incorporated in the Province of Alberta and its wholly owned subsidiaries, ("the Company").

Revenue recognition

Revenue from crude oil is recognized once it is produced and processed ready for shipment.

Petroleum and natural gas properties

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized on a country by country basis. Capitalized costs included land acquisition costs, geological and geophysical costs, costs of drilling wells, production equipment, related overhead costs, and capitalized interest. As commercial production commenced in Nigeria effective January 1, 1997, the Company recorded depletion from that date and to the date of disposition on June 30, 1998 on capitalized costs, excluding undeveloped projects, using the unit of production method based upon estimated proved net reserves as determined by the Company and reviewed yearly by independent consulting engineers, converted to a common unit of measure using relative energy content. The remaining full cost pool in Benin is not subject to depletion until such time as its projects are developed and commercial production has commenced.

The Company periodically performs an impairment test relative to the capitalized cost of undeveloped properties. A ceiling test was employed at least annually to ensure costs of developed properties accumulated by the Company do not exceed estimated future cash flows from proven reserves and the cost of undeveloped properties. For the purposes of this test, future cash flows are determined using year-end prices and costs, including deductions for applicable overhead, financing and income tax expenses.

All the Company's petroleum and natural gas exploration, development and production activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign Exchange

Foreign currency transactions and balances of the Company and its integrated foreign subsidiaries are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year end rates, and non-monetary assets and liabilities at rates prevailing at the transaction dates. Expenses are translated at the average exchange rate for the month. Foreign exchange gains or losses on long term monetary assets and liabilities are deferred and amortized over the remaining term.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

Earnings per share

The basic earnings per share has been calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings per share are calculated taking into account all dilutive options.

3. PETROLEUM AND NATURAL GAS PROPERTIES

As at January 1, 1998, the Company had working interests in seven concession blocks in West Africa in two geologically distinct areas; the Niger Delta in South Eastern Nigeria and the Benin Basin along the Nigeria/Republic of Benin border. Five concessions are located in Nigeria and two are located in the Republic of Benin.

In January 1998, the Company cancelled its joint venture agreement in respect of the Nigerian Concession Block OPL 233, and consequently holds no interest in this property.

As disclosed in Note 1, the Company has relinquished all its rights and interests in the "shallow" zones of the Ima Field and its interests in the Nigerian Concession OML 112 (formerly OPL 469) and OPL 237.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

3. PETROLEUM AND NATURAL GAS PROPERTIES - CONTINUED

Costs accumulated to date for acquisitions, seismic, exploration and development and production equipment net of depletion and provision for decline in value are as follows:

<TABLE>

<CAPTION>

	1998	1997
	(000's)	(000's)

<u><S></u>	<u><C></u>	<u><C></u>
Producing		
Niger Delta		
Concessions Blocks OML 112 (formerly OPL 469)		
/OPL 237	\$ -	\$ 281,513
Concession Block OPL 233	-	135
Less accumulated depletion	-	(28,022)
Less provision for decline in value	-	(206,019)
	-----	-----
	-	47,607
	-----	-----
Non-producing		
Benin Basin		
Concession Block OPL 302	-	3,981
Less provision for decline in value	-	(3,981)
Concession Block OML 113 (formerly OPL 309)	81,285	82,152
Concession Block OPL 310	6,024	3,973
Benin Republic Blocks I & IV	5,010	4,304
	-----	-----
	92,319	90,429
	-----	-----
Corporate assets	112	435
	-----	-----
	92,431	90,864
	-----	-----
	\$ 92,431	\$ 138,471
	=====	=====

</TABLE>

As a result of the application of the ceiling test and other considerations related to the Company's intention to sell its production assets, the Company recorded a provision for decline in value of petroleum properties in 1997 of \$210,000,000.

Working Interest - Nigerian Concessions

While the "shallow" Ima Field encompassed all of the Company's production and revenue streams, the Company retained a 10% working interest in the Ima "deep" prospect which is currently undrilled. The Company continues to hold a working interest in Nigerian Block OML 113 (formerly OPL 309) and OPL 310.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

3. PETROLEUM AND NATURAL GAS PROPERTIES - CONTINUED

The working interests of the Company in these two concessions are as follows:

<TABLE>

<CAPTION>

<u><S></u>	<u>Before Payout</u>		<u>After Payout</u>	
	<u>Revenue</u>	<u>Cost</u>	<u>Revenue</u>	<u>Cost</u>
	-----	-----	-----	-----
<u><C></u>	<u><C></u>	<u><C></u>	<u><C></u>	<u><C></u>
Block OML 113	52.5%	100%	26.7%	40%

Block OPL 310 48.5% 100% 24.7% 40%

</TABLE>

The Company's Nigerian partner in Block OML 113 is Yinka Folawiyo Petroleum Company ("YFP"), which is owned by the father of one of the directors of the Company. That director is also an executive officer and director of YFP. YFP is entitled to 15% of all revenues before payout and 28% after payout. YFP is not responsible for any capital or operating costs until payout, at which time it becomes responsible for 60% of the capital and operating costs. As a result of the conversion of Concession Block OPL 309 to Concession Block OML113, the Company has a commitment to YFP in the amount of \$5,000,000, to be paid out of net cash flow from the future production of Concession Block OML 113. All work commitments under the original license with the Government of Nigeria related to this Concession have been completed.

The Oil Prospecting License ("OPL") for Block 310 expired in February 1997, however, the Nigerian Department of Petroleum Resources confirmed shortly following the expiry of the OPL to the Company's Nigerian partner, Optimum Petroleum Company Limited ("Optimum") that the OPL remained in good standing. Subsequently, nothing has been received by the Company, or to the knowledge of the Company, by Optimum that would indicate that the Nigerian authorities do not consider OPL 310 to be valid and in good standing. The Company has an obligation to pay \$1,000,000 to Optimum within nine months of the testing of its first exploration well and an additional \$2,000,000 following commencement of production. In addition, the Company is required under the OPL to drill three wells and complete a seismic program on the Block. These minimum work commitments do not become effective until the OPL is confirmed by the Nigerian authorities. Despite this, Optimum has advised the Company that it wishes the Company to proceed on the minimum work program in advance of the required extension or renewal and receipt of requisite government approval to the joint venture agreement.

Prior to June 30, 1998 the Company's economic participation in concession blocks in Nigeria was calculated on a before and after payout basis and on a concession by concession basis. Though royalties applicable to the Company's working interest varied from concession to concession, general economic terms were as follows:

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

3. PETROLEUM AND NATURAL GAS PROPERTIES - CONTINUED

<TABLE>

<CAPTION>

	Before Payout		After Payout	
	Revenue	Operating Cost	Revenue	Operating Cost
<S>	<C>	<C>	<C>	<C>
Participation before Royalties	55%	100%	28%	40%
Royalties	6.5% - 2.5%		3.3 - 1.6%	
Net Concession Participation	48.5 - 52.5%	100%	24.7 - 26.4%	40%

</TABLE>

Abacan International Resources Management Inc. ("AIRMI"), a company wholly owned by a former president and director of the Company, holds royalty interest in

three of the Company's Nigerian concessions with rates ranging from 1.65% to 0.85% before payout and 0.82% to 0.42% after payout. The Company's interest in the concessions exists through joint venture agreements between the Company's subsidiaries and its Nigerian partner corporations.

At December 31, 1998, royalties payable included an amount of \$1,059,000 (1997 - \$794,000) owed to AIRMI and \$1,427,000 (1997 - \$921,000) to YFP. The remaining balance of royalties payable of \$2,887,000 (1997 - \$1,822,000) is due the Company's other Nigerian partner corporations. All of the royalty payable amounts are currently due and beyond normal repayment terms.

Working Interests - Benin Republic Concessions

In July 1997, the Company increased its position in Benin Republic Blocks 1 and 4 to a 100% Participating Interest. Under separate production sharing contracts with the Government of Benin, the Company is required to fund 100% of all exploration and development costs of a prescribed minimum work program and is entitled to receive approximately 69% of revenue from Block 1/Seme and 75% of revenue from Block 4, subject to a sliding scale royalty that becomes applicable after a prescribed level of cost recovery is achieved by the Company.

As part of the prescribed work program, the Company is required to drill one well in Block 1/ Seme by February 1999 and one well in Block 4 by February 2002. In addition, the Company is required to complete a seismic program on Block 4 by February 2002. As the Company has not commenced the Block 1/Seme well, it will at the end of February 1999 not be in compliance with the minimum work program. As a result, under the production sharing contract, the Company's Participation interest in-Block 1 would be subject to cancellation at that date. The Company is in the process of negotiating an extension of this requirement.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

4. LONG TERM DEBT

During 1997, the Company entered into a Crude Oil Prepayment Agreement in the amount of \$35,000,000 to be repaid out of a portion of the proceeds of future crude oil deliveries from the Company's share of crude oil produced from the Ima Field commencing in February, 1998. The original agreement specified that the minimum amount by which the prepayment was to be repaid from the monthly delivery payment of the marketer is \$2,916,667 plus accrued interest at the London Inter-Bank offered rate ("LIBOR") plus 2.5% during a six month grace period, changing to LIBOR plus 0.5% beginning with the first principal repayment. A portion of the proceeds from this loan was used to repay the Company's bank indebtedness that existed at that time.

On June 30, 1998, concurrent with the settlement agreement disclosed in Note 1, the prepayment sums of approximately \$30,702,000 then outstanding under the Crude Oil Prepayment Agreement were converted into a credit facility. Under the terms of the facility, interest is payable on the outstanding principal balance of the facility at a maximum rate equal to Libor plus 4% per annum. As restructured, repayment of \$20,100,000 was deferred until June 30, 1999 with the balance of \$10,602,000 due on December 31, 1999. Interest payments were to commence quarterly on December 31, 1998. Subsequent to December 31, 1998, the Company received written confirmation that the first quarterly interest payment due December 31, 1998 had been capitalized and that interest payments would commence on March 31, 1999. The Company has since been advised that notwithstanding its written extension, the first interest instalment continued to be due on December 31, 1998. The Company has not yet made this interest payment and is currently negotiating regarding relief from this payment and from other near-term cash interest payments.

The Company has granted security in respect of its repayment obligations under the facility. Included as security are (1) a pledge of all of the common shares of those subsidiaries that hold Participating Interests in the Company's Niger Delta and Benin Basin Concessions; (2) a series of debentures granting a security interest against the Company's Participating Interest in its Niger Delta and Benin Basin Concessions; and (3) a guarantee of the Company for all outstanding amounts under the Loan.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

5. LEASE OBLIGATIONS

The Company had entered into various leases relating to the production facility. Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incident to ownership of property were accounted for as capital leases. All other leases were accounted for as operating leases. As part of the restructuring and disposition of assets on June 30, 1998 all lease obligations related to the production facility were assumed by Amni.

The Company has entered into a lease for the office premises in Houston. The lease has 18 months remaining. The minimum lease payments under the terms of this lease are \$41,200 per year.

6. SHARE CAPITAL

a) Common Shares

Authorized
Unlimited number of common shares and preferred shares issuable in series
Issued
Common shares

<TABLE>
<CAPTION>

	Number of Shares	\$ (000's)
	-----	-----
<S>	<C>	<C>
Balance, December 31, 1996	109,413,504	\$ 253,554

Issued on exercise of options	862,500	1,624
Issued on exercise of share purchase warrants	358,152	-
Issued on acquisition of royalty interest	2,247,680	19,572
	-----	-----
Balance, December 31, 1997	112,881,836	274,750
Issued on acquisition of petroleum and natural gas properties	1,489,000	2,000
	-----	-----
Balance, December 31, 1998	114,370,836	\$ 276,750
	=====	=====

</TABLE>

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<PAGE>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

6. SHARE CAPITAL - CONTINUED

b) Stock Options

At December 31, 1998 the Company has options outstanding to acquire 12,356,200 common shares by officers, directors, consultants and employees of the Company. These options may be exercised at prices ranging from CDN \$0.28 to CDN \$12.15 per common share and expire at various times to October 23, 2003.

c) Warrants Outstanding

On June 30, 1998, in connection with the restructuring of its loan, the Company agreed to issue 600,000 options at a price of CDN\$0.91 per share expiring June 30, 2000. At December 31, 1998, all of the options were outstanding.

On November 6, 1996 the Company completed a public issue of 12,500,000 common shares at a price of \$7.50 per common share. On November 19, 1996 an additional 1,875,000 common shares were issued in conjunction with the underwriters over allotment option. The Company received net proceeds of \$100,987,000. In connection with this offering, the placement agent was granted warrants to purchase 100,000 common shares of the Company. The warrants, which can be exercised after one year from the issue date, have a term of five years and are exercisable at a price of \$7.50 per share. At December 31, 1998, all of these warrants remain unexercised.

On April 19, 1996, there were warrants granted to purchase 500,000 Common Shares of the Company for advisory services to an investment banker. These warrants have a term of five years and are exercisable at a price of \$3.40 per share. At December 31, 1998, all of these warrants remain unexercised.

d) Acquisition of Royalty Interests

In February 1997, the Company acquired a portion of the gross overriding royalties on Niger Delta Concession Block OML 112/OPL 237 from YFP by issuing 643,840 Common Shares valued at \$6,036,000. The Company also acquired a portion of the gross overriding royalties on Benin Basin Concession Block OML 113 from YFP by issuing 643,840 Common Shares of the Company valued at \$6,036,000.

On April 1, 1997, the Company acquired a further portion of the gross overriding royalties on Concession Block OML 112/OPL 237 from YFP on Concession Block OML 113 by issuing 960,000 Common Shares valued at \$7,500,000.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

6. SHARE CAPITAL - CONTINUED

e) Acquisition of Participating Interest

In April 1998, the Company issued 1,489,000 shares of its common stock to Optimum in consideration for financial obligations of \$2,000,000 owing to Optimum to secure the Company's interest in Concession Block OPL 310. Optimum is the indigenous Nigerian company which owns the rights to Concession Block OPL 310 and is partner to the Company in Concession Block OPL 310, as discussed in Note 3.

7. INCOME TAXES

Due to the nature of the Company's structure and operations, the Company will

not have a tax liability resulting from the current gain on the sale of assets ,and accordingly has not recorded a tax provision. At December 31, 1998, the Company had approximately CDN \$26,854,000 of non-capital losses available to be applied against taxable income of the future years on the portion of its operations which are subject to Canadian income taxes. These losses expire between 1999 and 2004. The Company also had available for deduction, at rates allowed under the Income Tax Act, CDN \$17,012,000 of oil and gas expenditures. The potential future benefit of these losses and deductions have not been reflected in the consolidated financial statements.

8. COMMITMENTS

The Company entered into an agreement for the sale of the Company's and its Nigerian partner's entitlement to crude oil and condensate produced from the Ima Field located in Concession Block OML 112 for a period of one year from the date of the first lifting which occurred on February 21, 1997. The price payable for each barrel of crude oil and condensate was based upon a range of quoted prices for Bonny Quesbo crude oil less a new crude oil discount. This discount was calculated based upon the volume of cargo lifted at each lifting.

At July 29, 1997, the Company entered into a second agreement for the sale of the Company's entitlement to crude oil and condensate produced from the Ima Field. The duration of this second agreement was to be one year commencing on February 22, 1998.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

8. COMMITMENTS - CONTINUED

Upon relinquishment by the Company of its participating interest in the Ima Field at June 30, 1998, the above mentioned agreements were terminated, and the loan was restructured as disclosed in Note 4.

The Company has further commitments with respect to its participating interests in the Concessions, as disclosed in Note 3.

9. FINANCIAL INSTRUMENTS

The carrying value of the financial instruments of the Company approximates their estimated fair value.

10. CONTINGENCIES

While the Company is defending various lawsuits, there are two lawsuits in which the claims are significant, which relate to liabilities assumed by Amni. Although Amni has agreed to assume liability for any claims against the Company in respect of oil and gas operations on the Ima Field, the Company will continue to be liable to trade and other creditors until settlement arrangements can be established. The total amounts claimed in the two lawsuits (exclusive of costs and interest) is approximately \$3,700,000. The management of the Company has determined that the Company does not have any material exposure in any of the lawsuits.

11. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after

January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

12. DIFFERENCES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BETWEEN CANADA AND THE UNITED STATES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The primary difference between Canadian and US GAAP affecting the Company's financial statements are as discussed below:

Deferral of General and Administrative Costs

Under Canadian GAAP, general and administrative costs, net of interest and other revenue prior to the period in which commercial production commenced are deferred and added to the carrying value of petroleum and natural gas properties. Under US GAAP, deferral costs of this type would be treated as expenses in the year incurred.

The effect of this difference is to create a statement of loss and deficit which would include such revenues and expenses and to reduce the amounts included in petroleum and natural gas properties as follows:

<TABLE>

<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Net income (loss) as reported	\$ 12,497	\$(239,176)	\$ -
Net oil production revenue	-	-	1,300
Interest revenue	-	-	1,050
General and administrative expense	-	-	(2,603)
Adjustment to provision for decline in value of petroleum properties (US GAAP)	-	3,000	-
Adjustment to gain on sale of assets	(715)	-	-
Net earnings (loss)	11,782	(236,176)	(253)
Deficit, beginning of period	(238,461)	(2,285)	(2,032)
Deficit, end of period as adjusted to US GAAP	\$(226,679)	\$(238,461)	\$ (2,285)
Petroleum and natural gas properties as reported	\$ 92,431	\$ 138,471	\$265,551
Increase (decrease)	-	715	(2,285)
As adjusted to US GAAP	\$ 92,431	\$ 139,186	\$263,266

</TABLE>

<PAGE>

ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

12. DIFFERENCES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BETWEEN
CANADA AND THE UNITED STATES - CONTINUED

Earnings per share

The methodology for computing fully diluted earnings per share is not consistent between the two countries. For Canadian purposes, the proceeds from dilutive securities are used to reduce debt in the calculation. US GAAP, Statements of Financial Accounting Standards ("SFAS") No. 128 requires the proceeds from dilutive securities be used to repurchase common shares.

Statement of Changes in Cash Flow

Under Canadian GAAP, certain financing and investing activities such as acquiring petroleum and natural gas properties in exchange for share capital are treated as a cash inflow followed by a cash outflow. As a result, these types of transactions are included in the consolidated statements of cash flows. Under US GAAP, non-cash transactions of a financing or investing nature are not included in consolidated statements of cash flows. These types of transactions are disclosed as supplementary disclosure to the consolidated statements of cash flows. Accordingly for US GAAP purposes, financing and investing activities in the statement of change in cash flow would be lower by \$2,000,000, in 1998, \$19,572,000 in 1997 and \$600,000 in 1996 as the Company had issued common shares in exchange for petroleum and natural gas properties or royalty interests.

For US GAAP purposes, the disposition of assets as outlined in Note 1 would not be shown on the consolidated statements of cash flow as the Company did not receive any cash as part of the transaction. Accordingly, cash flows from financing activities are lower and investing activities will be higher by \$6,094,000.

In addition, for US GAAP purposes, changes in working capital are by definition an operating activity. For Canadian GAAP purposes, change in working capital that relate to investing activities such as purchases of equipment are treated as an investing activity. Accordingly, the net cash from operations in the US GAAP consolidated statements of cash flows would increase in 1998 by \$9,994,000 (1997 - \$43,770,000 and 1996 - \$12,057,000) from the net cash from operations in the Canadian GAAP consolidated statements of cash flows. Investing activities are reduced by the identical amount in each year.

Foreign currency translation

Under Canadian GAAP, non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates. Under US GAAP, those assets and liabilities would be translated at year-end rates. As the majority of the assets and liabilities are denominated and reported in US dollars, this difference would not have material effect on either the financial position of the results of operations on the Company.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31

12. DIFFERENCES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BETWEEN
CANADA AND THE UNITED STATES - CONTINUED

Deferred income taxes

Under Canadian GAAP, the Company would record a deferred tax asset related to a tax loss carry forward only if the Company was virtually certain of realizing the benefit associated with the tax loss carry forward. Under US GAAP, SFAS No. 109 requires that the Company record all deferred income tax assets and make an estimate of the likely recoverability of the asset by recording a provision. The provision would reduce the recorded deferred tax asset to the amount expected to be recovered. The Company is of the opinion that the benefits related to the tax loss carry forwards will not be realized for the foreseeable future. Accordingly, the provision that the Company would record under US GAAP would reduce the recorded deferred tax asset to a nil balance. As no benefit has been realized for Canadian GAAP, there is no difference in the financial position or the results of operations of the Company.

Comprehensive income

SFAS No. 130 "Reporting Comprehensive Income" became effective as of the first quarter of 1998. The statement requires companies to report and display comprehensive income and its components. Comprehensive income includes all changes in equity during a period except those resulting from investments by shareholders or distributions to shareholders. For the Company, comprehensive income is the same as net income reported in the consolidated statements of operations and deficit, since there are no other items of comprehensive income for the years presented.

Recently issued Accounting Standards

SFAS 131, "Disclosures About Segments of an Enterprise and Related Information," is effective for the year ended December 31, 1998. This statement establishes standards for defining and reporting business segments. As the financial statements disclose the operations of the Company in the various countries, no additional disclosure is needed.

SFAS 132, "Employer's Disclosures about Pensions and Other Post-retirement Benefits," revises existing rules for disclosure of pensions and other post-retirement benefit plans. As the Company does not have any pensions or other post-retirement benefit plans, no additional disclosure is needed.

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," is effective for fiscal years beginning after June 15, 1999. This standard requires that all derivatives be recognized as either assets or liabilities in the balance sheet at their fair market values and that accounting for the changes in their fair values is dependent upon the intended use of the derivative and its resulting designation. The new standard will supersede or amend existing standards which deal with hedge accounting and derivatives. The Company has not yet determined the effect of adopting this standard will have on its financial statements.

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The consolidated statements of operations and accumulated deficit and statements of cash flows prepared using US GAAP are presented as supplemental information:

<TABLE>

<CAPTION>

ABACAN RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND ACCUMULATED DEFICIT
(PREPARED USING U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES)
YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars - Note 1)

1996

1998

1997

<S>	<C>	<C>
<C>		
Revenue		
Petroleum revenue (net of royalties and foreign taxes)	\$ 12,264	\$
52,998 \$ 1,300		
Interest and other	181	
528 1,050		
	-----	-----
	12,445	
53,526 2,350		
	-----	-----
Expenses		
Operating	17,431	
46,276 -		
General and administrative	4,623	
3,934 2,603		
Interest and other financial expense	3,022	
4,333 -		
Depletion, depreciation and amortization	4,244	
28,159 -		
Provision for decline in value of petroleum properties	-	
207,000 -		
	-----	-----
	29,320	
289,702 2,603		
	-----	-----
Net loss before gain on sale of assets	(16,875)	
(236,176) (253)		
Gain on sale of assets	28,657	
- -		
	-----	-----
Net earnings (loss)	11,782	
(236,176) (253)		
Deficit, beginning of period	(238,461)	
(2,285) (2,032)		
	-----	-----
Deficit, end of period	\$ (226,679)	\$
(238,461) \$ (2,285)		
	=====	
Basic earnings (loss) per Common share	\$ 0.10	\$
(2.11) \$ 0.00		
	=====	
Fully diluted earnings (loss) per common share	\$ 0.10	\$
(2.11) \$ 0.00		
	=====	
Weighted average number of shares outstanding	113,942,486	

112,029,272 92,899,595

=====

=====

</TABLE>

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<PAGE>

<TABLE>

<CAPTION>

ABACAN RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(PREPARED USING U.S. GENERALLY ACCEPTED ACCOUNTING

PRINCIPLES)

YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars - Note 1)

1998	1997	1996	
-----			--
<S>			
<C>	<C>	<C>	
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Net earnings (loss)			\$
11,782	\$(236,176)	\$ (253)	
Items not affecting cash:			
Gain on sale of assets			
(28,657)	-	-	
Provision for decline in value of petroleum properties			
-	207,000	-	
Depletion, depreciation and amortization			
4,244	28,159	-	
Changes in non-cash working capital items			
32,117	50,202	12,057	
-----			--
19,486	49,185	11,804	
-----			--
FINANCING			
Issue of share capital			
Common shares and warrants			
-	-	104,449	
Exercise of options			
-	1,624	5,237	
Long term debt			
(4,298)	35,000	-	
Bank debt			
-	(20,100)	20,100	
Capital lease obligations			
(472)	(35,342)	41,909	
Issue of convertible debentures			
-	-	7,806	
-----			--
(4,770)	(18,818)	179,501	
-----			--

INVESTING

Expenditures on petroleum properties and equipment

(13,224) (91,395) (159,263)

Maturity settlement of short term investments

- 15,000 (15,000)

Other

- (1,204) (1,750)

 (13,224) (77,599) (176,013)

NET CASH INFLOW (OUTFLOW)

1,492 (47,232) 15,292

CASH AND SHORT-TERM INVESTMENTS,

BEGINNING OF YEAR

1,813 49,045 33,753

CASH AND SHORT-TERM INVESTMENTS,

END OF YEAR

3,305 \$ 1,813 \$ 49,045

Supplemental Non-Cash

Acquisition of petroleum and natural gas properties for common shares

2,000 \$ 19,572 \$ 600

Supplemental Disclosure of Cash Flow

Interest paid

2663 \$ 2,833 \$ 895

Operating lease payments

11,242 \$ 23,940 \$ -

Conversion of convertible debentures

including accrued interest

- \$ - \$ 13,056

</TABLE>

<PAGE>

ABACAN RESOURCE CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31
 (Thousands of U.S. Dollars)
 (Note 1)

- - SUPPLEMENTAL INFORMATION

Following is a summary of stock option activity during the years ended December

31, 1998, 1997 and 1996 (weighted average prices are in \$CDN):

<TABLE>
<CAPTION>

-----1996-----			-----1998-----		-----1997-----	
Weighted			Weighted		Weighted	
Average			Average		Average	
Number	Price		Number	Price	Number	Price

<S>						
<C>						
Outstanding at the beginning of the year						
3.52	4,485,000	\$ 2.70	10,461,750	\$ 4.72	6,768,000	\$
Granted			5,710,250	0.93	4,946,250	
6.16	5,498,300	6.55				
Terminated			(3,815,800)	9.81	(390,000)	
5.12	(50,000)	5.00				
Exercised			-	-	(862,500)	
2.58	(3,165,300)	2.26				
Expired			-	-	-	
-	-	-				

Outstanding at the						
end of the year						
4.72	6,768,000	\$ 3.52	12,356,200	\$ 3.63	10,461,750	\$
=====						
Options exercisable						
at the end of the year						
4.39	4,407,000	\$ 2.22	9,764,117	\$ 2.25	5,033,750	\$
=====						

</TABLE>

Options outstanding as of December 31, 1998:

<TABLE>
<CAPTION>

	Options	Weighted	Weighted	Exercisable	Weighted
	Outstanding	Average	Average	Options	Average
		Price	Remaining		Price
			Life (yrs)		
<S>					
<C>					
Exercise price of:					
\$0.28 - \$1.00	4,710,000	\$ 0.44	4.62	4,710,000	\$ 0.44
\$1.01 - \$6.00	7,293,900	\$ 3.65	2.97	4,877,867	\$ 3.65
\$6.01 - \$12.15	352,500	\$ 12.15	3.09	176,250	\$ 12.15

</TABLE>

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FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

13. SUPPLEMENTAL INFORMATION - CONTINUED

In 1996, the United States Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." With regard to its stock option plan, the Company applies ABB Opinion No. 25 as allowed under SFAS 123 in accounting for this plan and accordingly no compensation cost has been recognized. Had compensation expense been determined based on the fair value at the grant dates for the stock option grants consistent with the method of SFAS No. 123, the Company's net income and net income per common share should have been reduced to the pro forma amount indicated below:

<TABLE>
<CAPTION>

	1998	1997	
<S>	<C>	<C>	<C>
Net Income (Loss)			
As Reported	11,782	(236,176)	
(253)			
Pro forma	8,510	(253,047)	
(14,437)			
Net Income (Loss) Per Share			
As Reported			
Basic	0.10	(2.11)	
-			
Fully Diluted	0.10	-	
-			
Pro forma			
Basic	0.07	(2.26)	
(0.16)			
Fully Diluted	0.07	-	
-			

Stock options issued during period (thousands)	5,710	4,946	
5,498			
Weighted average exercise price	\$ 0.93	\$ 6.18	\$
6.55			
Average per option compensation value of options granted (a)	0.85	4.77	
3.52			
Compensation cost (thousands \$U.S.)	\$ 3,272	\$ 16,871	\$
14,184			

<FN>

(a) Calculated in accordance with the Black-Scholes option pricing model, using the following assumptions: expected volatility computed using, as of the date of grant, the prior year monthly average of the Common Shares as listed on the TSE, which ranged from 53.5% to 148%; expected dividend yield - 0%; expected option term - 5 years; and risk-free rate of return as of the date of grant which ranged from 5.4% to 7.4%, based on the yield of five-year Canadian treasury securities.

</TABLE>

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ABACAN RESOURCE CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31
 (Thousands of U.S. Dollars)
 (Note 1)

13. SUPPLEMENTAL INFORMATION - CONTINUED

Capitalized costs (unaudited)

The following tables summarize the costs incurred in oil and natural gas property acquisition, exploration and development activities. Property acquisition costs are those costs incurred to purchase, lease, or otherwise acquire property. Exploration costs include costs of identifying areas that may warrant examination and in examining specific areas that are considered to have prospects containing oil and natural gas reserves, including costs of drilling exploratory wells, geological and geophysical costs and carrying costs on undeveloped properties. Development costs are incurred to obtain access to proved reserves, including the cost of drilling development wells, and to provide facilities for extracting, treating, gathering and storing the oil and natural gas.

The Company has capitalized property acquisition, exploration and development costs pertaining to its oil and gas producing operations as follows:

<TABLE>

<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Property			
Proved	\$ -	\$ 279,859	\$203,013
Unproved	92,431	94,535	60,253
	-----	-----	-----
	92,431	374,394	263,266
Accumulated depreciation, depletion and amortization	-	(235,208)	-
	-----	-----	-----
Capitalized Costs	\$92,431	\$ 139,186	263,266
	=====	=====	=====

</TABLE>

<PAGE>

ABACAN RESOURCE CORPORATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31
 (Thousands of U.S. Dollars)
 (Note 1)

13. SUPPLEMENTAL INFORMATION - CONTINUED

Costs incurred for property acquisition and exploration activities on a calendar year basis

<TABLE>

<CAPTION>

Total
 (000's)

<S>	<C>
1998	
Property Acquisition	
Proved	\$ -
Unproved	2,000
Exploration and Development	13,224

	\$ 15,224

1997	
Property Acquisition	
Proved	\$ 20,772
Unproved	1,525
Exploration and Development	88,670

	\$ 110,967

1996	
Property Acquisition	
Proved	\$ 600
Unproved	-
Exploration and Development	159,249

	159,849

</TABLE>

Depletion Expenses (unaudited)

The Company has recorded depletion on a per barrel basis as follows:

1998	1997	1996
\$ 2.92	\$ 8.33	\$ -
=====	=====	=====

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

14. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED)

Net proved oil and natural gas reserve estimates were prepared by Gilbert Lausten Jung Associates Ltd., independent petroleum engineers located in Calgary, Alberta. Oil and natural gas prices in effect as of the reserve report date were used without escalation. Operating costs and future development costs were based on current costs with no escalation.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and the timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact. Moreover, the present values should not be construed as the market value of the Company's oil and natural gas reserves or the costs that would be incurred to obtain equivalent reserves.

<TABLE>

<CAPTION>

Estimated quantities of proved reserves (mmbbls)	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
<S>	<C>	<C>	<C>
Balance, beginning of year	15.8	23.5	21.8
Reserve additions	-	-	-
Economic revisions	-	(4.3)	1.8
Production and sale	15.8	(3.4)	(0.1)
Balance, end of year	-	15.8	23.5

</TABLE>

Standardized measure of discounted future cash flows relating to proved oil and gas reserve quantities

In calculating the standardized measure of discounted future net cash flows, prices and costs in effect at year end were assumed to be constant, were applied to proved reserves and provision was made for estimated future development expenditures that will be required to produce the Company's reserves. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal year. The discounted future net cash flows were derived by applying a 10% discount factor, as required by SFAS No. 69, to the future net cash flows.

Management believes that this information does not reflect the current economic value of the oil and gas properties or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary and prices change constantly from year end levels.

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

14. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED) - CONTINUED

<TABLE>

<CAPTION>

<S>	(000's) <C>
December 31, 1998	
Future cash inflows	\$ -
Future capital lease payments	-
Future gross overriding royalties	-
Future production and development costs	-
10% annual discount for estimated timing of cash flows	-
Standardized measure of future net cash flows	\$ -

Changes in standardized measure

December 31, 1997	\$ 64.5
Purchases of reserves in place	-
Sales of reserves in place	(64.5)
Net changes in prices and costs	-

December 31, 1998	\$ -
	=====
December 31, 1997	
Future cash inflows	\$ 357.8
Future capital lease payments	6.6
Future gross overriding royalties	(35.8)
Future production and development costs	(251.5)

	77.1
10% annual discount for estimated timing of cash flows	(12.6)

Standardized measure of future net cash flows	\$ 64.5
	=====
Changes in standardized measure	
December 31, 1996	\$ 268.2
Purchases of reserves in place	-
Production	(203.6)
Net changes in prices and costs	(.01)

December 31, 1997	\$ 64.5
	=====

</TABLE>

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ABACAN RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31
(Thousands of U.S. Dollars)
(Note 1)

14. SUPPLEMENTAL RESERVE INFORMATION (UNAUDITED) - CONTINUED

<TABLE>

<CAPTION>

	(000's)

<S>	<C>
December 31, 1996	
Future cash inflows	\$ 537.4
Future capital lease payments	38.1
Future gross overriding royalties	(55.8)
Future production and development costs	(217.4)

	302.3
10% annual discount for estimated timing of cash flows	(34.1)

Standardized measure of future net cash flows	\$ 268.2

	=====
Changes in standard measure	
December 31, 1995	\$ 152.0
Purchases of reserves in place	-
Sales of reserves in place	-
Net changes in prices and costs	116.2

December 31, 1996	\$ 268.2
	=====

</TABLE>

U.S. GAAP RECONCILIATION

The Company's Audited Consolidated Financial Statements for the fiscal year ended December 31, 1998 (the "1998 Financial Statements") have been prepared in accordance with generally accepted accounting principles in Canada. These principles differ in some respects to generally accepted accounting principles in the United States. The Company's 1998 Financial Statements include "Comments by Auditors for U.S. Readers on Canada - U.S. Reporting Difference" as a supplement to the Auditors' Report. In addition, a detailed discussion entitled "Differences in Generally Accepted Accounting Principles Between Canada and the United States" is included as Note 12 of the 1998 Financial Statements. See "Consolidated Financial Statements and Unaudited Supplementary Data".

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ABACAN RESOURCE CORPORATION
INDEPENDENT AUDITOR'S CONSENT

We consent to the inclusion of our report dated February 17, 1999 (which express an unqualified opinion and for U.S. Readers had a Canada-U.S. reporting difference which would require the addition of an explanatory paragraph (following the opinion paragraph) relating to the Company's ability to continue as a going concern), with respect to the consolidated financial statements of Abacan Resource Corporation appearing in the Annual Report on Form 10-KSB of Abacan Resource Corporation for the year ended December 31, 1998.

Deloitte & Touche LLP

/s/ Deloitte & Touche LLP
Chartered Accountants
Calgary, Alberta

March 26, 1999

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are not and have not been any disagreements between the Company and its accountants on any matter of accounting principles or practices or financial statement disclosure.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE ISSUER; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

The following is a list of the names of the Company's current directors and executive officers, their jurisdiction of residence and their principal occupation for the past five years. Each of the named directors has agreed to stand for re-election at the upcoming Annual and Special Meeting of Shareholders scheduled for March 29, 1999 in Houston, Texas.

<TABLE>

<CAPTION>

NAME	AGE	POSITION	PRINCIPAL
OCCUPATION WITHIN LAST FIVE YEARS			
-----	---	-----	-----
<S>	<C>	<C>	<C>
Timothy T. Stephens Officer and Director since February 1998 and Houston, Texas prior thereto, between March 1995 and Director of Seven Seas Petroleums Inc. thereto, between July 1991 and March 1995, Capital and Trade Resources Inc.	46	Chairman, President, CEO and Director	President, Chief Executive Chairman since February 1999; May 1997, the President and a (TSE and NASDAQ); prior a Vice President of Enron Director since June 1997 and and February 1999; prior the Executive Vice President thereto, President of Deacon Toronto Stock Exchange. Director since December 1993. Petroleum Co. Ltd. (a private Director of Yinka Folawiyo conglomerate). Director since February 8, Company, a private company, International Company (NYSE) (NASDAQ) from 1978 to 1990. Director since February 8,
James S. Harvie (1) Chief Operating Officer between June 1997 Calgary, Alberta thereto, between June 1994 and August 1996, of Midland Walwyn Capital Inc.; prior Barclay's Canada; former Governor of The	49	Director	
T. B. ("Tunde") Folawiyo Executive Director of Yinka Folawiyo Lagos, Nigeria Nigerian oil company) and Executive Group of Companies (an international business	39	Director	
James A. Kishpaugh (1) 1999. Chairman and CEO of Merlon Petroleum Houston, Texas since 1997. Chairman and CEO of Texas and Phoenix Resources Company	58	Director	
Kenneth C. Rutherford (1)	45	Director	

1999. Vice President and CFO of Scorpion
 Calgary, Alberta
 1998 to present; President of Captiva
 private oil and gas financial, investment and
 company, from 1993 to present; Vice President
 Energy Corporation (NASDAQ) from
 1997 and a Director of Arakis from

Energy Corporation (TSE) from
 Resource Corporation, a
 administrative services
 Finance and CFO of Arakis
 December 1996 to September
 July 1997 to October 1998.

<FN>

(1) Indicates member of the Company's Audit Committee.

</TABLE>

During the fiscal year ended December 31, 1998, the Corporation paid no cash compensation (including salaries, director's fees, commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned by the directors for services rendered) to the directors for services rendered as such. Compensation has been paid by the Corporation to certain directors or companies owned or controlled by directors where such directors have provided ongoing professional consulting or employment services to the Corporation or its subsidiaries. Executive officers of the Corporation who also act as directors of the Corporation, do not receive any additional compensation for services rendered in their capacity as directors, other than as paid by the Corporation to such executive officers in their capacity as executive officers.

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During the fiscal year ended December 31, 1998, a total of 4,999,500 stock options were granted to the directors of the Corporation (including directors who were executive officers).

SIGNIFICANT EMPLOYEES

The following persons, who are not directors or executive officers of the Company, are expected to make a significant contribution to the ongoing business affairs of the Company.

<TABLE>

<CAPTION>

NAME	AGE	POSITION	PRINCIPAL OCCUPATION WITHIN LAST FIVE YEARS
------	-----	----------	---

Wade G. Cherwayko President and Chief Lagos, Nigeria 1993 and February 1999; prior thereto,	35	Consultant	Consultant to the Company since February 1998; Executive Officer of the Corporation between May 1998; Director between November 1992 and February an independent international petroleum consultant.
---	----	------------	---

</TABLE>

FAMILY RELATIONSHIPS

There are no family relationships among the Company's directors or executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the Company's directors or executive officers have been involved during the past five years in any legal proceedings material to an evaluation of such persons ability or integrity.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10 percent of the Company's common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than 10 percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Management believes all such individuals were in compliance with Section 16(a) as of the effective date hereof.

ITEM 10. EXECUTIVE COMPENSATION

Information in respect of this item appears on Pages 6 - 14 of the Company's Definitive Proxy Statement filed March 5, 1999 under the heading "Compensation of Directors and Executive Officers" and is incorporated herein by reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information in respect of this item appears on Pages 2 - 5 of the Company's Definitive Proxy Statement filed March 5, 1999 under the heading "Voting Shares and Principal Holders Thereof" and is incorporated herein by reference.

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ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no material interests, direct or indirect, of directors, senior officers, or any shareholder who beneficially owns, directly or indirectly, more than 5% of the outstanding Common Shares or any known associate or affiliates of such persons, in any transaction within the last two fiscal years or in any proposed transaction which has materially affected or would materially affect the Company other than as disclosed below:

TRANSACTIONS

(1) On April 5, 1995, Liberty Technical Services Ltd. ("Liberty") (a subsidiary of the Company) granted Yinka Folawiyo Petroleum Company Limited ("YFP") a 2.40879% before Payout (1.26% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OPL 237 in consideration of YFP's assistance in enabling the Company to acquire a Participating Interest in the concession. On March 31, 1997, YFP sold 0.9554% before Payout and 0.4863% after Payout of its royalty interest to Liberty in consideration of the payment of \$3,767,495 from Liberty to YFP. The consideration for the purchased royalty interest was based upon the discounted future value of the royalty interest based upon the proved reserves on Concession Block OPL 237 at the time of purchase. The purchase price was determined based upon the purchase price paid by the Company for a royalty interest acquired by it from an unrelated third party. Payment was satisfied through the issuance of 482,239 common shares of Abacan at a price of \$7.8125 per common share. YFP is a company that is substantially controlled by the father of Mr. Tunde Folawiyo, a director of the Company. Tunde Folawiyo is a director and senior officer of YFP.

(2) On February 23, 1994, Liberty granted YFP a 2.45775% before Payout (1.2611% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OML 112 (formerly OPL 469) in consideration of YFP's assistance in enabling the Company to acquire a Participating Interest in the concession. On March 31, 1997, YFP sold 0.86125% before Payout and 0.43841% after Payout of its royalty interest to Liberty in consideration of the payment

of \$3,732,505 from Liberty to YFP. The consideration for the purchased royalty interest was based upon the discounted future value of the royalty interest based upon the proved reserves on Concession Block OPL 469 at the time of purchase. The purchase price was determined based upon the purchase price paid by the Company for a royalty interest acquired by it from an unrelated third party. Payment was satisfied through the issuance of 477,761 common shares of Abacan at a price of \$7.8125 per common share.

(3) On March 8, 1992, the Company and YFP signed a Joint Venture Agreement for the exploration of Nigerian Concession Block OPL 309. Under the terms of the Joint Venture Agreement, the Company was responsible, inter alia, to pay YFP a conversion fee of \$5.0 million upon the conversion of the OPL into an OML. On July 3, 1998, OPL 309 was converted into OML 113. Consequently, a payment of \$5.0 million is due from the Company to YFP. Payment of this amount will come from a portion of the Company's net cash flow from future production on OML 113.

MATERIAL INTERESTS

1. Pursuant to a Royalty Agreement between Liberty and Abacan International Resource Management Inc. ("AIRMI") dated December 2, 1994, AIRMI holds a 1.501% Pre-Payout (0.764% After Payout) royalty interest in respect of all petroleum substances produced from Concession Block OPL 237. AIRMI is a company wholly owned by Wade G. Cherwayko, a former President, CEO and director of Abacan.

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2. Pursuant to a Royalty Agreement between Liberty and AIRMI dated August 19, 1993, AIRMI holds a 0.825% before Payout (0.42% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OML 112.

3. Pursuant to a Royalty Agreement between Liberty and AIRMI dated March 8, 1992, AIRMI holds a 1.65% before Payout (0.84% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OML 113.

4. Pursuant to a Participation/Royalty Agreement between Liberty and YFP dated April 5, 1995 (amended pursuant to a Sale Agreement dated March 31, 1997), YFP holds a 1.61146% before Payout (0.82037% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OML 112.

5. Pursuant to a Participation/Royalty Agreement between Liberty and YFP dated February 23, 1994 (amended pursuant to a Sale Agreement dated March 31, 1997), YFP holds a 1.59650% before Payout (0.81269% after Payout) royalty interest in respect of all petroleum substances produced from Concession Block OML 112.

6. YFP is the indigenous Nigerian concession owner of Concession Block OML 113. Under the terms of the Joint Venture Agreement between the Company and YFP dated March 8, 1992, the Company is responsible for paying 100% of all capital and operating costs before to Payout reducing to 40% of all such costs after Payout. After accounting for royalties and taxes, the Company is entitled to 52.525% of all revenues earned before Payout and 26.74% of all revenues after Payout. YFP is not responsible for any costs before Payout but is entitled to 15.0% of all revenues before Payout. After Payout, YFP is responsible for 60% of all capital and operating costs and is entitled 28.0% of all revenues. In addition to the foregoing, the Company is responsible for a payment of \$5.0 million to YFP as a result of the conversion of the oil prospecting licence to an oil mining lease in respect of Block OML 113. Payments are to be paid out of a portion of the Company's net cash flow from future production of Block OML 113.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-KSB

(3) Exhibits: See the Exhibits Index on Page 77.

(4) Reports on Form 8-KSB: No reports on Form 8-KSB were filed during the last quarter of fiscal 1998.

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SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 1, 1999.

ABACAN RESOURCE CORPORATION
(Registrant)

By: /s/ Timothy T. Stephens

Timothy T. Stephens
Chairman of the Board , President and
Chief Executive Officer
(Principal Executive
Officer)

By: /s/ James S. Harvie

James S. Harvie
Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

Signature <S>	Title <C>	Date <C>
/s/ Timothy T. Stephens Timothy T. Stephens	Chairman of the Board, President, Chief Executive Officer and Director	March 1, 1999
/s/ James S. Harvie James S. Harvie	Director	March 1, 1999
/s/ James Kishpaugh James Kishpaugh	Director	March 1, 1999
/s/ Ken Rutherford Ken Rutherford	Director	March 1, 1999
/s/ Tunde Folawiyo Tunde Folawiyo	Director	March 1, 1999

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ABACAN RESOURCE CORPORATION

EXHIBITS INDEX

Exhibit
Number

Description

- <S> <C>
- 3.1 Certificate of Amendment and Articles of Amalgamation dated February 10, 1995
 - 3.2 Articles of Amendment dated June 20, 1997
 - 3.3 By-Laws dated January 20, 1995
 - 4.1 Description of Common Stock
 - 10.1 Termination, Settlement and Release Agreement dated June 30, 1998 between Amni and Liberty, and first supplement agreement
 - 10.2 Termination, Settlement and Release Supplemental Agreement dated June 30, 1998 between Amni and Liberty
 - 10.3 Joint Venture Agreement dated June 30, 1998 in respect of the Deep Ima Prospect between Amni and Liberty
 - 10.4 Joint Operating Agreement dated June 30, 1998 in respect of the Deep Ima Prospect between Amni and Liberty
 - 10.5 Debenture dated June 30, 1998 in respect of the Deep Ima Prospect between Amni and Liberty
 - 10.6 Consent Agreement dated June 30, 1998 between Amni and Liberty
 - 10.7 Termination Agreement dated June 30, 1998 in respect of the MOPU between Abacan Technical Services Ltd. ("Abacan Technical"), Liberty, Amni, Schlumberger and Sedco
 - 10.8 Facility Agreement dated June 30, 1998 between Abacan Resource Corporation ("Abacan"), Dahomey Resource Corporation ("Dahomey"), Liberty and CSFB
 - 10.9 Security Trust Deed dated June 30, 1998 between Abacan, Dahomey, Liberty, Abacan Resources (Benin) Limited ("Abacan Benin"), West African Resource Corporation, Agbara Resources Limited, Abacan Power (Benin) Limited, Abacan-Addax Benin Consortium S.A., Abacan Resources (Nigeria) Ltd., Angus International Resources Ltd., Profile International Ltd. and CSFB
 - 10.10 Royalty Agreement dated March 8, 1992 in respect of Nigerian Concession Block OML 113 (formerly OPL 309) between Liberty and Abacan International Resource Management Inc. ("Airmi")
 - 10.11 Royalty/Revenue Interest Sale Agreement dated March 31, 1997 in respect of Nigerian Block OML 112 (formerly OPL 469) between Liberty and Yinka Folawiyo Petroleum Company Limited ("YFP")

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- 10.12 Royalty Agreement dated August 19, 1993 in respect of Nigerian Concession Block OML 112 (formerly OPL 469) between Liberty and Airmi
 - 10.13 Royalty/Revenue Interest Sale Agreement dated March 31, 1997 in respect of Nigerian Block OPL 237 between Liberty and YFP
 - 10.14 Royalty Agreement dated December 2, 1994 in respect of Nigerian Concession Block OPL 237 between Liberty and Airmi
 - 10.15 Joint Operating Agreement dated March 8, 1992 in respect of Nigerian Concession Block OML 113 between Liberty and YFP

- 10.16 Joint Operating Agreement dated March 8, 1992 in respect of Nigerian Concession Block OML 113 between Liberty and YFP
- 10.17 Project Management Agreement dated March 8, 1992 in respect of Nigerian Concession Block OML 113 between Liberty, YFP and Airmi
- 10.18 Technical Assistance Agreement dated March 8, 1992 in respect of Nigerian Concession Block OML 113 between Liberty and YFP
- 10.19 Joint Venture Agreement dated November 27, 1996 in respect of Nigerian Concession Block OPL 310 between Liberty and Optimum Petroleum Development Limited ("Optimum")
- 10.20 Technical Assistance Agreement dated November 27, 1996 in respect of Nigerian Concession Block OPL 310 between Liberty and Optimum
- 10.21 [intentionally left blank]
- 10.22 Oil Exploration and Exploitation Contract - Offshore Block No. 4 dated February 1, 1997 between Addax Petroleum Benin Limited ("Addax"), Abacan Resources (Benin) Limited and the Government of the Republic of Benin (English language translation of French language original).
- 10.23 Oil Exploration and Exploitation Contract - Offshore No. 1 and Seme Bloc dated February 1, 1997 between Addax Petroleum Benin Limited ("Addax"), Abacan Resources (Benin) Limited and the Government of the Republic of Benin (English language translation of French language original).
- 10.24 Purchase and Sale Agreement dated July 31, 1997 in respect of Benin Block 4 and Block 1 between Addax and Abacan Benin
- 10.25 Conveyance Agreement dated July 31, 1997 in respect of Benin Block 4 and Block 1 between Addax and Abacan Benin

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- 10.26 Consulting Services Agreement dated July 18, 1996 between Texada Holdings Ltd. and Liberty
- 10.27 Employment Services Agreement dated February 10, 1998 between Timothy Stephens and Abacan
- 10.28 Stock Option Plan dated June 20, 1997 and standard form of Stock Option Agreement
- 11.1 Statement re: Computation of Per Share Earnings
- 21.1 Subsidiaries
- 27.1 Summary Financial Information

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<TYPE>EX-3.1

<SEQUENCE>2

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BUSINESS CORPORATIONS ACT

CERTIFICATE
OF
AMALGAMATION

ABACAN RESOURCE CORPORATION
IS THE RESULT OF AN AMALGAMATION FILED
ON FEBRUARY 10, 1995

MUNICIPAL AFFAIRS

SEAL

/s/

REGISTRAR OF CORPORATIONS

GOVERNMENT OF ALBERTA

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ARTICLES OF AMALGAMATION
PAGE 1

BUSINESS CORPORATIONS ACT
(SECTION 179)

FORM 9

ALBERTA
CONSUMER AND CORPORATE AFFAIRS ARTICLES OF AMALGAMATION

1. NAME OF AMALGAMATED CORPORATION:

ABACAN RESOURCE CORPORATION

2. CORPORATE ACCESS NO.:

20641637

3. THE CLASSES AND ANY MAXIMUM NUMBER OF SHARES THAT THE CORPORATION IS
AUTHORIZED TO ISSUE:

THE ATTACHED SCHEDULE 1 IS INCORPORATED INTO AND FORMS PART OF THIS FORM.

4. RESTRICTIONS IF ANY ON SHARE TRANSFERS:

NONE

5. NUMBER (OR MINIMUM AND MAXIMUM NUMBER) OF DIRECTORS:

MINIMUM 1, MAXIMUM 15

6. RESTRICTIONS IF ANY ON BUSINESS THE CORPORATION MAY CARRY ON:

NONE

<PAGE>

ARTICLES OF AMALGAMATION
PAGE 2

7. OTHER PROVISIONS, IF ANY:

THE BOARD OF DIRECTORS OF THE CORPORATION MAY, BETWEEN ANNUAL MEETINGS APPOINT ONE OR MORE ADDITIONAL DIRECTORS OF THE CORPORATION TO SERVE UNTIL THE NEXT ANNUAL MEETING, BUT THE NUMBER OF ADDITIONAL DIRECTORS SHALL NOT AT ANY TIME EXCEED ONE-THIRD (1/3) OF THE NUMBER OF DIRECTORS WHO HELD OFFICE AT THE EXPIRATION OF THE LAST ANNUAL MEETING OF THE CORPORATION.

8. NAME OF AMALGAMATING CORPORATIONS: CORPORATE ACCESS NO.:

ABACAN RESOURCE CORPORATION	20482411
CANADIAN ANGUS RESOURCES LTD.	20389539
CANSTAR VENTURES CORP.	20359023
CANADIAN INDUSTRIAL MINERALS CORP.	20638943
PROFILE CAPITAL CORP.	20368302

9. DATE SIGNATURE TITLE

FEBRUARY 10, 1995 /s/ Wade Cherwayko Director

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SCHEDULE "1"

The shares which the Corporation is authorized to issue are:

- (a) an unlimited number of common shares without nominal or par value with the following rights, privileges, restrictions and conditions:
 - (i) to vote at meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
 - (ii) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to share equally in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation; and
 - (iii) subject to the rights of the preferred shares, the common shares shall be entitled to receive dividends if, as and when declared by the directors of the Corporation; and
- (b) an unlimited number of preferred shares without nominal or par value ("Preferred Shares") which, as a class, have attached thereto the following:
 - (i) the Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions, to the sending of articles of amendment in prescribed form and the issuance of a certificate of amendment in respect thereof, the directors may fix from time to time before such issue the number of shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions;

<PAGE>

- (ii) the Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the preferred shares of every other series and be entitled to preference over the common shares and over any other shares of the Corporation ranking junior to the preferred shares. The Preferred

Shares of any series may also be given such other preferences, not inconsistent with these articles, over the common shares and any other shares of the Corporation ranking junior to such preferred shares as may be fixed in accordance with clause (b) (i);

(iii) if any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital; and

(iv) unless the directors otherwise determine in the articles of amendment designating a series, the holder of each share of a series of Preferred Shares shall not, except as otherwise specifically provided in the Business Corporations Act (Alberta), be entitled to receive

notice of or vote at any meeting of shareholders.

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<TYPE>EX-3.2

<SEQUENCE>3

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EXHIBIT 3.2

CORPORATE ACCESS NUMBER: 206416372

ALBERTA

BUSINESS CORPORATIONS ACT

CERTIFICATE

OF

AMENDMENT

ABACAN RESOURCE CORPORATION
AMENDED ITS ARTICLES ON 1998/05/27

REGISTRAR OF

Seal

CORPORATIONS

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BUSINESS CORPORATIONS ACT FORM 4
(SECTION 27 OR 171)

ALBERTA
CONSUMER AND CORPORATE AFFAIRS ARTICLES OF AMENDMENT

1.NAME OF CORPORATION: 2.CORPORATE ACCESS NUMBER:

ABACAN RESOURCE CORPORATION206416372

3.Pursuant to subsection 167(1)(m) of the Business Corporations Act (Alberta), the other rules or provisions of the Articles of Incorporation be amended by the addition of the following paragraph:

In compliance with section 126(4) of the Business Corporations Act (Alberta), meetings of shareholders of the Corporation shall be held at the place within Alberta that the directors determine, or in Dallas, Texas; Houston, Texas; New York, New York; Las Angeles, California; Phoenix, Arizona; New Orleans, Louisiana or Toronto, Ontario.

4.DATE	SIGNATURE	TITLE
June 20, 1997	_____	Assistant Secretary

FOR DEPARTMENTAL USE ONLY FILED

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<TYPE>EX-3.3

<SEQUENCE>4

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EXHIBIT 3.3

BY-LAW NUMBER 1

A BY-LAW RELATING GENERALLY
TO THE TRANSACTION OF THE
BUSINESS AND AFFAIRS OF
ABACAN RESOURCE CORPORATION

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SECTION 1.
DEFINITIONS AND INTERPRETATION

(1) DEFINITIONS

In the By-laws, unless the context otherwise requires:

- (a) "ABCA" means the Alberta Business Corporations Act, as amended;
- (b) "appoint" includes elect and vice versa;
- (c) "Articles" includes the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement, articles of dissolution and articles of revival of the Corporation, and any amendment to any of them;
- (d) "Board" means the board of directors of the Corporation;
- (e) "By-laws" means this by-law and all other by-laws of the Corporation from time to time in force;
- (f) "Corporation" means Abacan Resource Corporation;
- (g) "Director" means an individual who is elected or appointed as a director of the Corporation;

- (h) "Director, ABCA" means the Director appointed under the ABCA;
- (i) "Indemnified Party" has the meaning set out in section 8 for purposes of that section;
- (j) "Officer" means an officer of the Corporation appointed by the Board;
- (k) "Record Date" means, for the purpose of determining Shareholders entitled to receive notice of a meeting of Shareholders:
 - i) the date fixed in advance by the Board for that determination which precedes the date on which the meeting is to be held by not more than 50 days and not less than 21 days,
 - ii) if no date is fixed by the Board, at the close of business on day immediately preceding the day on which the notice is given, or
 - iii) if no notice is given, the day on which the meeting is held;
- (l) "Recorded Address" means:
 - i) in the case of a Shareholder, the Shareholder's latest address as shown in the Corporation's records or those of its transfer agent,
 - ii) in the case of joint Shareholders, the latest address as shown in the Corporation's records or those of its transfer agent in respect of those joint holders, or the first address appearing if there is more than one address,
 - iii) in the case of a Director, the Director's latest address as shown in the Corporation's records or in the last notice of directors filed with the Director, ABCA, and

1

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- iv) in the case of an Officer or auditor of the Corporation, that person's latest address as shown in the Corporation's records;
- (m) "Regulations" means the Regulations, as amended, in force from time to time under the ABCA; and
- (n) "Shareholder" means a shareholder of the Corporation.

(2) INTERPRETATION

In the By-laws, except if defined in this section or the context does not permit:

- (a) words and expressions defined or used in the ABCA have the meaning or use given to them in the ABCA;
- (b) words importing the singular include the plural and vice versa;
- (c) words importing gender include masculine, feminine and neuter genders; and
- (d) words importing persons include bodies corporate.

(3) HEADINGS

The headings used in the By-laws are inserted for convenience of reference only. The headings are not to be considered or taken into account in construing the terms of the By-laws nor are they to be deemed in any way to clarify, modify or explain the effect of any term of the By-laws.

(4) BY-LAWS SUBJECT TO THE ABCA

The By-laws are subject to the ABCA and the Regulations, to any unanimous shareholder agreement and to the Articles, in that order.

SECTION 2.
BUSINESS OF THE CORPORATION

(1) EXECUTION OF DOCUMENTS

Documents may be executed on behalf of the Corporation in the manner and by the persons the Board may designate by resolution.

(2) CHEQUES, DRAFTS AND NOTES

Cheques, drafts or orders for the payment of money, notes, acceptances and bills of exchange must be signed in the manner and by the persons the Board may designate by resolution.

(3) CORPORATE SEAL

2

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The Board may, by resolution, adopt a corporate seal containing the name of the Corporation as the corporate seal. A document issued by or executed on behalf of the Corporation is not invalid only because the corporate seal is not affixed to that document. A document requiring authentication by the Corporation does not need to be under seal.

(4) BANKING ARRANGEMENTS

The Board may open any bank accounts the Corporation may require at a financial institution designated by resolution of the Board. The Board may adopt, authorize, execute or deposit any document furnished or required by the financial institution and may do any other thing as may be necessarily incidental to the banking and financial arrangements of the Corporation.

(5) VOTING RIGHTS IN OTHER BODIES CORPORATE

The persons designated by the Board to execute documents on behalf of the Corporation may execute and deliver instruments of proxy and arrange for the issue of voting certificates or other evidence of the right to exercise voting rights attached to any securities held by the Corporation in another body corporate. The instruments, certificates or other evidence shall be in favour of the person that is designated by the persons executing the instruments of proxy or arranging for the issue of voting certificates or other evidence of the right to exercise voting rights. In addition, the Board may direct the manner in which and the person by whom any particular voting right or class of voting rights may be exercised.

(6) WITHHOLDING INFORMATION FROM SHAREHOLDERS

No Shareholder is entitled to obtain any information respecting any detail or conduct of the Corporation's business which, in the opinion of the Board, would not be in the best interests of the Shareholders or the Corporation to communicate to the public.

The Board may determine whether and under what conditions the accounts, records and documents of the Corporation are open to inspection by the Shareholders. No Shareholder has a right to inspect any account, record or document of the Corporation except as conferred by the ABCA or authorized by resolution of the Board or by resolution passed at a meeting of Shareholders.

(7) DIVISIONS

The Board may cause any part of the business and operations of the Corporation to be segregated or consolidated into one or more divisions upon the basis the Board considers appropriate. Any division may be designated by the name the Board determines and may transact business under that name. The name of the Corporation must be set out in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of any division of the Corporation.

SECTION 3.
BORROWING

(1) BORROWING POWER

Without limiting the borrowing power of the Corporation provided by the ABCA, the Board may, without authorization of the Shareholders,

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- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) subject to section 44 of the ABCA, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

The Directors may, by resolution, delegate to a Director, a committee of Directors or an Officer all or any of the powers conferred on them by this section.

SECTION 4.
DIRECTORS

(1) MANAGEMENT OF BUSINESS

The Board shall manage the business and affairs of the Corporation. Every Director must comply with the ABCA, the Regulations, the Articles and the By-laws.

(2) QUALIFICATION

A person is disqualified for election as a Director if that person:

- (a) is less than 18 years of age;
- (b) is of unsound mind and has been found so by a court in Canada or elsewhere;
- (c) is not an individual; or
- (d) has the status of bankrupt.

A Director is not required to hold shares issued by the Corporation.

(3) NUMBER OF DIRECTORS

The Board is to consist of that number of Directors permitted by the Articles. In the event the Articles permit a minimum and maximum number of Directors, the Board is to consist of the number of Directors the Shareholders determine by ordinary resolution. The number of Directors at any one time may not be less than the minimum or more than the maximum number permitted by the Articles.

(4) INCREASE NUMBER

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The Shareholders may amend the Articles to increase the number, or the minimum or maximum number, of Directors. Upon the adoption of an amendment increasing the number or minimum number of Directors, the Shareholders may, at the meeting at which they adopt the amendment, elect the additional number of Directors authorized by the amendment. Upon the issue of a certificate of amendment, the Articles are deemed to be amended as of the date the Shareholders adopted the amendment.

(5) DECREASE NUMBER

The Shareholders may amend the Articles to decrease the number, or the minimum or maximum number, of Directors. No decrease shortens the term of an incumbent Director.

(6) ELECTION AND TERM

Each Director named in the notice of directors filed at the time of incorporation holds office from the issue of the certificate of incorporation until the first meeting of Shareholders. The Shareholders are to elect Directors by ordinary resolution at the first meeting of Shareholders and at each succeeding annual meeting at which an election of Directors is required. The elected Directors are to hold office for a term expiring not later than the close of the third annual meeting of Shareholders following the election. A Director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of Shareholders following the Director's election. If Directors are not elected at a meeting of Shareholders, the incumbent Directors continue in office until their respective successors are elected.

(7) REMOVAL OF DIRECTORS

The Shareholders may by ordinary resolution passed at a special meeting of Shareholders remove a Director from office. Any vacancy created by the removal of a Director may be filled at the meeting at which the Director was removed, failing which the vacancy may be filled by a quorum of Directors.

(8) CEASING TO HOLD OFFICE

A Director ceases to hold office when:

- (a) the Director dies or resigns;
- (b) the Director is removed from office by the Shareholders who elected the Director; or
- (c) the Director ceases to be qualified for election as a Director under subsection (2).

A Director's resignation is effective at the time a written resignation is sent to the Corporation, or at the time specified in the resignation, whichever is later.

(9) FILLING VACANCIES

A quorum of Directors may fill a vacancy in the Board, except a vacancy resulting from an increase in the number or minimum number of Directors or from a failure to elect the number or minimum number of Directors required by the Articles. If there is not a quorum of Directors, or if there has been a failure to elect the number or minimum number of Directors required by the Articles, the Directors then in office must immediately call a special meeting of Shareholders to fill the vacancy. If the Directors fail to call a meeting, or if there are no Directors then in office, the meeting may be called by any Shareholder.

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(10) DELEGATION TO A MANAGING DIRECTOR OR COMMITTEE

The Directors may appoint from their number a Managing Director or a committee of Directors. A majority of the members of a committee of Directors must be resident Canadians. A Managing Director must be a resident Canadian. The Directors may delegate to a Managing Director or a committee of Directors any of the powers of the Directors. However, no Managing Director and no committee of Directors has authority to:

- (a) submit to the Shareholders any question or matter requiring the approval of the Shareholders;
- (b) fill a vacancy among the Directors or in the office of auditor;
- (c) issue securities, except in the manner and on the terms authorized by the Directors;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (f) pay a commission in connection with the sale of shares of the Corporation;
- (g) approve a management proxy circular;
- (h) approve a take-over bid circular or directors' circular;
- (i) approve any financial statements; or
- (j) adopt, amend or repeal By-laws.

(11) REMUNERATION AND EXPENSES

The Directors are entitled to receive remuneration for their services in the amount the Board determines. Subject to the Board's approval, the Directors are also entitled to be reimbursed for travelling and other expenses incurred by them in attending meetings of the Board or any committee of Directors or in the performance of their duties as Directors.

Nothing contained in the By-laws precludes a Director from serving the Corporation in another capacity and receiving remuneration for acting in that other capacity.

(12) ANNUAL FINANCIAL STATEMENTS

The Board must place before the Shareholders at every annual meeting of Shareholders financial statements which have been approved by the Board as evidenced by the signature of one or more of the Directors, the report of the auditor and any further information respecting the financial position of the Corporation and the results of its operations that is required by the ABCA, the Regulations, the Articles, the By-laws or any unanimous shareholder agreement.

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SECTION 5.
MEETINGS OF DIRECTORS

(1) CALLING MEETINGS

The Chairperson of the Board, the Managing Director or any Director may call a meeting of Directors. A meeting of Directors or of a committee of Directors may be held within or outside of Canada at the time and place indicated in the

notice referred to in subsection (2).

(2) NOTICE

Notice of the time and place of a meeting of Directors or any committee of Directors must be given to each Director or each Director who is a member of a committee not less than 48 hours before the time fixed for that meeting. Notice must be given in the manner prescribed in section 11. A notice of a meeting of Directors need not specify the purpose of the business to be transacted at the meeting except when the business to be transacted deals with a proposal to:

- (a) submit to the Shareholders any question or matter requiring the approval of the Shareholders;
- (b) fill a vacancy among the Directors or in the office of auditor;
- (c) issue securities;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (f) pay a commission in connection with the sale of shares of the Corporation;
- (g) approve a management proxy circular;
- (h) approve a take-over bid circular or directors' circular;
- (i) approve any financial statements; or
- (j) adopt, amend or repeal By-laws.

(3) NOTICE OF ADJOURNED MEETING

Notice of an adjourned meeting of Directors is not required if a quorum is present at the original meeting and if the time and place of the adjourned meeting is announced at the original meeting. If a meeting is adjourned because a quorum is not present, notice of the time and place of the adjourned meeting must be given as for the original meeting. The adjourned meeting may proceed with the business to have been transacted at the original meeting, even though a quorum is not present at the adjourned meeting.

(4) MEETINGS WITHOUT NOTICE

No notice of a meeting of Directors or of a committee of Directors needs to be given:

- (a) to a newly elected Board following its election at an annual or special meeting of Shareholders; or
- (b) for a meeting of Directors at which a Director is appointed to fill a vacancy in the Board,

if a quorum is present.

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(5) WAIVER OF NOTICE

A Director may waive, in any manner, notice of a meeting of Directors or of a committee of Directors. Attendance of a Director at a meeting of Directors or of a committee of Directors is a waiver of notice of the meeting, except when the Director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

(6) QUORUM

The Directors may fix the quorum for meetings of Directors or of a committee of Directors, but unless so fixed, a majority of the Directors or of a committee of Directors constitutes a quorum. No business may be transacted unless a majority of the Directors present are resident Canadians.

(7) REGULAR MEETINGS

The Board may by resolution establish one or more days in a month for regular meetings of the Board at a time and place to be named in the resolution. No notice is required for a regular meeting.

(8) CHAIRPERSON OF MEETINGS

The chairperson of any meeting of Directors is the first mentioned of the following Officers (if appointed) who is a Director and is present at the meeting: Chairperson of the Board, Managing Director, or President. If none of the foregoing Officers are present, the Directors present may choose one of their number to be chairperson of the meeting.

(9) DECISION ON QUESTIONS

Every resolution submitted to a meeting of Directors or of a committee of Directors must be decided by a majority of votes cast at the meeting. In the case of an equality of votes, the chairperson does not have a casting vote.

(10) MEETING BY TELEPHONE

If all the Directors consent, a Director may participate in a meeting of Directors or of a committee of Directors by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A Director participating in a meeting by means of telephone or other communication facilities is deemed to be present at the meeting.

(11) RESOLUTION IN LIEU OF MEETING

A resolution in writing signed by all the Directors entitled to vote on that resolution at a meeting of Directors or committee of Directors is as valid as if it had been passed at a meeting of Directors or committee of Directors. A resolution in writing takes effect on the date it is expressed to be effective.

A resolution in writing may be signed in one or more counterparts, all of which together constitute the same resolution. A counterpart signed by a Director and transmitted by facsimile or other device capable of transmitting a printed message is as valid as an originally signed counterpart.

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SECTION 6.
OFFICERS AND APPOINTEES OF THE BOARD

(1) APPOINTMENT OF OFFICERS

The Directors may designate the offices of the Corporation, appoint as officers persons of full capacity, specify their duties and delegate to them powers to manage the business and affairs of the Corporation, except those powers referred to in section 4 which may not be delegated to a Managing Director or to a committee of Directors. Unless required by the By-laws, an Officer does not have to be a Director. The same individual may hold two or more offices of the Corporation.

(2) TERM OF OFFICE

An Officer holds office from the date of the Officer's appointment until a successor is appointed or until the Officer's resignation or removal. An officer may resign by giving written notice to the Board. All Officers are subject to removal by the Board, with or without cause.

(3) DUTIES OF OFFICERS

An Officer has all the powers and authority and must perform all the duties usually incident to, or specified in the By-laws or by the Board for, the office held.

(4) REMUNERATION

The Officers are entitled to receive remuneration for their services in the amount the Board determines.

(5) CHAIRPERSON OF THE BOARD

If appointed and present at the meeting, the Chairperson of the Board presides at all meetings of Directors, committees of Directors and, in the absence of the President, at all meetings of Shareholders. The Chairperson of the Board must be a Director.

(6) MANAGING DIRECTOR

If appointed, the Managing Director is responsible for the general supervision of the affairs of the Corporation. During the absence or disability of the Chairperson of the Board, or if no Chairperson of the Board has been appointed, the Managing Director exercises the functions of that office. Subject to section 4, the Board may delegate to the Managing Director any of the powers of the Board.

(7) PRESIDENT

If appointed, the President is the chief executive officer of the Corporation responsible for the management of the business and affairs of the Corporation. During the absence or disability of the Managing Director, or if no Managing Director has been appointed, the President also exercises the functions of that office. The President may not preside as chairperson at any meeting of the Directors or of any committee of Directors unless the President is a Director.

(8) VICE-PRESIDENT

During the absence or disability of the President, or if no President has been appointed, the Vice-President or if there is more than one, the Vice-President designated by the Board, exercises the functions of the office of the President.

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(9) SECRETARY

If appointed, the Secretary must call meetings of the Directors or of a committee of Directors at the request of a Director. The Secretary must attend all meetings of Directors, of committees of Directors and of Shareholders and prepare and maintain a record of the minutes of the proceedings. The Secretary is the custodian of the corporate seal, the minute book and all records, documents and instruments belonging to the Corporation.

(10) TREASURER

If appointed, the Treasurer is responsible for the preparation and maintenance of proper accounting records, the deposit of money, the safe-keeping of securities and the disbursement of funds of the Corporation. The Treasurer must render to the Board an account of all financial transactions of the Corporation upon request.

(11) AGENTS AND ATTORNEYS

The Board has the power to appoint agents or attorneys for the Corporation in or outside of Canada with any power the Board considers advisable.

SECTION 7.
CONFLICT OF INTEREST

(1) DISCLOSURE OF INTEREST

A Director or Officer who:

- (a) is a party to a material contract or proposed material contract with the Corporation; or
- (b) is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Corporation,

must disclose in writing to the Corporation or request to have entered in the minutes of meetings of the Directors the nature and extent of the Director's or Officer's interest.

(2) APPROVAL AND VOTING

A Director or Officer must disclose in writing to the Corporation, or request to have entered in the minutes of meetings of Directors, the nature and extent of the Director's or Officer's interest in a material contract or proposed material contract if the contract is one that in the ordinary course of the Corporation's business would not require approval by the Board or the Shareholders. The disclosure must be made immediately after the Director or Officer becomes aware of the contract or proposed contract. A Director who is required to disclose an interest in a material contract or proposed material contract may not vote on any resolution to approve the contract unless the contract is:

- (a) an arrangement by way of security for money lent to or obligations undertaken by the Director for the benefit of the Corporation or an affiliate;
- (b) a contract relating primarily to the Director's remuneration as a Director or Officer, employee or agent of the Corporation or as a director, officer, employee or agent of an affiliate;

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- (c) a contract for indemnity or insurance under the ABCA; or
- (d) a contract with an affiliate.

(3) EFFECT OF CONFLICT OF INTEREST

If a material contract is made between the Corporation and a Director or Officer, or between the Corporation and another person of which a Director or Officer is a director or officer or in which the Director or Officer has a material interest, the contract is neither void nor voidable by reason only of that relationship, or by reason only that a Director with an interest in the contract is present at or is counted to determine the presence of a quorum at a meeting of Directors or committee of Directors that authorized the contract, if the Director or Officer disclosed the Director's or Officer's interest in the contract in the manner prescribed by the ABCA and the contract was approved by the Board or the Shareholders and was reasonable and fair to the Corporation at the time it was approved.

SECTION 8.

LIABILITY AND INDEMNIFICATION

(1) LIMITATION OF LIABILITY

Every Director and Officer in exercising the powers and discharging the duties of office must act honestly and in good faith with a view to the best interests of the Corporation and must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. No Director or Officer is liable for:

- (a) the acts, omissions or defaults of any other Director or Officer or an employee of the Corporation;
- (b) any loss, damage or expense incurred by the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation;
- (c) the insufficiency or deficiency of any security in or upon which any of the money of the Corporation is invested;
- (d) any loss or damage arising from the bankruptcy, insolvency or tortious or criminal acts of any person with whom any of the Corporation's money is, or securities or other property are, deposited;
- (e) any loss occasioned by any error of judgment or oversight; or
- (f) any other loss, damage or misfortune which occurs in the execution of the duties of office or in relation to it,

unless occasioned by the wilful neglect or default of that Director or Officer. Nothing in this By-law relieves any Director or Officer of any liability imposed by the ABCA or otherwise by law.

(2) INDEMNITY

The Corporation shall indemnify a Director or Officer, a former Director or Officer and a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (the "Indemnified Parties") and the heirs and legal representatives of each of them, against all costs, charges and expenses, which includes, without limiting the generality of the foregoing, the fees, charges and disbursements of legal counsel on an

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as-between-a-solicitor-and-the-solicitor's-own-client basis and an amount paid to settle an action or satisfy a judgment, reasonably incurred by an Indemnified Party, or the heirs or legal representatives of an Indemnified Party, or both, in respect of any action or proceeding to which any of them is made a party by reason of an Indemnified Party being or having been a Director or Officer or a director or officer of that body corporate, if:

- (a) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party had reasonable grounds for believing that the Indemnified Party's conduct was lawful.

The Corporation shall indemnify an Indemnified Party and the heirs and legal representatives of an Indemnified Party in any other circumstances that the ABCA permits or requires. Nothing in this By-law limits the right of a person entitled to indemnity to claim indemnity apart from the provisions of this By-law.

(3) INSURANCE

The Corporation may purchase and maintain insurance for the benefit of a person referred to in subsection (2) against the liabilities and in the amounts the ABCA permits and the Board approves.

SECTION 9.
SECURITIES

(1) SHARES

Shares of the Corporation may be issued at the times, to the persons and for the consideration the Board determines. No share may be issued until the consideration for the share is fully paid in money or in property or past services that are not less in value than the fair equivalent of the money that the Corporation would have received if the share had been issued for money.

(2) OPTIONS AND OTHER RIGHTS TO ACQUIRE SECURITIES

The Corporation may issue certificates, warrants or other evidences of conversion privileges, options or rights to acquire securities of the Corporation. The conditions attached to the conversion privileges, options and rights must be set out in the certificates, warrants or other evidences or in certificates evidencing the securities to which the conversion privileges, options or rights are attached.

(3) COMMISSIONS

The Board may authorize the Corporation to pay a reasonable commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for shares of the Corporation.

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(4) SECURITIES REGISTER

The Corporation shall maintain a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities:

- (a) the names, alphabetically arranged and the latest known address of each person who is or has been a security holder;
- (b) the number of securities held by each security holder; and
- (c) the date and particulars of the issue and transfer of each security.

(5) TRANSFER AGENTS AND REGISTRARS

The Corporation may appoint an agent to maintain a central securities register and branch securities registers. An agent may be designated as a transfer agent or a branch transfer agent, and a registrar, according to the agent's function. An agent's appointment may be terminated at any time. The Board may provide for the registration or transfer of securities by a transfer agent, branch transfer agent or registrar.

(6) DEALINGS WITH REGISTERED HOLDERS

The Corporation may treat the registered owner of a security as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the security, and otherwise to exercise all the rights and powers of an owner of the security.

(7) TRANSFERS OF SECURITIES

Securities of the Corporation may be transferred in the form of a transfer endorsement on the security certificates issued in respect of the securities of the Corporation, or in any form of transfer endorsement which may be approved by resolution of the Board.

(8) REGISTRATION OF TRANSFERS

If a security in registered form is presented for transfer, the Corporation must register the transfer if:

- (a) the security is endorsed by the person specified by the security or by special endorsement to be entitled to the security or by the person's successor, fiduciary, survivor, attorney or authorized agent, as the case may be;
- (b) reasonable assurance is given that the endorsement is genuine and effective;
- (c) the Corporation has no duty to inquire into adverse claims, or has discharged its duty to do so;
- (d) any applicable law relating to the collection of taxes has been complied with;
- (e) the transfer is rightful or is to a bona fide purchaser; and
- (f) the fee prescribed by the Board for a security certificate issued in respect of a transfer has been paid.

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(9) LIEN

If the Articles provide that the Corporation has a lien on a share registered in the name of a Shareholder or the Shareholder's legal representative for a debt of the Shareholder to the Corporation, and the Shareholder is indebted to the Corporation, the Corporation may refuse to register any transfer of the holder's shares pending enforcement of the lien.

(10) SECURITY CERTIFICATES

Security certificates and acknowledgements of a security holder's right to obtain a security certificate must be in a form the Board approves by resolution. A security certificate must be signed by at least one Director or Officer. Unless the Board otherwise determines, security certificates representing securities in respect of which a transfer agent or registrar has been appointed are not valid unless countersigned by or on behalf of the transfer agent or registrar. Any signature may be printed or otherwise mechanically reproduced on a security certificate. If a security certificate contains a printed or mechanically reproduced signature of a person, the Corporation may issue the security certificate, notwithstanding that the person has ceased to be a Director or Officer, and the security certificate is as valid as if the person were a Director or Officer at the date of issue.

(11) ENTITLEMENT TO A SECURITY CERTIFICATE

A security holder is entitled at the holder's option to a security certificate or to a non-transferable written acknowledgement of the holder's right to obtain a security certificate from the Corporation in respect of the securities of the Corporation held by that holder.

(12) SECURITIES HELD JOINTLY

The Corporation is not required to issue more than one security certificate in

respect of securities held jointly by several persons. Delivery of a certificate to one of the joint holders is sufficient delivery to all of them. Any one of the joint holders may give effectual receipts for the certificate issued in respect of the securities or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of the security.

(13) REPLACEMENT OF SECURITY CERTIFICATES

The Board or an Officer or agent designated by the Board may in its or the Officer's or agent's discretion direct the issue of a new security certificate in place of a certificate that has been lost, destroyed or wrongfully taken. A new security certificate may be issued only on payment of a reasonable fee and on any terms as to indemnity, reimbursement of expenses and evidence of loss of title as the Board may prescribe.

(14) FRACTIONAL SHARES

The Corporation may issue a certificate for a fractional share or may issue in its place scrip certificates in bearer form that entitle the holder to receive a certificate for a full share by exchanging scrip certificates aggregating a full share. The Directors may attach conditions to any scrip certificates issued by the Corporation, including conditions that:

- (a) the scrip certificates become void if they are not exchanged for a share certificate representing a full share before a specified date; and

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- (b) any shares for which those scrip certificates are exchangeable may, notwithstanding any pre-emptive right, be issued by the Corporation to any person and the proceeds of those shares distributed rateably to the holders of the scrip certificates.

SECTION 10.
MEETINGS OF SHAREHOLDERS

(1) ANNUAL MEETING OF SHAREHOLDERS

The Board must call an annual meeting of Shareholders to be held not later than 18 months after the Corporation comes into existence and subsequently, not later than 15 months after holding the last preceding annual meeting. An annual meeting is to be held for the purposes of considering the financial statements and auditor's report, electing Directors, appointing an auditor and transacting any other business that may properly be brought before the meeting.

(2) SPECIAL MEETINGS OF SHAREHOLDERS

The Board may at any time call a special meeting of Shareholders.

(3) SPECIAL BUSINESS

All business transacted at a special meeting of Shareholders and all business transacted at an annual meeting of Shareholders, except consideration of the financial statements and auditor's report, election of Directors and reappointment of the incumbent auditor, is deemed to be special business.

(4) PLACE AND TIME OF MEETINGS

Meetings of shareholders may be held at such place in Alberta, Dallas, Texas; Houston, Texas; New York, New York; Los Angeles, California, Phoenix, Arizona, New Orleans, Louisiana or Toronto, Ontario as the Board shall determine, at such time and date as the Board shall determine.

(5) NOTICE OF MEETINGS

Notice of the time and place of a meeting of Shareholders must be sent not less than 21 days and not more than 50 days before the meeting to:

- (a) each Shareholder entitled to vote at the meeting;
- (b) each Director; and
- (c) the auditor of the Corporation.

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Notice of a meeting of Shareholders called for the purpose of transacting any business other than consideration of the financial statements and auditor's report, election of Directors and reappointment of the incumbent auditor must state the nature of the business to be transacted in sufficient detail to permit a Shareholder to form a reasoned judgment on that business and must state the text of any special resolution to be submitted to the meeting.

(6) NOTICE OF ADJOURNED MEETINGS

With the consent of the Shareholders present at a meeting of Shareholders, the chairperson may adjourn that meeting to another fixed time and place. If a meeting of Shareholders is adjourned for less than 30 days, it is not necessary to give notice of the adjourned meeting, other than by verbal announcement at the time of the adjournment. If a meeting of Shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting must be given as for the original meeting. The adjourned meeting may proceed with the business to have been transacted at the original meeting, even though a quorum is not present at the adjourned meeting.

(7) WAIVER OF NOTICE

A Shareholder and any other person entitled to attend a meeting of Shareholders may waive in any manner notice of a meeting of Shareholders. Attendance of a Shareholder or other person at a meeting of Shareholders is a waiver of notice of the meeting, except when the Shareholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

(8) SHAREHOLDER LIST

The Corporation must prepare a list of Shareholders entitled to receive notice of a meeting of Shareholders, arranged in alphabetical order and showing the number of shares held by each Shareholder,

- (a) if a Record Date is fixed, not later than 10 days after that date; or
- (b) if no Record Date is fixed,
 - i) at the close of business on the day immediately preceding the day on which the notice is given, or
 - ii) if no notice is given, on the day on which the meeting is held.

A Shareholder may examine the list of Shareholders:

- (c) during usual business hours at the registered office of the Corporation or at the place where its central securities register is maintained; and
- (d) at the meeting of Shareholders for which the list was prepared.

(9) PERSONS ENTITLED TO VOTE

A person named in a list of Shareholders is entitled to vote the shares shown

opposite the person's name at the meeting to which the list relates, except to the extent that:

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(a) i) if a Record Date is fixed, the person transfers ownership of any of the person's shares after the Record Date, or

ii) if no Record Date is fixed, the person transfers ownership of any of the person's shares after the date on which the list of Shareholders is prepared; and

(b) the transferee of those shares

i) produces properly endorsed share certificates, or

ii) otherwise establishes ownership of the shares,

and demands, not later than 10 days before the meeting, that the transferee's name be included in the list before the meeting,

in which case the transferee is entitled to vote the shares.

(10) CHAIRPERSON OF MEETINGS

The chairperson of any meeting of Shareholders is the first mentioned of the following Officers (if appointed) who is present at the meeting: President, Chairperson of the Board or Managing Director. If none of the foregoing Officers are present, the Shareholders present and entitled to vote at the meeting may choose a chairperson from among those individuals present.

(11) SCRUTINEER

If desired, one or more scrutineers, who need not be Shareholders, may be appointed by resolution or by the chairperson of the meeting with the consent of the meeting.

(12) PROCEDURE AT MEETINGS

The chairperson of any meeting of Shareholders shall conduct the proceedings at the meeting in all respects. The chairperson's decision on any matter or thing relating to procedure, including, without limiting the generality of the foregoing, any question regarding the validity of any instrument of proxy or other evidence of authority to vote, is conclusive and binding upon the Shareholders.

(13) PERSONS ENTITLED TO BE PRESENT

The only persons entitled to be present at a meeting of Shareholders are:

(a) the Shareholders entitled to vote at the meeting;

(b) the Directors;

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(c) the auditor of the Corporation; and

(d) any others who, although not entitled to vote, are entitled or required under any provision of the ABCA, any unanimous shareholder agreement, the Articles or the By-laws to be present at the meeting.

Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

(14) QUORUM

A quorum of Shareholders is present at a meeting of Shareholders if at least two individuals are present, each of whom is entitled to vote at the meeting, and who hold or represent by proxy in the aggregate not less than 5% of the total number of shares entitled to be voted at the meeting. If any share entitled to be voted at a meeting of Shareholders is held by two or more persons jointly, the persons or those of them who attend the meeting of Shareholders constitute only one Shareholder for the purpose of determining whether a quorum of Shareholders is present.

(15) LOSS OF QUORUM

If a quorum is present at the opening of a meeting of Shareholders, the Shareholders present or represented by proxy may proceed with the business of the meeting, even if a quorum is not present throughout the meeting. If a quorum is not present at the opening of a meeting of Shareholders, the Shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

(16) PROXY HOLDERS AND REPRESENTATIVES

A Shareholder entitled to vote at a meeting of Shareholders may by means of a proxy appoint a proxy holder and one or more alternate proxy holders, who are not required to be Shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. A proxy must be executed by the Shareholder or by the Shareholder's attorney authorized in writing and be in the form prescribed by the Regulations. A proxy is valid only at the meeting in respect of which it is given or any adjournment of that meeting.

A Shareholder that is a body corporate or association may, by resolution of its directors or governing body, authorize an individual to represent it at a meeting of Shareholders. That individual's authority may be established by depositing with the Corporation prior to the commencement of the meeting a certified copy of the resolution passed by the Shareholder's directors or governing body or other evidence of the individual's authority to vote. A resolution or other evidence of authority to vote is valid only at the meeting in respect of which it is given or any adjournment of that meeting.

(17) TIME FOR DEPOSIT OF PROXIES

The Board may specify in a notice calling a meeting of Shareholders a time not exceeding 48 hours, excluding Saturdays and holidays, preceding the meeting or an adjournment of the meeting before which proxies to be used at the meeting must be deposited with the Corporation or its agent. If no time for the deposit of proxies has been specified in a notice calling a meeting of Shareholders, a proxy to be used at the meeting must be deposited with the Secretary of the Corporation or the chairperson of the meeting prior to the commencement of the meeting.

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(18) REVOCATION OF PROXIES

A Shareholder may revoke a proxy:

- (a) by depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing:
 - i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or an adjournment of that meeting, at which the proxy is to be used, or
 - ii) with the chairperson of the meeting on the day of the meeting or an

adjournment of the meeting; or

(b) in any other manner permitted by law.

(19) JOINT SHAREHOLDERS

If two or more persons hold shares jointly, one of those holders present at a meeting of Shareholders may, in the absence of the others, vote the shares. If two or more of those persons are present in person or by proxy, they must vote as one on the shares jointly held by them.

(20) DECISION ON QUESTIONS

At every meeting of Shareholders all questions proposed for the consideration of Shareholders must be decided by the majority of votes, unless otherwise required by the ABCA or the Articles. In the case of an equality of votes, the chairperson of the meeting does not, either on a show of hands or verbal poll or on a ballot, have a casting vote in addition to the vote or votes to which the chairperson may be entitled as a Shareholder or proxy holder.

(21) VOTING BY SHOW OF HANDS

Subject to subsection (22), voting at a meeting of Shareholders must be by a show of hands of those present in person or represented by proxy or by a verbal poll of those present by telephone or other communication facilities. When a vote by show of hands has been taken upon a question, a declaration by the chairperson of the meeting that the vote has been carried, carried by a particular majority or not carried, an entry to that effect in the minutes of the meeting is conclusive evidence of the fact without proof of the number of votes recorded in favour of or against any resolution or other proceeding in respect of the question.

(22) VOTING BY BALLOT

If a ballot is required by the chairperson of the meeting or is demanded by a Shareholder or proxy holder entitled to vote at the meeting, either before or after any vote by show of hands or verbal poll, voting must be by ballot. A demand for a ballot may be withdrawn at any time before the ballot is taken. If a ballot is taken on a question, a prior vote on that question by show of hands or verbal poll has no effect.

(23) NUMBER OF VOTES

At every meeting a Shareholder present in person or represented by proxy or present by telephone or other communication facilities and entitled to vote has one vote for each share held.

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(24) MEETING BY TELEPHONE

Any person described in subsection (13) may participate in a meeting of Shareholders by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A Shareholder participating in a meeting by means of telephone or other communication facilities is deemed to be present at the meeting.

(25) RESOLUTION IN LIEU OF MEETING

A resolution in writing signed by all the Shareholders entitled to vote on that resolution at a meeting of Shareholders is as valid as if it had been passed at a meeting of Shareholders. A resolution in writing takes effect on the date it is expressed to be effective.

A resolution in writing may be signed in one or more counterparts, all of which

together constitute the same resolution. A counterpart signed by a Shareholder and transmitted by facsimile or other device capable of transmitting a printed message is as valid as an originally signed counterpart.

SECTION 11.
NOTICES

(1) METHOD OF NOTICE

A notice or document required to be sent to a Shareholder, Director, Officer or auditor of the Corporation may be given by personal delivery, prepaid transmitted or recorded communication or prepaid mail addressed to the recipient at the recipient's Recorded Address. A notice or document sent by personal delivery is deemed to be given when it is actually delivered. A notice or document sent by means of prepaid transmitted or recorded communication is deemed to be given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. A notice or document sent by mail is deemed to be given when deposited at a post office or in a public letter box.

(2) NOTICE TO JOINT SHAREHOLDERS

If two or more persons are registered as joint holders of any share, a notice or document may be sent or delivered to all of them, but notice given to any one joint Shareholder is sufficient notice to the others.

(3) NOTICE TO SUCCESSORS

Every person who, by operation of law, transfer, death of a Shareholder or any other means becomes entitled to any share, is bound by every notice in respect of the share which is sent or delivered to the Shareholder prior to the person's name and address being entered in the Corporation's securities register and prior to the person furnishing proof of authority or evidence of entitlement as prescribed by the ABCA. This subsection applies whether the notice was given before or after the event which resulted in the person becoming entitled to the share.

(4) NON-RECEIPT OF NOTICES

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If a notice or document is sent to a Shareholder, Director, Officer or auditor of the Corporation in accordance with subsection (1) and the notice or document is returned on three consecutive occasions, the Corporation is not required to give any further notice or documents to the person until that person informs the Corporation in writing of the person's new address.

(5) FAILURE TO GIVE NOTICE

The accidental failure to give a notice to a Shareholder, Director, Officer or auditor of the Corporation, the non-receipt of a notice by the intended recipient or any error in a notice not affecting its substance does not invalidate any action taken at the meeting to which the notice relates.

(6) EXECUTION OF NOTICES

Unless otherwise provided, the signature of any person designated by resolution of the Board to sign a notice or document on behalf of the Corporation may be written, stamped, typewritten or printed.

MADE by the Directors as evidenced by the signature of the following Director effective January 20, 1995.

/s/ Wade Cherwayko

WADE G. CHERWAYKO

CONFIRMED by the Shareholders as evidenced by the signature of the following Shareholder effective January 20, 1995.

/s/ Wade Cherwayko

WADE G. CHERWAYKO

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EXHIBIT 4.1

DESCRIPTION OF COMMON STOCK

Abacan is authorized to issue an unlimited number of shares of common stock, without par value (the "Common Stock"). Holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of stockholders. They are entitled to receive dividends when and as declared by the board of directors out of legally available funds and to share ratably in the assets of Abacan legally available for distribution upon liquidation, dissolution or winding up.

Holders of Common Stock do not have subscription, redemption or conversion rights, nor do they have any preemptive rights. Holders of Common Stock do not have cumulative voting rights. All stockholder action is taken by vote of a majority of voting shares of the capital stock of Abacan present at a meeting of stockholders at which a quorum existing of a majority of the issued and outstanding shares of the voting capital stock is present in person or by proxy. Directors are elected by a plurality vote.

For certain fundamental changes, the corporate legislation under which Abacan was formed may require each class of outstanding stock to vote separately.

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EXHIBIT 10.1

TERMINATION, SETTLEMENT

AND RELEASE AGREEMENT

Between

- (1) Amni International Petroleum Development Company Limited ("Amni")
- (2) Liberty Technical Services Limited ("Liberty")

Dated: 30 June 1998

Whereas

- (A) Amni and Liberty are parties to the Joint Venture and Joint Operating Agreements relating to the Licences/Leases.
- (B) Various disputes having arisen between the parties, the parties have now agreed to settle their disputes and to terminate their existing arrangements and replace them with a new arrangement as set out herein.

NOW THEREFORE it is agreed as follows:

1. Definitions

The following terms shall have the meanings respectively ascribed thereto:

DEEP ZONE All geological formations within and around the IMA Field that are north (upthrown) and south (downthrown) of the geological fault dividing the IMA Field, all depths below the geological formation within the IMA Field known as the <F> sand, as currently shown on the maps and schematic cross-section materials covering the IMA Field annexed hereto as Schedule B1 or a depth of 12,150 feet (true vertical depth), whichever is the lesser depth, lying within the geographical co-ordinates along the northern boundary of OML 112 and OPL 237, to the southern boundary of OML 112, to the western

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boundary of OML 112 and to the eastern boundary of 550,000m E, annexed hereto as Schedule B2.

EFFECTIVE DATE the 30th day of June 1998

JOINT OPERATIONS all operations relating to the IMA Field under Licences/Leases other than operations commenced after the Effective Date that relate to the Deep Zone

JOINT DEVELOPMENT

AGREEMENTS the agreements listed in Schedule A hereto

IMA FIELD The oil producing reservoir known as the IMA Field lying within the Licences/Leases as shown on the plan attached as Schedule B@ hereto.

LICENCES/LEASES Nigeria Oil Prospecting License 237, dated October 13, 1994 and Nigeria Oil Prospecting License 469, dated August 24, 1993, subsequently converted to Oil Mining License 112 on February 12, 1998

2. Termination of Joint Development Agreements

With effect from the Effective Date the Joint Venture and Joint Operating Agreements are agreed by the parties to have ceased to be of any force or effect and all rights, obligations and liabilities arising thereunder or in connection therewith (whether in respect of the period prior to the Effective Date or

thereafter) are deemed to be canceled.

3. Assignment of Interests

Subject to any necessary government consents

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- (a) Liberty in consideration of the obligations undertaken by Amni hereunder, hereby surrenders and assigns to Amni all of its right, title and interest in the Licences/Leases and all associated equipment located on the IMA Field and materials including 3D seismic data and other geological and/or geophysical information acquired by or on behalf of the joint ventures established pursuant to the Joint Venture and Joint Operating Agreements with effect from the Effective Date with the exception of (i) Liberty's interest in the Langley, (ii) Liberty's existing rights to production from the IMA Field (or the proceeds thereof) produced on or prior to the May 18, 1998 and (iii) Liberty's rights in the insurance proceeds relating to the blowout of the IMA 9 well, which proceeds shall be used to partially reimburse the cost of the first well to be drilled in the Deep Zone, all as is provided for in the Joint Operating Agreement attached as an Exhibit to the Joint Venture Agreement and attached hereto as Schedule C. Liberty shall procure that all data and information relating to Joint Operations shall be released to Amni within 60 days of the date hereof.
- (b) Amni hereby grants a 10% working interest in the Deep Zone to Liberty (or its nominee) on the terms set out in the Joint Venture Agreement attached hereto as Schedule C, which Joint Venture Agreement has been executed on even date herewith.
- (c) With respect to the Joint Venture Agreement attached hereto and documents executed in connection therewith (collectively, the "Deep Zone Documents"), Amni and Liberty shall use their best efforts to obtain the necessary governmental approvals required to consummate the transaction provided therein as promptly as possible. If by December 1, 1998 the necessary government approvals have not been obtained, then Amni and Abacan shall enter into such other contractual agreements as are necessary to provide Liberty (or its nominee) with all of the rights and benefits provided for in the Deep Zone Documents.

4. Waiver of Claims

Amni hereby waives all existing claims against and debts from Liberty, Abacan Resource Corporation ("ARC") and all of its related subsidiaries, including, but not limited to, Abacan Technical Services Ltd. (collectively, "Abacan") arising under the terms of the Joint Venture and Joint Operating Agreements or in respect of or in connection with Joint Operations. Liberty hereby waives (and will procure that all of its affiliates also waive all existing claims) all existing claims against Amni in respect of or in connection with the Joint Operation and the Joint Venture and Joint Operating Agreements.

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5. Governing Law

- (a) This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England.

- (b) Any dispute arising out of and relating to this Agreement and which the Parties have not settled by themselves, shall finally be decided, to the exclusion of the courts, by arbitration in accordance with the arbitration rules of the International Chamber of Commerce. Three arbitrators shall be appointed, each party appointing one arbitrator, and the two arbitrators thus appointed choosing the presiding arbitrator. In reaching a decision, the arbitrators shall act (ex aequo et bono] and shall be guided by the terms of this Agreement and international practice in similar agreements.

IN WITNESS whereof the Parties have caused this Agreement to be executed on the date above written.

/s/ Tunde Afolabi

for and on behalf of
AMNI INTERNATIONAL PETROLEUM
DEVELOPMENT COMPANY LIMITED

/s/ Tunde Folawiyo

for and on behalf of
LIBERTY TECHNICAL SERVICES LIMITED

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SCHEDULE A

1. Joint Venture Agreement for OPL 237 dated 2/12/94 as restated as at 15 September 1995 and the following related agreements of the same date

Joint Operating Agreement
Management Committee By-Laws
Technical Assistance Agreement

2. Joint Venture Agreement for OPL 469 dated 19 August and restated as at 15 September 1995 and the following related agreements of the same date

Joint Operating Agreement
Management Committee By-Laws
Technical Assistance Agreement

3. All other agreements entered into by and between Amni or its affiliates and Abacan with respect to the foregoing agreements or relating to the ownership and operation of the Joint Operations.

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SCHEDULE B

THE IMA FIELD

Please see Schedule AD@ of the Joint Venture Agreement filed as Exhibit 10.3 to

the Form 10-KSB dated effective March 1, 1999.

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SCHEDULE C

DRAFT JOINT VENTURE AGREEMENT

The finalized Joint Venture Agreement has been filed as Exhibit 10.3 to the Form 10-KSB dated effective March 1, 1999.

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SUPPLEMENTAL AGREEMENT TO TSRA DATED JUNE 30, 1998

Date: June 30, 1998

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We refer to the TSRA being signed today between us. Notwithstanding the terms of such Agreement, the parties hereby agree that the issue of termination of the JVA/JOA remains outstanding.

Accordingly, the parties hereby undertake to negotiate a termination clause in good faith as soon as reasonably practicable hereafter (and in any event not later than seven days from the date hereof) along the following principles:

1. Termination will be permissible if either party fails to pay any sums due, whether as a result of default, insolvency, liquidation or receivership.
2. The default may be remedied within a 60-90 day period by the defaulter or someone on his behalf.
3. If it is not remedied within such period, the non-defaulting party may terminate the JVA/JOA forthwith.
4. Upon any such termination the terminating party will be compensated for the value of its interest in the project net of the cost of curing the default.

Agreed:/s/ Tunde Folawiyo

Liberty Technical Services Ltd.

Agreed:/s/ Tunde Afolabi

Amni International Petroleum
Development Company Limited

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EXHIBIT 10.2

TERMINATION. SETTLEMENT

AND RELEASE SUPPLEMENTAL AGREEMENT

Between

- (1) Amni International Petroleum Development Company Limited ("Amni")
- (2) Liberty Technical Services Limited ("Liberty")

Dated: June 1998

Whereas

This Supplemental Agreement is supplemental to:

- (A) a Termination, Settlement and Release Agreement relating to the Licences/Leases ("TSRA") whereby (inter alia) Liberty's existing interest is exchanged for a ten per cent. (10%) Working Interest in the Deep Zone
- (B) As part of such arrangement the parties have also respectively agreed to various other terms and conditions as set out herein.

NOW THEREFORE it is agreed as follows:

1. Definitions

- (a) All terms defined in the TSRA shall have the same meaning where used in this Supplemental Agreement;
- (b) The following term shall have the meaning ascribed thereto:

Langley the Mobile Offshore Production Unit all as more fully described in the Assignment and Bill of Sale attached hereto as Schedule B

2. Amni and Liberty shall provide Total International Limited ("Total") with irrevocable written instructions related to the disbursement of revenues attributable to the lift to be completed by Total on or about June 22nd, 1998 which shall include an instruction to pay Liberty \$750,000 in the form of Schedule D in respect of all amounts owing to Liberty in respect of general and administrative costs and operating costs.

3. Contemporaneously with this Agreement and in consideration of Sedco Forex ("Sedco") and Schlumberger Overseas S.A. ("Schlumberger") forgiving all of the Liberty/Amni indebtedness to Sedco and Schlumberger pursuant to the Agreement in the form attached as Schedule A, Liberty shall enter into an Assignment and Bill of Sale with regard to the Langley in favour of Sedco in the form attached as Schedule B whereby all of the respective rights title and interest of Liberty to the Langley are transferred to Sedco. In contemplation of the foregoing assignment. Amni hereby waives for the benefit of Liberty any rights claims or interests it may have in respect of the Langley.

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4. Existing Creditors -

Amni hereby agrees to indemnify, and hold harmless Liberty, (which for the purpose of this clause shall include all of its past and present administrators, affiliates, agents, assignees, attorneys of record, directors, employees, officers, partners, predecessors, receivers, shareholders, subsidiaries, successors and trustees ("Indemnified Parties")) from and against any and all

liabilities, including without limitation attorneys' fees, damages, fines, out of pocket costs, penalties, and related costs of experts ("Indemnified Liabilities") arising from, based on, related to or associated with the Joint Development and Joint Operating Agreements or Joint Operations listed in Schedule C attached hereto (the "Joint Development Claims"). Further, Amni hereby assumes the payment of the Joint Development Claims but not further or otherwise. As soon as reasonably possible Amni shall offer to all holders of Joint Development Claims a mechanism whereby a proportion of revenues arising from WA Field, including if necessary, a portion of the revenues attributable to Amni's interest in the Deep Zone are made available so that all current Joint Development Claims are promptly met when due and accrued Joint Development Claims are paid over an agreed period. In return Amni shall require each Joint Operations Claim holder accepting any payment from Amni to waive all claims against Liberty. No payments of any kind shall be made by Amni to the holder of any Joint Development Claims unless such holder first releases Liberty in writing from any liability with respect to the Joint Development Claims. In the event any claim or threatened claim is made by any such creditor against Liberty, Amni shall be promptly notified of such claim or threatened claim and shall be given full control over the conduct of any proceedings in relation thereto provided Amni (i) assumes in writing full responsibility for all claims raised in such proceedings and (ii) properly defends such proceedings. Amni shall keep Abacan apprised of the status of all such proceedings. Neither Liberty, Amni nor any of their affiliates shall make any admissions in respect of any such proceedings that could have an adverse effect on the other party without the consent of such party. Liberty shall cooperate fully with Amni (at Amni's request and cost) in any such proceedings and shall procure that its affiliates also cooperate (on the same basis).

5. Pool Account

Notwithstanding anything in the TSRA to the contrary, Liberty reserves all of its rights in the Royalties and Tax pool account ("Pool Account"). At such time as the actual Excess Profit Tax is determined with respect to the 1998 Joint Operations, Amni shall pay to Liberty its share of any amount in the Pool Account on the Effective Date that is in excess of the actual amounts due and owing to the Nigerian Government with respect to the Excess Profit Tax for the period up to and including the Effective Date.

6. Governing, Law

(a) This Agreement shall be governed by, construed and interpreted in accordance with the laws of England.

(b) Any dispute arising out of and relating to this Agreement and which the Parties have not settled by themselves, shall finally be decided, to the exclusion of the courts, by arbitration in accordance with the arbitration rules of the International Chamber of Commerce. Three arbitrators shall be appointed, each party appointing one arbitrator, and the two arbitrators thus appointed choosing the presiding arbitrator. In reaching a decision, the arbitrators shall act (ex aequo et bono) and shall be guided by the terms of this Agreement and international practice in similar agreements.

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7. Notices

All notices, requests, demands, or other communications hereunder shall be delivered by hand or sent by mail as appropriate or by facsimile, telex or telegram to the Parties at the address provided below:

Owner/Operator:

Amni International Petroleum Development Company Limited
Plot 1377B Tiamiyu
Savage Street
Victoria Island, P.O. Box 54452
Falomo, Ikoyi
Fax: 011 234 262 1526
Attn: Tunde J Afolabi
Managing Director

Liberty:

ABACAN RESOURCE CORPORATION
Suite 140
14811 St Mary's Lane
Houston, Texas 77079
USA
Fax: (281) 721 0560
Attn: Timothy Stephens

With a copy to:

Liberty Technical Services Ltd
38 Warehouse Road
Apapa, Lagos, Nigeria
Attn: Wade Cherwayko

IN WITNESS whereof the Parties have caused this Agreement to be executed on the date above written

/s/ Tunde Afolabi

for and on behalf
AMNI INTERNATIONAL PETROLEUM
DEVELOPMENT COMPANY LIMITED

Tunde Folawiyio

for and on behalf of
LIBERTY TECHNICAL SERVICES LIMITED

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SCHEDULE A

Agreement for Transfer of the Langley

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SCHEDULE B

Assignment and Bill of Sale

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SCHEDULE C

Joint Development Claims

NAIRA PAYABLES (\$U.S.) []
\$US PAYABLES (\$U.S.) []

GRAND TOTAL [] (U.S.)

US DOLLAR PAYABLE LISTING

	Concessions
Company Name	IMA FIELD
	\$
Acct. Pay Total	----- =====

In addition to the claims set on the preceding pages, Amni will also assume responsibility for the following lawsuit and future lawsuits relating to the claims referenced on this Schedule C. Notwithstanding anything in the Agreement to the contrary, such assumption shall not be subject to any dollar limitations set forth in the Agreement or this Schedule C.

1. Cause No. 98-24830; Weatherford Enterra U.S., Limited Partnership v. Abacan Resource Corporation, Abacan Services (USA) Corporation, Abacan Technical Services, Ltd., Abacan Resources (Nigeria), Ltd. and Liberty Technical Services, Ltd. filed on May 27, 1998 in the 61st Judicial District Court of Harris County, Texas ("Weatherford Lawsuit").

In addition, Amni has and hereby assumes any liabilities due and owing to the creditors described on the preceding pages that arises after May 18, 1998. Notwithstanding anything in the Agreement to the contrary, such assumption shall not be subject to any dollar limitations set forth in the Agreement or this Schedule C.

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EXHIBIT 10.3

JOINT VENTURE AGREEMENT

BETWEEN

AMNI INTERNATIONAL
PETROLEUM DEVELOPMENT COMPANY LIMITED

AND

LIBERTY TECHNICAL SERVICES LTD. ,

REGARDING THE DEEP
ZONES OF THE IMA FIELD

JUNE 30, 1998

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THIS JOINT VENTURE AGREEMENT is made effective as of June 30, 1998 by and between:

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT
COMPANY LIMITED, of Plot 1377 B Tiamiyu Savage Street,
Victoria Island, P.O. Box 54452, Faloma Ikoyi, Lagos, Nigeria,
(hereinafter referred to as the AOwner/Operator@)

and

LIBERTY TECHNICAL SERVICES LTD. ,, of 7th Floor,
Folawiyo Plaza, 38 Warehouse Road, Lagos, Nigeria, (hereinafter
referred to as "Liberty")

WHEREAS:

- (a) The Owner/Operator and Liberty elected to establish a joint venture for the exploration and development of Concession Block 469 pursuant to the terms of the Joint Venture Agreement (Restated) dated August 19, 1993 and Restated at September 15, 1995.
- (b) The Owner/Operator and Liberty elected to establish a joint venture for the exploration and development of Concession Block 237 pursuant to the terms of the Joint Venture Agreement (Restated) dated December 2, 1994 and Restated at September 15, 1995.
- (c) Owner/Operator and Liberty have elected to terminate the Joint Venture Agreements referenced in the preceding paragraphs and now desire to establish a joint venture for the exploration and development of the Deep Zones of the IMA Field, subject to and in accordance with the terms hereof.

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the Parties hereby agree as follows:

ARTICLE I - DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, the recitals and schedules attached hereto, the following words and expressions shall have the meanings respectively set opposite them:

"ACCOUNTING PROCEDURE" means the accounting procedure attached to and forming part of the Joint Operating Agreement.

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"AFFILIATE" means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls a Party, and for the purpose hereof, "control" means the ownership directly or indirectly of more than fifty (50%) percent of the shares or voting rights or privileges in a company, partnership or legal entity.

"AGREEMENT" "hereof", "herein", "hereto" and similar expressions means this Joint Venture Agreement together with the schedules attached hereto and any amendment or amendments made between the Parties in writing from time to time.

"COMMERCIAL QUANTITIES" means Petroleum in such commercial quantities which, in the opinion of the Parties and to the satisfaction of the Minister, are sufficient to entitle the Parties to commence production.

"CONCESSION BLOCK 237" means the surface area delineated in OPL 237 details of which are more particularly described in the survey plan annexed to OPL 237, as such area may vary from time to time during the term of OPL 237 and any extensions thereto or any oil mining leases arising therefrom.

"DEEP ZONES" means all geological formations within and around the IMA Field that are north (upthrown) and south (downthrown) of the geological fault dividing the IMA field, all depths below the geological producing reservoir within the IMA Field, known as the AF@ sand, as currently shown on the maps and schematic cross-section materials covering the IMA Field, which are attached as Schedule AD@ to the Joint Venture Agreement between Amni International Petroleum Company Limited and Liberty Technical Services Ltd, of even date herewith, lying within the geographical co-ordinates along the northern boundary of OML 112 and OPL 237, to the southern boundary of OML 112, to the western boundary of OML 112 and to the eastern boundary of 550,000 meters East, as reflected on the maps of the IMA Field attached to the Joint Venture Agreement.

"EFFECTIVE DATE" means the 30th day of June, 1998.

"GOVERNMENT" means the federal government of the federal republic of Nigeria as represented by the Ministry of Petroleum Resources.

"IMA FIELD" means the area reflected on Schedule D, which area is contained within Concession Block 469 as delineated in Nigeria Oil Prospecting License 469, dated August 24, 1993, subsequently converted to Oil Mining License 112 on February 18, 1998 and Concession Block 237

"JOINT OPERATING AGREEMENT" OR "JOA" means the joint operating agreement that governs Joint Operations on the Deep Zones of the IMA Field, and which JOA is annexed hereto as Schedule "C".

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"JOINT OPERATIONS" means the entire process of acquiring, exploring for, developing, exploiting, producing and selling Petroleum from the Deep Zones of the IMA Field for the joint account of the Parties hereto.

"LIBERTY" means Liberty Technical Services Ltd.

"MINISTER" means the Minister of the Ministry.

"MINISTRY" means the Ministry of Petroleum Resources of the government of the federal republic of Nigeria.

"OIL MINING LEASE 112" or "OML 112" means the oil mining lease that was issued by the Ministry to the holder of OPL 469 on February 18, 1998 and includes (a) all rights, title and interest granted thereunder, including any extension, renewal or amendment thereof made in writing, and (b) all schedules and plans attached thereto or referred to therein pursuant to which the Owner/Operator has acquired an interest in all Petroleum found and produced within the geographic area defined and described therein including the right to prospect for, take and remove and sell any petroleum.

"OIL PROSPECTING LICENCE NO. 237" or "OPL 237" means Oil Prospecting Licence No. 237 issued by the Minister to the Owner/Operator on December 22, 1994, and includes (a) all rights, title and interest granted thereunder, including any extension, renewal or amendment thereof made in writing, and (b) all schedules and plans attached thereto or referred to therein pursuant to which the Owner/Operator has acquired an interest in all Petroleum found and produced within the geographic area defined and described therein including the right to prospect for, take and remove and sell any petroleum.

"OWNER/OPERATOR" means Amni International Petroleum Development Company Limited of Lagos, Nigeria.

"PARTICIPATING INTEREST" means the undivided interest of each Party, expressed as a percentage, in the rights, benefits and obligations established by this Agreement, as set forth and described in Article VI.

"PARTIES" means collectively the Owner/Operator and Liberty.

"PARTY" means any one party to this Agreement and any permitted successors or assigns in accordance with the provisions of this Agreement.

"PETROLEUM" means all mineral oil (or any related hydrocarbons), natural gas as it exists in its natural strata (including condensate, sulphur and any and all other liquid and gaseous hydrocarbons) and does not include coal or bituminous states or other stratified deposits from which oil can be extracted by destructive distillation.

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"PETROLEUM COSTS" means those reasonable costs, claims and expenses incurred by the Operator of the JOA, from time to time on or after the Effective Date, both within and outside of Nigeria, directly related to exploration, development and production of Petroleum from the Deep Zones of the IMA Field that have been properly incurred pursuant to the terms of the JOA.

"PRODUCTION DATE" means the date that continuous Production commences.

"TAX OIL" means thirty percent (30%) of the total production of Petroleum from the Deep Zones of the IMA Field which shall be held pursuant to an arrangement acceptable to the parties hereto pursuant to which the Government will be paid all royalties, petroleum profits taxes and other taxes and governmental levies due and owing with respect to Joint Operations.

1.2 Appended hereto are the following schedules:

Schedule "A"	-	OML 112 and related correspondence from the Ministry
Schedule "B"	-	OPL 237 and related correspondence from the Ministry
Schedule "C"	-	Joint Operating Agreement
Schedule "D"	-	Map of IMA Field
Schedule "E"	-	Scheduled Litigation

All schedules referred to above are incorporated into and form part of this Agreement.

1.3 Wherever any provision of any schedule to this Agreement conflicts with any provision in the body of this Agreement, the provisions of the body of

this Agreement shall prevail. Reference herein to a schedule shall mean a reference to a schedule to this Agreement. References in any schedule to the Joint Venture Agreement shall mean a reference to this Agreement.

1.4 Time shall be of the essence hereof.

1.5 The division of this Agreement into headings, sections, subsections, clauses, subclauses, and paragraphs and the provision of headings herein is for the convenience of reference only and shall not affect the interpretation of this Agreement.

1.6 In this Agreement, where the context requires, the singular shall include the plural and the plural shall include the singular.

1.7 All references to currency, unless otherwise specified, are to lawful money of the United States of America.

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ARTICLE II - SCOPE

2.1 The Parties hereby undertake and agree subject to the conditions hereof, to associate and participate together in a joint venture to explore for, develop, exploit, produce and sell Petroleum from the Deep Zones of the IMA Field and to conduct Joint Operations thereon. The joint venture shall establish and maintain facilities for the conduct of the Joint Operations.

ARTICLE III - CONTINUED OPERATIONS

3.1 The Owner/Operator shall continuously maintain OPL 237 and OML 112 in good standing throughout the term of this Agreement (and shall provide confirmation respecting same to Liberty upon written request) in order to secure the respective Participating Interests in Petroleum produced from the IMA Field

ARTICLE IV - JOINT OPERATIONS

4.1 The conduct of all Joint Operations on the Deep Zones of the IMA Field shall be in accordance with the terms of the Joint Operating Agreement.

ARTICLE V - UNDIVIDED INTEREST

5.1 At such time as the Oil Mining Lease relating to OPL 237 is issued by the Government, Owner/Operator shall convey to Liberty a 10% undivided interest in the Oil Mining Lease, but only with respect to the Deep Zones.

ARTICLE VI - PARTICIPATING INTEREST OF PETROLEUM COSTS

6.1 All Petroleum Costs incurred in respect of Joint Operations carried out in respect of the IMA Field, shall be allocated as follows:

Owner/Operator	90%
Liberty	10%

6.2 All equipment, material or property of whatsoever nature related to the conducting of Joint Operations within the Deep Zones of the IMA Field (other than equipment or property that is leased from third parties or supplied by only one party, both in accordance with the terms of the JOA) and any other assets acquired by the Parties pursuant to the terms of this Agreement from time to time shall be owned by the Parties in accordance with their respective Participating Interest.

6.3 The allocation of Petroleum Costs between the Parties as set forth in ARTICLE 6.1 herein constitutes that Party's Participating Interest.

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6.4 Each of the Parties hereby covenants to contribute and/or pay the Petroleum Costs in the amount equal to its Participating Interest, from time to time, and to bear all Petroleum Costs paid or incurred pursuant to this Agreement on behalf of such Party or Parties in portions equal to their Participating Interest, all as shall be more fully provided in the Joint Operating Agreement.

6.5 Any net tax credits, royalty credits or reduction in Tax Oil generated by or resulting from or arising in connection with the Joint Operations carried out within the Deep Zones of the IMA Field shall be shared and allocated based on each Party's Participating Interest.

ARTICLE VII - PARTICIPATING INTEREST OF PRODUCTION

7.1 The Owner/Operator hereby acknowledges and confirms that Liberty is entitled to its Participating Interest of Petroleum produced from the Deep Zones of the IMA Field as set forth in Paragraph 7.2 below.

7.2 All benefits, revenues and receipts of whatsoever nature as same relate to the sale of Petroleum produced from the Deep Zones of the IMA Field shall be allocated as follows:

The Tax Oil shall be reserved for ultimate payment to the Government

As to the remainder: Owner/Operator shall be entitled to 90% and Liberty shall be entitled to 10%.

7.3 In the event the Government elects to exercise its right to participate in the development of the Deep Zones of the IMA Field, the Participating Interest of the Parties will be amended accordingly, on a pro rata basis, based upon the level of Government participation.

ARTICLE VIII - ASSIGNMENT

8.1 This Agreement and all the provisions hereof shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and assigns but neither this Agreement nor any of the rights, interest or obligations hereunder or under OML 112, OPL 237 or in respect of the IMA Field shall be assigned or pledged by any Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, and the Government, if necessary, but may be assigned to Affiliates without such consent subject to the provisions of this Agreement. Further, Owner/Operator hereby consents to a pledge by Liberty to of its interests in this Joint Venture and in the Deep Zones of the IMA Field to financial institutions now or hereafter providing credit to Liberty.

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8.2 The Parties acknowledge that the termination of the Joint Ventures as referenced in Paragraph (c) of the recitals is subject to Governmental approval. The Parties agree to obtain such approvals as promptly as possible. Further, the Parties acknowledge that the interests herein conveyed to Liberty with respect to its 10% undivided interest in the Deep Zone is subject to obtaining all necessary governmental approvals required to consummate the transactions provided for herein. The Parties agree to obtain

such approvals as promptly as possible. If by December 1, 1998 the necessary government approvals have not been obtained, then the Parties shall enter into such amendments to this Agreement and such other contractual agreements as are necessary to provide Liberty (or its nominee) with all of the rights and benefits that were to be provided to Liberty pursuant to this Agreement and the Agreements executed in connection herewith.

ARTICLE IX
JOINT OPERATING AGREEMENT

9.1 The Parties hereto agree that the Joint Operations within the Deep Zones of the IMA Field shall be conducted in accordance with the provisions of the Joint Operating Agreement.

9.2 The Owner/Operator is hereby designated as Operator for the conduct of all Joint Operations carried out within, upon or under the IMA Field.

9.3 The Parties hereby adopt, approve and agree to abide and be bound by the terms of the Joint Operating Agreement in the form attached hereto as Schedule "C."

9.4 All Joint Operations upon the Deep Zones of the IMA Field shall be carried out in accordance with the provisions of the Joint Operating Agreement and Accounting Procedure.

ARTICLE X - DISPUTE RESOLUTION

10.1 This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England.

10.2 Any dispute arising out of and relating to this Agreement and which the Parties have not settled by themselves, shall finally be decided, to the exclusion of the courts, by arbitration in accordance with the arbitration rules of the International Chamber of Commerce. Three arbitrators shall be appointed, each party appointing one arbitrator, and the two arbitrators thus appointed choosing the presiding arbitrator. In reaching a decision, the arbitrators shall be guided by the terms of this Agreement and international practice in similar agreements.

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ARTICLE XI - TERM

11.1 This Agreement shall remain in full force and effect and shall continue to be binding upon the Parties hereto until terminated by the unanimous written consent of the Parties.

ARTICLE XII - FINANCIAL YEAR

12.1 The financial year end of the joint venture shall be December 31 or such other date as agreed in writing by the Parties hereto.

12.2 The financial books and records of the joint venture shall be kept in accordance with generally accepted accounting principles and procedures.

12.3 Subject to the terms of the Joint Operating Agreement, an annual audit of the joint venture's balance sheet, profit and loss statement and other related financial records shall be made by a recognized public accounting or

chartered accounting firm, which is mutually agreeable to the Parties hereto. The Parties shall be entitled to have members of its internal audit staff inspect the records and books of the joint venture at any time and at its own expense. In addition, either Party may, at its sole expense, engage an independent public accounting or chartered accounting firm to audit the financial records of the joint venture from time to time.

ARTICLE XIII - CONFIDENTIALITY

13.1 The Parties covenant and agree that they are entering into a joint venture relationship and, subject to Article 13.3, owe each other the highest level of fiduciary responsibility and, except as permitted in Article 13.2, will not while Parties to this Agreement or for a period of five year following the expiry of this Agreement, disclose to any other person, firm, corporation or entity, any proprietary or confidential information obtained in the course hereof, or as a result of the Joint Operations contemplated in this Agreement. Any information not generally available to the public shall be construed as proprietary or confidential for the purposes of this Agreement including, without limitation, information relating to Joint Operations, seismic and other data, drilling techniques and results, technology, suppliers of equipment, and names of customers, information relating to sales, markets, target markets, strategies, advertisements, business procedures and all financial information.

13.2 The obligation of the Parties as set forth in Article 13.1 hereof to maintain confidentiality shall not apply to such knowledge, information, material or business data obtained pursuant to this Agreement or relating to any material to the joint venture which:

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- (a) was demonstrably known to a Party prior to December 2, 1994 of this Agreement;
- (b) is available to the public in the form of written publication issued by a third party;
- (c) shall have become available to the Parties in good faith from a third party who has a bona fide right to disclose same;
- (d) is required to be disclosed to any federal, provincial, state or local government or governmental branch, board, agency or instrumental mentality in order to comply with applicable laws, or is required to be disclosed to regulatory authorities including stock exchanges having jurisdiction in respect of securities of either parties;
- (e) is required to be disclosed by a Party pursuant to public disclosure requirements imposed under applicable securities legislation;
- (f) is required or desired to be disclosed to a Party's financial advisors, banks, contractors or potential investors in the project.

13.3 Each Party shall have the right to independently engage in and receive full benefits from other business activities, whether or not competitively with the joint venture hereby created, without consulting the other Party, and no Party shall have any obligation to the other Party with respect to any opportunity to acquire any assets at any time outside the terms of the joint venture hereby constituted.

ARTICLE XIV - COVENANTS

14.1 The Owner/Operator covenants with Liberty as follows:

- (a) the Owner/Operator is a company duly incorporated, validly existing and in good standing under the laws of the Federal Republic of Nigeria and that it has all necessary corporate powers to enter into this Agreement and to carry on business herein contemplated;
- (b) the Owner/Operator is the lawful licensee of OPL 237 and lawful lessee of OML 112 and the geographic area contained therein, and the Owner/Operator has not transferred, conveyed, sold or in any way encumbered its interest as licensee of OPL 237 or OML 112;
- (c) the form of oil mining lease called Oil Mining Lease No. 112 (which is attached hereto as Schedule "A") is, to the best of the knowledge and belief of the Owner/Operator, the present and subsisting oil prospecting licence for the geographic area contained therein, and OML 112 is in good standing as to the Government and all other regulatory agencies and authorities;;

<PAGE>

- (d) the form of oil prospecting licences called Oil Prospecting Licence No. 237 (which is attached hereto as Schedule "B") is, to the best of the knowledge and belief of the Owner/Operator, the present and subsisting oil prospecting licence for the geographic area contained in Concession Block 237, and OPL 237 is in good standing as to the Government and all other regulatory agencies and authorities
- (e) During the term of this Agreement Owner/Operator shall ensure that all requirements imposed by the Government and necessary to maintain OML 112, OPL 237 and, if issued, the Oil Mining Lease are timely satisfied. Any costs incurred by the Owner/Operator in satisfying such operations as they relate to the Deep Zone shall comprise part of the Petroleum Costs
- (f) the Owner/Operator shall assist in the promotion and successful conduct of the joint venture including obtaining and providing Liberty with (1) all necessary Government and other approvals required to perform the Joint Operations, and (2) if requested by Liberty, any material correspondence or other documentation hereafter filed or prepared for filing with the Government by the Owner/Operator that relates to the IMA Field;
- (g) The Owner/Operator shall provide or shall procure all necessary technical and operational support for the conduct of the Joint Operations as required from time to time pursuant to the terms of this Agreement and the Joint Operating Agreement and shall conduct its activities in accordance with good oil field practices; and
- (h) The Owner/Operator shall refrain from entering into any amendments to or modifications of the documents establishing OML 112 or OPL 237 without the consent of Liberty, which consent shall not be unreasonably withheld.

14.2 Liberty covenants as follows:

- (a) Liberty is a corporation duly incorporated, validly existing and in good standing under the laws of the Bahamas and has all necessary corporate powers to enter into this Agreement and to conduct and to carry on business as herein contemplated;
- (b) Except for the pledge of its interest in the Deep Zone to the Owner/Operator and to Total International Limited and Credit Suisse First Boston, Liberty has not transferred, conveyed, sold or in any way encumbered its interest in the Deep Zone; and

<PAGE>

- (c) Liberty shall assist in the promotion and successful conduct of the joint venture including obtaining and providing the Owner/Operator with if requested by the Owner/Operator, any material correspondence or other documentation hereafter filed or prepared for filing with the Government by Liberty that relates to the IMA Field; and
- (d) Except as set on Schedule E attached hereto, there are no pending litigation, bankruptcy, insolvency, or similar proceedings that will affect Liberty's ability to perform its obligations hereunder.

ARTICLE XV -DEFAULT

15.1 If any Party ("Defaulting Party") fails to comply with the terms of this Agreement, the other Party hereto ("Non-Defaulting Party") shall have the right to serve on the Defaulting Party a formal notice (a "Default Notice"), which notice shall specify in reasonable detail the events causing such default. If such default continues for more than thirty (30) days after the date of notification, then until such time as the Defaulting Party has remedied its default in full, the Defaulting Party's rights and remedies under this Agreement shall be suspended.

15.2 The remedies provided in Article 15.1 shall be without prejudice to any other rights available to the Non-Defaulting Party whether at common law, pursuant to statute or otherwise.

ARTICLE XVI - MISCELLANEOUS

16.1 This Agreement may be amended only by a written instrument executed by the Parties.

16.2 This Agreement supersedes any and all other agreements, oral or written, among the Parties in respect of the subject matter contained herein.

16.3 Each of the Parties shall execute and deliver such other certificates, agreements and other documents and take such other actions as may reasonably be required by the other Party in order to consummate or implement the transactions contemplated by this Agreement.

16.4 The liability and obligation of the Parties hereto shall be several and not joint or collective and each Party shall be responsible only for its obligations as herein set forth. It is expressly declared that it is not the purpose of this Agreement to create any partnership or syndicate and neither this Agreement nor the operations hereunder shall be construed or considered as creating any partnership or syndicate.

16.5 All notices, requests, demands, or other communications hereunder shall be delivered by hand or sent by mail as appropriate or by facsimile, telex or telegram to the Parties at the address provided below:

<PAGE>

Owner/Operator:

Amni International Petroleum Development
Company Limited
Plot 1377B Tiamiyu
Savage Street
Victoria Island. P.O. Box 54452

Falomo, Ikoyi

Fax: 011 234 262 1526

Attn: Tunde J. Afolabi
Managing Director

Liberty:

Liberty Technical Services Ltd.
Suite 140
14811 St. Mary=s Lane
Houston, Texas 77079
U.S.A.
Fax: (281) 721 0560
Attn: Timothy Stephens

With a copy to:

Liberty Technical Services Ltd.
38 Warehouse Road
Apapa, Lagos, Nigeria
Fax: 011 234 1545 0301
Attn: Wade Cherwayko

Any Party may from time to time change its address for service hereunder upon written notice to the other Party. Any notice may be served by personal delivery or by mailing the same by registered post, in a properly addressed envelope addressed to the Party to whom such notice is to be given at its address for service hereunder and shall be deemed to be received forty-eight (48) hours after the delivery thereof. Any notice may be served by prepaid telegram, telex or telecopy addressed to the Party to whom such notice is to be given and any such notice so served shall be deemed to be given and received by the addressee eighteen (18) hours after the time of delivery.

16.6 This Agreement may be executed in one or more counterparts and evidence by facsimile copy thereof and all such counterparts or facsimile copies together shall constitute one and the same agreement.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers and representatives as of the day and year first written above.

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED

Per: /s/ Tunde Afolabi

Title: Managing Director

LIBERTY TECHNICAL
SERVICES LTD.

Per: /s/ Wade Cherwayko

Title:

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THIS IS SCHEDULE "A" TO THE JOINT VENTURE AGREEMENT MADE EFFECTIVE AS OF JUNE 30, 1998 BY AND BETWEEN AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD.

OIL MINING LEASE 112

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THIS IS SCHEDULE "B" TO THE JOINT VENTURE AGREEMENT MADE EFFECTIVE AS OF JUNE 30, 1998 BY AND BETWEEN AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD.

OIL PROSPECTING LICENCE NO. 237

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THIS IS SCHEDULE "C" TO THE JOINT VENTURE AGREEMENT MADE EFFECTIVE AS OF JUNE 30, 1998 BY AND BETWEEN AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD.

OPERATING AGREEMENT AND ACCOUNTING PROCEDURE

Means the operating agreement executed on even date herewith between the Parties with respect to the Deep Zones of the IMA Field.

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THIS IS SCHEDULE "D" TO THE JOINT VENTURE AGREEMENT MADE EFFECTIVE AS OF JUNE 30, 1998 BY AND BETWEEN AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD.

MAP OF THE IMA FIELD

[MAP OF THE IMA FIELD]

IMA FIELD, OML 112 (FORMERLY OPL 469)) AND OPL 237

DEEP ZONES:

All geological formations within and around the Ima Field that are north (upthrown) and south (downthrown) of the geological fault dividing the Ima Field, all depths below the geological producing reservoir within the Ima Field, known as the * F + sand, as currently shown on the maps and schematic cross-section materials covering the Ima Field annexed hereto as Schedule A, or

a depth of 12,150 feet (true vertical depth), whichever is the lesser depth, lying within the geological co-ordinates along the northern boundary of OML 112 and OPL 237, to the south boundary of OML 112, to the western boundary of OML 112 and to the eastern boundary of 550,000m E, as annexed hereto as Schedule B.

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THIS IS SCHEDULE "E" TO THE JOINT VENTURE AGREEMENT MADE EFFECTIVE AS OF JUNE 30, 1998 BY AND BETWEEN AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD.

SCHEDULE OF PENDING LITIGATION

1. Cause No. 98-24830; Weatherford Enterra U.S., Limited Partnership v. Abacan Resource Corporation, Abacan Services (USA) Corporation, Abacan Technical Services, Ltd., Abacan Resources (Nigeria), Ltd. and Liberty Technical Services, Ltd. filed on May 27, 1998 in the 61st Judicial District Court of Harris County, Texas (AWeatherford Lawsuit@).
2. Cause No. 98-20214; Global Marine International Services Corporation v. Abacan Technical Services Limited filed on April 28, 1998 in the 125th Judicial District Court of Harris County, Texas

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EXHIBIT 10.4

JOINT OPERATING AGREEMENT

BETWEEN

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT
COMPANY LIMITED

AND

LIBERTY TECHNICAL SERVICES LTD.

REGARDING THE DEEP
ZONES OF THE IMA FIELD

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JOINT OPERATING AGREEMENT

THIS JOINT OPERATING AGREEMENT is made effective the 30th day of June, 1998.

BETWEEN:

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED, of Plot 1377B
Tiamiyu Savage Street, Victoria Island, P.O. Box 54452, Falomo Ikoyi,
Lagos, Nigeria (hereinafter referred to as "AMNI."

and

LIBERTY TECHNICAL SERVICES LTD., of 7th Floor, Folawiyo Plaza, 38 Warehouse
Road, Apapa, Lagos, Nigeria (hereinafter referred to as "Liberty")

WHEREAS

1. Pursuant to the Joint Venture Agreement dated as of even date herewith (as modified from time to time, a Joint Venture Agreement) AMNI and Liberty entered into a joint venture for the exploration and development of the Deep Zones associated with the IMA Field;
2. AMNI and Liberty each hold certain working and revenue interest in the Deep

Zones pursuant to the provisions contained in the Joint Venture Agreement;

3. The Joint Venture Agreement contemplates the execution of an agreement providing for the joint exploration, development and production operation of the Deep Zones as well as the management of the Deep Zones by the Operator, all in accordance with the terms, provisions and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties hereby agree as follows:

ARTICLE I - DEFINITIONS

1.1 DEFINITIONS

Capitalized terms used herein but not defined herein shall have the meanings specified by the Joint Venture Agreement.

- 1.1.1 "ABANDONMENT AGREEMENT" means the proper plugging and abandoning of a well in compliance with the Regulations and the restoration of the well site to the satisfaction of any governmental body having jurisdiction with respect thereto and to the reasonable satisfaction of the owner and occupier of the surface.

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- 1.1.2 "ACCOUNTING PROCEDURE" means the procedure set out in Schedule "A" hereto.

- 1.1.3 "ACT" means the Petroleum Act of 1969 (Nigeria) and its subsidiary legislation, all amendments thereto and all Regulations, policies and statements passed in relation thereto.

- 1.1.4 "AFFILIATE" OR "AFFILIATED COMPANY" means a company, partnership or other legal entity which controls, or is controlled by, an entity which controls a Party, and for the purposes hereof, "control" means the ownership directly or indirectly of more than fifty (50%) percent of the shares or voting rights or privileges in a company, partnership or legal entity.

- 1.1.5 "AGREEMENT" OR "JOINT OPERATING AGREEMENT," "HEREOF," "HEREIN," "HERETO" and similar expressions means this Joint Operating Agreement, together with schedules attached hereto and any amendment or amendments made between the Parties in writing from time to time.

- 1.1.6 "AGREED INTEREST RATE" means interest compounded on a monthly basis, at the rate per annum equal to the one (1) month term LIBOR rate for U.S. Dollar deposits, as published by The Wall Street Journal or, if not published, then by the Financial Times of London plus two percent (2%) application on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding one (1) month term. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

- 1.1.7 "AMNI" means Amni International Petroleum Development Company Limited.

- 1.1.8 "APPRAISAL WELL" means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or the volume of Petroleum reserves contained in an existing Discovery.

- 1.1.9 "ASSETS" means the fixed and moveable assets of the Joint Operations including without limitation any OPL or OML establishing the Deep

Zones of the IMA Field, exploration, development, production, transportation, storage, delivery and export facilities and associated assets including but not limited to offices, housing and welfare facilities.

1.1.10 "AUTHORITY FOR EXPENDITURE" OR "AFE" means a written statement of an operation proposed to be conducted pursuant to this Agreement, which statement shall include:

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(a) the type, purpose and location of such operation, in sufficient detail to enable a Party to understand the nature, scope and sequence of such operation, the proposed time frame over which such operation will be conducted and, if such operation is the drilling or deepening of a well, the projected total depth thereof, the proposed surface coordinates of the well and, if they will differ materially from the surface coordinates of the well, the proposed bottomhole coordinates therefor; and

(b) the proposing Party's estimate of the anticipated costs of such operation, which estimate shall be in sufficient detail to enable a Party to identify, in summary form, the anticipated costs of the various identifiable segments of such operation, including, if applicable, those costs which relate to drilling, completing and equipping a well.

1.1.11 "AVAILABLE PRODUCTION" means the quantity of Petroleum which can be efficiently and economically produced and saved from the producing wells subject to any production allowable within limitations imposed by the Ministry or other technical limitations resulting from operations.

1.1.12 "BARREL" means 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.

1.1.13 "BUSINESS DAY" means a day on which the banks in London, England and Zurich, Switzerland are customarily open for business.

1.1.14 "CALENDAR QUARTER" means a period of three (3) consecutive months commencing on January 1 and ending the following March 31, a period of three (3) months commencing on April 1 and ending on the following June 30, a period of three (3) months commencing on July 1 and ending on the following September 30 or a period of three (3) months commencing on October 1 and ending on the following December 31 according to the Gregorian Calendar.

1.1.15 "CALENDAR YEAR" means a period of twelve (12) months commencing on January 1 and ending on the following December 31 according to the Gregorian Calendar.

1.1.16 "CASH CALL" means the amount in Dollars (or such other currency as the Operating Committee shall reasonably designate) which the Operating Committee requires a Cash Call Party to pay into the Joint Account during a Cash Call Month to meet such Party's Participating Interest of Petroleum Costs required to be paid during the Cash Call Month, after adjusting for balances or deficits in such bank account or the Operator's accounting records (as the case may be) as well as any credit receipts anticipated during such month, all in accordance with Article VIII of this Agreement.

1.1.17 "CASH CALL MONTH" means the calendar month in which specific costs and expenditures are to be incurred for the Joint Account.

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- 1.1.18 "CASH CALL PARTY" means a party that has an obligation, be it direct or indirect, to pay for costs associated with the exploration, development and production of Petroleum from the Deep Zones of the IMA Field.
- 1.1.19 "CASH PREMIUM" means the payment made pursuant to Article XVI by a Non-Consenting Party to reinstate its right to participate in a Sole Risk Operation.
- 1.1.20 "COMMERCIAL PRODUCTION QUOTA" means the quantity of Petroleum fixed or established by the National Petroleum Investments Management Services ("NAPIMS") (or any other regulatory agency from time to time on behalf of the Ministry as the permissible quantity that may be produced from the Deep Zones of the IMA Field (or a portion hereof), on a crude stream basis for a particular month or Calendar Quarter.
- 1.1.21 "COMPLETION" means an operation intended to complete a well through the Christmas tree as a producer of Petroleum in one or more Zones including, but not limited to, the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. "COMPLETE" and other derivatives shall be construed accordingly.
- 1.1.22 "CONCESSION" means a certain geographic area described and governed by an OPL or OML and allocated to an owner for the purpose of exploration and exploitation.
- 1.1.23 "CONCESSION BLOCK 237" means the surface area delineated in OPL 237 details of which are more particularly described in the survey plan annexed to OPL 237, as such area may vary from time to time during the term of OPL 237 and any extensions thereto, or Oil Mining Lease arising therefrom.
- 1.1.24 "CRUDE OIL" means the liquid petroleum which has been treated but not refined and includes condensates but excludes water and sediments.
- 1.1.25 "DATA" has the meaning set out in Article 20.2.1
- 1.1.26 "DAY(S)" means a calendar day unless otherwise specifically provided.
- 1.1.27 "DEFAULTING PARTY" shall have the meaning ascribed in Article XVIII.
- 1.1.28 "DEEPENING" means an operation whereby a well is drilled to an objective zone below the deepest zone in which the well was previously drilled, or below the deepest zone proposed in the associated AFE, whichever is the deeper. Deepen and other derivatives shall be construed accordingly.

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- 1.1.29 ADEEP ZONES@ means all geological formations within and around the IMA Field that are north (upthrown) and south (downthrown) of the geological fault dividing the IMA field, all depths below the geological producing reservoir within the IMA Field, known as the AF@ sand, as currently shown on the maps and schematic cross-section materials covering the IMA Field, which are attached as Schedule AD@ to the Joint Venture Agreement between Amni International Petroleum Company Limited and Liberty Technical Services Ltd, of even date herewith or a depth of 12,150 feet (true vertical depth), whichever is the lesser depth, lying within the geographical co-ordinates along the northern boundary of OML 112 and OPL 237, to the southern boundary of OML 112, to the western boundary of OML 112 and to the eastern boundary of 550,000 meters East, as reflected on the maps of the IMA Field attached to the Joint Venture Agreement.

- 1.1.30 "DEVELOPMENT PLAN" means a plan for the development of Petroleum from an Exploitation Area covering all or a portion of the Deep Zones of the IMA Field.
- 1.1.31 "DEVELOPMENT WELL" means any well drilled for the production of Petroleum pursuant to a Development Plan.
- 1.1.32 "DISCOVERY" means the discovery of an accumulation of Petroleum whose existence until that moment was unknown.
- 1.1.33 "DOLLARS" OR "US\$" means dollars of the United States of America.
- 1.1.34 "EFFECTIVE DATE" means the date this Agreement comes into effect as stated in Article II.
- 1.1.35 "ENTITLEMENT" means a quantity of Petroleum of which a Party has the right and obligation to take delivery pursuant to the terms of the Joint Venture Agreement or, if applicable, an offtake agreement, and shall be derived from the Party's Participating Interest in the Petroleum produced after adjustment for overlifts and underlifts.
- 1.1.36 "EXPLOITATION AREA" means that part of the Deep Zones of the IMA Field which is delineated in a Development Plan approved as a Joint Operation or as Sole Risk Operation.
- 1.1.37 "EXPLOITATION PERIOD" means any and all periods of exploitation during which the production and removal of Petroleum from the Deep Zones of the IMA Field is permitted under OML 112 or Concession Block 237.
- 1.1.38 "EXPLORATION WELL" means any well drilled during the course of exploration work other than an Appraisal Well or Development Well.
- 1.1.39 "G & G DATA" means any geological, geophysical and geochemical data and other information that is not obtained through a wellbore.
- 1.1.40 "GOVERNMENT" means the Federal government of Nigeria as represented by the Ministry of Petroleum Resources.

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- 1.1.41 AIMA FIELD@ means the area reflected on Schedule D, which area is contained within Concession Block 469 as delineated in Nigeria Oil Prospecting License 469, dated August 24, 1993, subsequently converted to Oil Mining License 112 on February 18, 1998 and, if applicable, Concession Block 237
- 1.1.42 "JOINT ACCOUNT" means those accounts maintained by the Operator and the Liberty in accordance with the provisions of the Joint Venture Agreement and this Agreement and of the Accounting Procedure for Joint Operations.
- 1.1.43 "JOINT OPERATIONS" means those operations and activities carried out by the Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.
- 1.1.44 "JOINT PROPERTY" means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for the Joint Account and that has been acquired and/or will be paid for by the Parties based on their Participating Interests.
- 1.1.45 "JOINT VENTURE AGREEMENT" has the meaning specified in the introduction on the first page hereof.
- 1.1.46 "LIBERTY" means Liberty Technical Services Ltd.
- 1.1.47 "MINISTRY" means the Ministry of Petroleum Resources of the

Government.

- 1.1.48 "NON-CONSENTING PARTY" means a Party who elects not to participate in a Sole Risk Operation.
- 1.1.49 "NON-OPERATOR" means the Party or Parties to the Agreement other than the Operator.
- 1.1.50 "OIL MINING LEASE" or "OML" means a lease called an oil mining lease issued by the Ministry following the fulfilment of the minimum work obligations or the discovery of Commercial Quantities of Petroleum.
- 1.1.51 "OIL MINING LEASE 112" or "OML 112" means the oil mining lease that was issued by the Ministry to the holder of OPL 469 on February 18, 1998 and includes (a) all rights, title and interest granted thereunder, including any extension, renewal or amendment thereof made in writing, and (b) all schedules and plans attached thereto or referred to therein pursuant to which the Amni has acquired an interest in all Petroleum found and produced within the geographic area defined and described therein including the right to prospect for, take and remove and sell any petroleum.
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- 1.1.52 "OIL PROSPECTING LICENSE" OR "OPL" means a license called an oil prospecting license issued by the Ministry and which grants to the holder exclusive rights to explore and prospect for Petroleum within the area of the license.
- 1.1.53 "OIL PROSPECTING LICENSE NO. 237" OR "OPL 237" means Oil Prospecting License No. 237 issued by the Minister of Petroleum Resource of the Government to the Owner on December 22, 1994, and includes: (a) all rights, title and interest granted thereunder including any extension, renewal or amendment thereof made in writing and (b) all schedules and plans attached thereto or referred to therein pursuant to which the Owner has acquired an interest in all Petroleum found and produced within Concession Block 237, including the right to prospect for, take and remove and sell any Petroleum.
- 1.1.54 "OPERATOR" means a Party to this Agreement designated as such in accordance with this Agreement.
- 1.1.55 "OPERATING COMMITTEE" means the committee constituted in accordance with Article VIII.
- 1.1.56 "OWNER" means AMNI.
- 1.1.57 "PARTICIPATING INTEREST" means the Participating Interests of the Parties as defined in the Joint Venture Agreement.
- 1.1.58 "PARTIES" means collectively AMNI and Liberty and any respective successor-in-title or assigns in accordance with the provisions of this Agreement.
- 1.1.59 "PARTY" means AMNI or Liberty and any respective successors-in-title or assigns in accordance with the provisions of this Agreement.
- 1.1.60 "PETROLEUM" means all mineral oil (or any related hydrocarbons) natural gas, as it exists in its natural state in strata (including condensate, sulphur and any and all other liquid and gaseous hydrocarbons) and does not include coal or bituminous states or other stratified deposits from which oil can be extracted by destructive distillation.
- 1.1.61 "PETROLEUM COSTS" means those reasonable costs, claims and expenses incurred by the Operator, from time to time on or after the Effective

Date, both within and outside of Nigeria, directly related to exploration, development and production of Petroleum from the Deep Zones of the IMA Field that have been properly incurred pursuant to the terms of this Joint Operating Agreement.

1.1.62 "PETROLEUM OPERATIONS" means the entire process of exploring, drilling and producing the Petroleum contained in the Deep Zones of the IMA Field in accordance with the Regulations and the laws of the Federal Republic of Nigeria.

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1.1.63 "PLUGGING BACK" means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. "PLUG BACK" and other derivatives shall be construed accordingly.

1.1.64 "RECOMPLETION" means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. "RECOMLETE" and other derivatives shall be construed accordingly.

1.1.65 "REGULATIONS" means all rules, orders, policy statements and regulations affecting Oil Prospecting Licenses and Oil Mining Leases in effect from time to time and made by the Government in respect of concession blocks and operations conducted thereon.

1.1.66 "REWORKING" means an operation conducted in the wellbore of a well after Completion to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include but are not limited to well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. "REWORK" and other derivatives shall be construed accordingly.

1.1.67 "SENIOR SUPERVISORY PERSONNEL" means any supervisory employee of the Operator who functions as the Operator's designated manager or supervisor who is responsible for, or in charge of onsite drilling, construction or production and related operations or any other field operation.

1.1.68 "SIDETRACKING" means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. "SIDETRACK" and other derivatives shall be construed accordingly.

1.1.69 "SOLE RISK OPERATOR" means a Party who agrees to participate in and pay its share of the cost of a Sole Risk Operation.

1.1.70 "SOLE RISK OPERATION" means those operations and activities carried out by the Sole Risk Operator, pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties.

1.1.71 "SOLE RISK EXPLORATORY WELL" means a well drilled pursuant to a Sole Risk Operation.

1.1.72 "TAX OIL" means thirty percent (30%) of the total production of Petroleum from the Deep Zones of the IMA Field which shall be held pursuant to an arrangement acceptable to the parties hereto pursuant to which the Government will be paid all royalties, petroleum profits taxes and other taxes and governmental levies due and owing with respect to Joint Operations

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1.1.73 "TESTING" means an operation intended to evaluate the capacity of a Zone to produce Petroleum. "TEST" and other derivatives shall be

construed accordingly.

1.1.74 "WORK PROGRAMME AND BUDGET" means a work programme for Joint Operations and budget thereof as described and approved in accordance with Articles 12, 13, 14 and 15.

1.1.75 "ZONE" means a stratum of earth containing or thought to contain a common accumulation of Petroleum separately producible from any other common accumulation of Petroleum.

1.2 SCHEDULES

1.2.1 The following Schedules are attached hereto and incorporated in this Agreement:

- (a) Schedule "A" which is the Uniform Accounting Procedure
- (b) Schedule "B" which is the Uniform Project Implementation Procedure;
- (c) Schedule "C" which is the Uniform Nomination Scheduling and Lifting Procedure;
- (d) Schedule "D" which is a map showing the location of the IMA Field; and
- (e) Schedule "E" which is a copy of the AFE that has been submitted to the insurance carriers regarding the drilling of IMA #11.

1.3 INTERPRETATION

1.3.1 Save to the extent that the context or the express provisions of this Agreement otherwise requires:

- (a) Words importing the singular shall include the plural and vice versa;
- (b) Headings are for convenience of reference only and shall not affect the construction of this Agreement;
- (c) All references to articles and schedules shall be construed as references to articles of and schedules to this Agreement.
- (d) All references to documents or other instruments include all amendments and replacements thereof and supplements thereto;
- (e) All references to persons or corporations include their successors-in-title, transferees, assigns and legal representatives;

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- (f) All references to any statute or statutory provision shall include references to any statute or statutory provisions which amends, extends, consolidates or replaces the same for which has been amended, extended, consolidated or replaced by the same and shall include any orders, Regulations, instrument or other subordinate legislation made under the relevant statute.

ARTICLE II - DURATION

2.1 EFFECTIVE DATE AND TERM

This Agreement shall be deemed to have commenced on the Effective Date of the Joint Venture Agreement and shall, subject to Article XXV, continue for so long as the Joint Venture Agreement remains in force or, otherwise until all materials, equipment and personal property used in connection with the Joint Operations have been removed and

disposed of, and final settlement has been made among the Parties in accordance with their respective rights and obligations hereunder.

For the avoidance of doubt, portions of this Agreement as described in (a), (b), and (c) below shall remain in effect until:

- (a) all wells have been properly abandoned in accordance with Article 6.10;
- (b) all obligations, claims, arbitrations and lawsuits have been settled or otherwise disposed of; and
- (c) the time relating to the protection of confidential information and proprietary technology has expired in accordance with Article XX.

2.2 CONTINUING OBLIGATION

The provisions of this Agreement which for any reason require action or forbearance after the expiration of the term of this Agreement or the termination of this Agreement for whatever cause either generally or in respect of the party by virtue of that Party withdrawing from this Agreement or selling, transferring or assigning the whole of its Participating Interest shall remain operative and in full force and effect regardless of the expiry or termination of this Agreement.

ARTICLE III - SCOPE AND UNDERSTANDING

3.1 SCOPE

- 3.1.1 The scope of this Agreement shall extend to the exploration for and the production and marketing of Petroleum in respect of the Deep Zones of the IMA Field.

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- 3.1.2 Notwithstanding the foregoing, this Agreement shall not extend to any joint financing arrangements or any joint marketing or joint sales of Petroleum.

3.2 UNDERSTANDING

This Agreement and the Joint Venture Agreement represent the entire understanding of the Parties in relation to the Deep Zones of the IMA Field.

ARTICLE IV - PARTICIPATING INTEREST

4.1 PARTICIPATING INTEREST

The Participating Interests of the Parties in the Production and Petroleum Costs are as set forth in the Joint Venture Agreement.

4.2 OWNERSHIP, OBLIGATIONS AND LIABILITIES GOVERNED BY JOINT VENTURE AGREEMENT

- (a) Unless otherwise provided in this Agreement, all the rights and interests in and under the Joint Venture Agreement, all Joint Property and any Petroleum produced from the Deep Zones of the IMA Field shall be owned by the Parties in accordance with the provisions of the Joint Venture Agreement.
- (b) Unless otherwise provided in this Agreement, the obligations of the Parties under the Joint Venture Agreement and all liabilities

and expenses incurred in accordance with the terms of this Agreement by the Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.

- (c) Unless otherwise provided in this Agreement, all liabilities and costs incurred by any Party in accordance with the terms of this Agreement in connection with Joint Operations shall be borne by the Parties in accordance with the provisions of the Joint Venture Agreement.

ARTICLE V - THE OPERATOR

5.1 DESIGNATION OF THE OPERATOR

AMNI is hereby designated as the Operator, and agrees to act in accordance with the terms and conditions of the Joint Venture Agreement, all applicable Regulations and this Agreement, which terms and conditions shall also apply to any successor Operator.

5.2 RESIGNATION OR REMOVAL OF THE OPERATOR

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Subject to Article 5.3, the Operator may resign as Operator at any time by so notifying the other Parties at least one hundred twenty (120) Days prior to the effective date of such resignation.

5.3 REMOVAL OF THE OPERATOR

- (a) Subject to Article 5.3, the Operator shall be removed upon receipt of notice from any Non-Operator if:

- (i) an order is made by a court or an effective resolution is passed for the dissolution, liquidation, winding up, or reorganization of the Operator;
- (ii) the Operator dissolves, liquidates or terminates its corporate existence;
- (iii) the Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors;
- (iv) a receiver is appointed for a substantial part of the Operator's assets;
- (v) the Operator commits a substantial breach of a material provision of this Agreement and fails to cure the breach within thirty (30) Days after notice of the breach; or
- (vi) the Operator or has its rights suspended pursuant to Section 15.1 of the Joint Venture Agreement.

- (b) If the Operator together with any Affiliate of the Operator ceases to be a holder of a Participating Interest, then the Operator shall be required to promptly notify the other Parties. The Operating Committee shall then vote within fourteen (14) Days of such notification on whether or not a successor Operator should be named pursuant to Article 5.4.

5.4 APPOINTMENT OF SUCCESSOR

When a change of Operator occurs pursuant to Article 5.2 or Article

5.3:

- (a) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article VIII. However, no Party may be appointed successor Operator against its will.
- (b) If an Operator is removed, neither the Operator nor any Affiliate of the Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.
- (c) A resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal.

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- (d) The Operating Committee shall arrange for the taking of an independent inventory of all Joint Property and Petroleum, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.
- (e) The resignation or removal of the Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary governmental approvals.
- (f) Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for the Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by the Operator pertaining to the Deep Zones and to Joint Operations. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

5.5 COMMINGLING OF FUNDS

The Operator may not commingle with its own funds the monies which it receives from or for the Joint Account pursuant to the Joint Venture Agreement and this Agreement.

ARTICLE VI - AUTHORITY AND DUTIES OF THE OPERATOR

6.1 RIGHTS

- 6.1.1 Subject to the terms and conditions of the Joint Venture Agreement and this Agreement, the Operator shall have all of the rights, functions and duties of the Operator under the Joint Venture Agreement and shall have exclusive charge of and shall conduct all the Joint Operations under the overall supervision of the Operating Committee. The Operator may employ technical advisors, independent contractors and/or agents in such Joint Operations.
- 6.1.2 The Operator shall remain responsible for all Joint Operations as the Operator as and to the extent provided under this Agreement, whether conducted by itself, its technical advisers, its Affiliates, its agents or its contractors.

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- 6.1.3 Notwithstanding anything in this Agreement to the contrary, (a) the

bottom hole location for the first well to be drilled under this Agreement shall be determined by the Operator after consultation with and consideration of the views of Liberty and (b) all wells drilled under this Agreement shall be drilled pursuant to "turnkey" drilling contracts upon such terms and with such contractors as are reasonably acceptable to the Parties hereto.

6.2 RESPONSIBILITY

6.2.1 Subject to the overall supervision of the Operating Committee, the responsibilities of the Operator shall include but not be limited to:

- (a) the preparation of Work Programme and Budget and AFE's pursuant to the provisions of this Agreement,
- (b) the implementation of such Work Programme and Budget as shall together with relevant AFE's have been approved by the Operating Committee;
- (c) the provision to each of the Parties of reports, data and information concerning the Joint Operations pursuant to the provisions of this Agreement;
- (d) the planning for and obtaining of all requisite services and material;
- (e) the direction and control of statistical and accounting services; and
- (f) the provision of all technical and advisory services required for the efficient performance of the Joint Operations.

6.2.2 The Operator shall conduct the Joint Operations in a proper and workmanlike manner in accordance with methods and practices customarily used in good and prudent oil and gas fields practice and with that degree of diligence and prudence reasonably and ordinarily exercised by experienced operators engaged in a similar activity under similar circumstances and conditions. The Operator shall further do or cause to be done with due diligence, all such acts and things within its control as may be necessary to keep and maintain the Deep Zones of the IMA Field in force and effect and shall conduct the Joint Operations in compliance with the requirements of the Act, any OPL or OML controlling as to the Deep Zones of the IMA Field and any other applicable laws and Regulations and in accordance with approved Work Programme and Budget.

6.2.3 The Operator shall only be liable for any loss or damage which results from:

- (a) its failure to obtain or maintain any insurance which it is required to obtain and maintain under Article 11.2, unless the Operator has used all reasonable endeavours to obtain or maintain any such insurance but has been unable to do so and has promptly so notified the parties participating or proposing to participate therein; or

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- (b) its willful misconduct;

provided that in neither case shall the Operator be liable for any consequential loss, including but not limited to inability to produce Petroleum, production or loss of profits. For the avoidance of doubt, the Operator shall not be liable for any loss or damage resulting from the negligence of the Operator, its servants, agents, contractors or employees. Nothing in this

Article shall, however, be deemed to release the Party designated as Operator from any costs, expense or liability attributable to its Participating Interest share of Joint Operations.

6.3 LIENS AND ENCUMBRANCES

The Operator shall, insofar as it may be within its control, keep all Joint Property, the Deep Zones of the IMA Field and any OPL or OML controlling as to the Deep Zones of the IMA Field free from all liens, charges and encumbrances arising out of the Joint Operations.

6.4 EMPLOYEES AND CONTRACTORS

6.4.1 Subject to the provisions of the Joint Venture Agreement and this Agreement, the Operator shall determine (based on the approved Work Programme and Budget) the number of employees, the selection of such employees, the hours of work and remuneration and such employees shall be the employees of the Operator and not of the Parties. The Operator shall employ only such employees, agents and contractors as are reasonably necessary to conduct the Joint Operations.

6.4.2 In the case of any proposed contract for the Joint Operations where the cost thereof will or is likely to exceed two hundred and fifty thousand dollars (\$250,000) or such lesser amounts as shall from time to time be determined by the Operating Committee having regard (inter alia) to the nature of the Joint Operations, the Operator shall, unless otherwise agreed by the Operating Committee in the circumstances referred to in Article 6.9.2:

- (a) obtain competitive sealed bid tenders and consult fully with the Operating Committee over the preparation of a list of the persons to be invited to tender (including any sub-contractors or suppliers) and the preparation of the tender documents, such consultation to take place on a timely enough basis to allow the members of the Operating Committee to make recommendations;
- (b) after the expiration of the period allowed for tender, and the bids have been opened, report details of all bids received and any rebids, amendments to bids and subsequent negotiations to the Operating Committee and make a recommendation to them;

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- (c) obtain the approval of the Operating Committee to the material terms of the recommended bid prior to entering into any contract in respect thereof;
- (d) use all reasonable endeavours to ensure that any such contract can be freely assigned to any of the Non-Operators in the event of the resignation or removal of the Operator under Article 5.2 and include provisions whereby (a) only the Operator shall incur any liability to the contractor or supplier under the contract and (b) the Operator shall be entitled to enforce the contract on behalf of all the Parties and to recover on behalf of all the Parties any loss or damage caused by them by breach of such contract by the contractor or supplier subject to such limitations and exceptions as may be provided in the contract;
- (e) promptly notify the Operating Committee of each such contract and of any subsequent revisions thereto and furnish copies of all such contracts and revisions to the Operating Committee.

6.5 REPRESENTATION OF THE PARTIES

Subject to the provisions of the Joint Venture Agreement, the Operator shall represent the Parties in all matters or dealings with the

Ministry, any other governmental authorities or third parties insofar as the same relate to the Joint Operations, provided that there is reserved to each Party the unfettered right to deal with the Ministry or any other governmental authorities or third parties in respect of matters relating solely to its own Participating Interest. The Operator shall in any event give prior notice to the Parties of any representations which it proposes to make as Operator to the Ministry, any other governmental authority or third party, which may reasonably be expected to have a material effect upon the interests of the Parties, and shall also give notice to the Parties of the results of any such representation. Non-Operators shall have the right to attend or be represented at such meetings, and the Operator shall, as early as practicable, before such meeting, notify the other Parties, of such meeting. Any Non-Operator proposing to meet with the Ministry or other governmental authorities shall, as early as practicable, before such meeting, notify the other Parties and, so far as it may be within such Party's power, arrange for the other Parties to attend or be represented at such meeting.

6.6 RECORDS

The Operator shall prepare and maintain proper books, records and inventories of the Joint Operations which shall be kept in compliance with the Accounting Procedure and with due regard to the requirements of the Act, the Joint Venture Agreement and any OPL or OML controlling as to the Deep Zones of the IMA Field.

6.7 REPORTS

The Operator shall:

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- (a) promptly provide each Party with daily drilling reports (by telex) and monthly production reports of Joint Operations and such other reports as the Operating Committee shall decide and, at the sole cost of the Party requesting same, such additional reports as such Party shall reasonably request; and
- (b) promptly make all reports concerning the Joint Operations to the appropriate governmental authorities as required under the Act and the Governmental documents governing the Deep Zones of the IMA Field after review by the Parties concurrently therewith, furnish copies of all such reports to all the Parties together, when furnishing to the Parties a copy of the quarterly report to the Government with a brief commentary on exploration activity.

6.8 CONSULTATION AND INFORMATION

6.8.1 The Operator shall freely consult with the Parties and keep them informed in a timely manner of matters concerning the Joint Operations. In particular the Operator shall ensure that the Parties are advised of circumstances which, in the reasonable opinion of the Operator, may warrant the taking out of insurance either for the Joint Account or by the Parties individually.

6.8.2 Without prejudice to the generality of Article 6.8.1, the Operator shall:

- (a) inform each Party of all logging, coring, testing and other material Joint Operations with such advance notice as is practicable in the circumstances, so that each Party may, subject to Article 7.3 have one or more representatives present on location during the conduct of Joint Operations; and
- (b) provide each Party with copies of all well logs and core analyses

and such engineering, geological, geophysical, technical and other material data and information relating to the Joint Operations. Further, Operator shall provide a Party with such additional data and information as such Party shall reasonably request, at the sole cost of the Party requesting such data and information.

6.9 JOINT ACCOUNT EXPENDITURES AND ACTIONS

6.9.1 The Operator is authorized to make such expenditures, incur such commitments for expenditures and take such actions as are required to properly maintain and operate the Joint Operations and Joint Property and as shall have been authorized by the Operating Committee in accordance with Articles XII, XIII, XIV and XV (but subject to Article 6.4.2) or as are authorized under Article 6.9.2.

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6.9.2 The Operator is authorized to make any expenditure or incur commitments for expenditures or take any actions it deems necessary in case of an emergency for the safeguarding of lives or property or the prevention of mitigation of pollution. The Operator shall promptly notify the Operating Committee of any such circumstances and the amount of expenditures and commitments for expenditures so made and incurred and actions so taken.

6.9.3 If necessary to carry out an approved Work Programme and Budget, the Operator is authorized to make expenditures on a line item of an approved Work Programme and Budget item in excess of the Work Programme and Budget approved therefore up to but no exceeding ten percent (10%) of the value stated in the Work Programme and Budget for such item provided however that no cumulative total of such expenditures shall exceed five percent (5%) of the total annual Work Programme and Budget. Such excess expenditure shall be reported promptly to the Operating Committee by the Operator.

6.9.4 The Operator is authorized to make expenditures for Joint Operations in the Deep Zone of the IMA Field during any year not included in an approved Work Programme and Budget or not provided for in an approved Work Programme and Budget, limited, however, to a total, not exceeding \$100,000 provided that (a) such expenditures shall not be for purposes theretofore rejected by the Operating Committee and (b) such expenditures shall be reasonably necessary for the maintenance of the Deep Zones of the IMA Field or any Joint Property, and provided further that the said expenditures will be reported promptly to the Operating Committee and thereafter the amount for which no prior Operating Committee authorization is required shall be increased back to the said maximum of \$100,000.

6.10 DISPOSAL AND ABANDONMENT

6.10.1 If the Operator shall consider that any item of Joint Property is no longer needed or suitable for the Joint Operations the Operator shall, subject to the provisions of the Accounting Procedure, dispose of the same. The Operator shall notify the Operating Committee of such disposal as soon as practicable thereafter.

6.10.2 If the Parties shall decide to abandon the Joint Operations or any part thereof, the Operator shall recover and endeavor to dispose of as much of the Joint Property as can economically and reasonably be recovered or as may be required to be recovered under the Act, any OPL or OML controlling as to the Deep Zones of the IMA Field or any other applicable law, and the net costs or net proceeds therefrom shall be charged or credited to the Joint Account for eventual allocation in proportion to the Participating Interests of the Parties.

Without prejudice to Article 6.10.2, following any proposal made to the Operating Committee for the Operator to prepare a development Work Programme and Budget for a particular Discovery, the Parties shall, before submission to the Ministry of a programme in good faith negotiate, agree and execute an Abandonment Agreement relating to the abandonment (which expression shall include demolition and removal together with any necessary site reinstatement) of any offshore installation and pipelines used in connection with the Joint Operations. The terms of the Abandonment Agreement shall be prepared in all respects with due regard to and in accordance with the requirements of the Act and shall provide inter alia for:

- (a) an equitable sharing between the Parties of their liability to meet the costs of and other obligations relating to the abandonment of such offshore installations and pipelines;
- (b) the preparation and periodic review by the Operator for submission to the Parties of estimates of the likely costs to the Parties of such abandonment and of the amount and value of the net recoverable reserves of the field in question, provided that any Party shall have the right reasonably to require the preparation of further reports and studies in relation thereto;
- (c) the obligation of each party, when the estimated value of the net recoverable reserves of the field in question equals one hundred thirty-five percent (135%) of the said estimated abandonment costs, to provide to the other Parties adequate security for its liability to meet such abandonment costs;
- (d) the determination and periodic review by the Parties (other than the Party proposing the creation, or maintenance, amendment for replacement of existing, security for its said liability to meet such abandonment costs) of the adequacy of such proposal, such determination to be made by the Operating Committee;
- (e) without prejudice to the provisions of paragraphs (c) and (d) above, the security to be provided by each Party may include but shall not be limited to: (1) an irrevocable guarantee from such Party's parent company; (2) an irrevocable guarantee or letter of credit from a bank or other financial institution having a credit rating satisfactory to the other Party acting reasonably; (3) security in favor of the Parties over assets of such party or a third party; or (4) the establishment of a trust fund to receive proceeds from such Party's entitlement to production from the IMA Field;

- (f) in the event of the failure of any Party to satisfy the relevant proportion of the other Parties as to the adequacy of the security which it proposes pursuant to paragraph (d) above, such Party shall be obliged to pay proceeds from such Party's entitlement to production from the IMA Field to the Operator or an independent third party as trustee for the Parties, which proceeds shall be deposited and retained in an interest-bearing account; property in the payment into such account shall pass to the trustee at the time of their payment into the account; failure to make such payments shall constitute a default for the purposes of Article 17; upon the liability of the Parties to meet their respective abandonment obligations failing to be discharged such proceeds shall be applied in the discharge of the said respective liability of the Party obliged to make such payments and any balance shall be returned to such Party;

- (g) any Party intending to assign the whole or any part of its interest in the Deep Zones in the IMA Field and in and under this Agreement shall require the assignee of the interest to be assigned and novated into the Abandonment Agreement and assumes any liability thereunder corresponding to the said interest to be assigned to it, and no person shall acquire such interest until such obligation on the part of such Party has been discharged.

ARTICLE VII - RIGHTS OF THE PARTIES

7.1 RESERVATION OF RIGHTS

Unless otherwise provided in this Agreement or the Joint Venture Agreement, each Party reserves all its rights under the Deep Zones of the IMA Field.

7.2 INSPECTION RIGHTS

Each Party shall have the right to inspect, at all reasonable times during usual business hours, all books, records and inventories of any kind or nature maintained by or on behalf of the Operator and relating to the Joint Operations other than those books, records and inventories maintained by the Operator as the owner of a Participating Interest, provided that such Party gives the Operator not less than fourteen (14) Days' prior notice of the date upon which it desires to make such inspection and identifies the person or persons to conduct such inspection.

7.3 ACCESS RIGHTS

Each Party shall have the right, at all reasonable times and at its sole risk and expense, of access to the areas contained within the IMA Field and/or the Joint Operations, provided such Party gives the Operator reasonable notice of the date such access is required and identifies the representative or representatives to whom such access is to be granted. If any party wishes access to be given to more than one representative at a time the Operator shall not be required to grant such for the additional representatives if, and to the extent that, the granting of such access will interfere with the conduct of Joint Operations.

ARTICLE VIII - THE OPERATING COMMITTEE

8.1 ESTABLISHMENT AND POWERS

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To provide for the overall supervision and direction of the Joint Operations, there is hereby established an Operating Committee which shall exercise overall supervision and control of all matters pertaining to the Joint Operations. Without limiting the generality of the foregoing, but subject as otherwise provided in the Joint Venture Agreement and elsewhere in this Agreement, the powers and duties of the Operating Committee shall include:

- (a) the consideration and determination of all matters relating to general policies, procedures and methods of operation hereunder;
- (b) the approval of any public announcement or statement regarding this Agreement or the Joint Operations;
- (c) the consideration, revision and approval or disapproval, of all

proposed Work Programme and Budget and AFE's, all of which are to be prepared in accordance with the provisions of this Agreement;

- (d) the determination of the timing and location of all wells drilled under the Joint Operations and any change in the use or status of a well;
- (e) the determination of whether the Operator will represent the parties regarding any matters or dealings with the Ministry, any other governmental authorities or third parties insofar as the same relate to the Joint Operations, provided that there is reserved to each Party the unfettered right to deal with the Ministry, any other governmental authorities or any third party in respect of matters relating solely to its own Participating Interest;
- (f) the consideration and, if so required, the determination of any other matter relating to the Joint Operations which may be referred to it by the Parties or any of them (other than any proposal to amend this Agreement) or which is otherwise designated under the Joint Venture Agreement and this Agreement for reference to it; and
- (g) authorize and supervise Joint Operations that are necessary or desirable to fulfill the Joint Venture Agreement and properly explore and exploit the Deep Zones of the IMA Field in accordance with this Agreement and in the manner appropriate in the circumstances.

8.2 REPRESENTATION

The Operating Committee shall consist of seven members appointed by the Parties from time to time on the following terms.

AMNI	6 representatives
Liberty	1 representative

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Each Party shall as soon as possible after the date of this Agreement, give notice in writing to the other Parties and the Operator of the name and address of its initial representatives to serve on the Operating Committee. Any Party may change its representatives by giving not less than seven (7) Days' written notice of such changes to the other Party.

8.3 CHAIRMAN

One of the representatives of the Party which is the Operator shall be the Chairman of the Operating Committee.

8.4 MEETINGS

- 8.4.1 The Operating Committee shall hold meetings every sixty (60) Days (or at such other regular intervals as shall be agreed by the Operating Committee) in Lagos, Nigeria, or at such other place as shall be agreed by the Operating Committee. The Operator shall call such meetings and shall give at least twenty-one (21) Business Days' notice of the time and date of each meeting, together with an agenda and all available data and information relating to the matters to be considered at that meeting. By notice to the other Parties, any Party can advise of additional matters which such Party desires to be considered at the meeting, and provided such notice is given at least seven (7) Business Days before the date of the meeting, those matters will be considered.

8.4.2 The Operating Committee shall hold a special meeting upon the request of any of the Parties. Such request shall be made by notice to all the other Parties and state the matters to be considered at that meeting. Upon receiving such request the Operator shall without delay call a special meeting for a date not less than seven (7) nor more than ten (10) Business Days after receipt of the request.

8.4.3 For any meeting of the Operating Committee, the period of notice stipulated above may be waived with the consent of all the Parties.

8.4.4 Any Party not represented at a meeting may vote on any matter on the agenda for such meeting by either:

(a) appointing a proxy in writing; or

(b) giving notice of such vote to the Operator prior to the submission of such matter for vote at such meeting.

8.5 MINUTES

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The Chairman of the Operating Committee shall appoint a secretary for the Operating Committee who will record resolutions and the result of voting thereon as directed by the meeting or any Party and who will prepare the minutes and provide each party with a copy thereof not more than fifteen (15) Business Days after the end of the meeting. Each Party shall notify all the other Parties of its approval or disapproval of the minutes within ten (10) Business Days of receipt thereof. A Party who fails to do so will be deemed to have approved the minutes. Any minute approved as aforesaid shall be prima facie evidence of the decisions taken by the Operating Committee in the meeting to which such minutes relate. The disapproval of any minute as aforesaid shall not affect the validity of any decision duly taken by the Operating Committee in the meeting to which such minute relates.

8.6 ACTION WITHOUT A MEETING

8.6.1 The Parties may vote on and determine by notice to the Operator any proposal which is submitted to them by the Operator by notice and which they could validly determine at a meeting of the Operating Committee if duly held for that purpose. Each Party shall cast its vote within ten (10) Business Days after the proposal is received by it except that where the Parties are required to vote on and determine any proposal relating to the deepening, plugging back, testing, suspension, or abandonment of a well on which drilling equipment is then located or any other situation where the matter presented for consideration by its nature requires determination in less than ten (10) Business Days and such fact and lesser period are so stated in the notice submitting the proposal, the Parties shall cast their votes within such lesser period which shall not be less than forty-eight (48) hours after receipt of the proposal. Failure by a Party to cast its vote within the relevant period shall be regarded as a vote by that Party against the proposal.

8.6.2 The Operator shall give prompt notice of the result of any such voting to the Parties and any decision so taken shall be binding on the Parties notwithstanding that any Party shall have requested a special meeting to discuss any such proposal under Article 8.4.2.

8.7 SUB-COMMITTEES

The Operating Committee may establish such advisory sub-committees as it considers desirable from time to time. Liberty shall be entitled to have a representation on any such sub-committee. Each sub-committee so established shall be given written terms of reference and shall be

subject to such procedures as the Operating Committee shall determine. The meetings of sub-committees will as far as possible be arranged so that the minutes of such meetings can be presented to the Parties in sufficient time for consideration before the next following regular meeting of the Operating Committee.

8.8 VOTING PROCEDURE

8.8.1 Each member of the Operating Committee shall be entitled to one vote.

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8.8.2 Save as otherwise provided in this Agreement including, without limitation, Article 8.8.4, all decisions of the Operating Committee shall be taken by majority vote.

8.8.3 Save as otherwise provided in this Agreement, all the Parties shall be bound by each decision of the Operating Committee duly made in accordance with the provisions of this Agreement.

8.8.4 Notwithstanding anything herein to the contrary, decisions of the Operating Committee relating to the following matters shall require the affirmative vote of all members of the Operating Committee:

- (a) any modification of or amendment to this Agreement, the Joint Venture Agreement or the OPL and OML applicable to the Deep Zones of the IMA Field;
- (b) the selection of a new Operator; or
- (c) any modification of or amendment to any approved Work Programme, Budget or AFE, if as a result of such modification or amendment the cost of the Work Programme, Budget or AFE would be altered by more than 30%.

8.9 CONCESSION PROVISIONS

8.9.1 Working Obligations

In respect of the working obligations, the Operating Committee shall, unless and to the extent that relief from such obligations is sought and obtained from the Ministry, determine the location and the time at which such obligations are to be discharged.

8.10 NOTIFICATION TO THE COMMITTEE

8.10.1 Information

Notwithstanding anything herein to the contrary, with respect to any requirement herein that the Operator consult with or inform the Operating Committee, the Operator shall take all necessary measures to ensure that all members of the Operating Committee timely receive adequate notification of such matters and such reasonable supporting information as any such member may request.

8.11 COSTS

8.11.1 Payment of Costs

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Each Party shall be solely responsible for the costs incurred by such Party's representatives with respect to serving on the Operating Committee including, without limitation, all expenses related to attending meetings of the Operating Committee.

ARTICLE IX - PROJECT MANAGER

- 9.1 Pursuant to the terms of this Agreement and Article 6.1.1., the Operator may appoint a project manager to assist the Operator in the discharge of its technical and operational functions under this Agreement.

ARTICLE X - FUNDING OF THE JOINT OPERATIONS

10.1 CASH CALL

Subject to the Joint Venture Agreement, each Party shall pay its Participating Interest of Petroleum Costs incurred for the Joint Account and such payment shall be made in accordance with the following procedure:

- 10.1.1 The Operator shall, not later than thirty (30) Business Days prior to the first day of the Cash Call Month, submit to each Party:

- (a) an itemized estimate of such cost and expenditures (hereinafter the "Estimated Expenditures"), as well as an itemized return of the actual expenditures for the month (hereinafter the "Actual Expenditure Month") which is two months preceding the Cash Call Month (the total expenditure in any Actual Expenditure Month is hereinafter referred to as the "Actual Expenditure" for such month);
- (b) an itemization of the cash available or cash deficit in the Joint Account as the case may be as of such date as well as any credit expected to be received in the Cash Call Month; and
- (c) such Party's Cash Call for that month which shall be its Participating Interest share of Estimated Expenditures adjusted by the case or deficits and credits in (b) above.

- 10.1.2 Subject to Article 10.1.3, each party shall pay its respective Cash Call into the Joint Account not later than the due date, which is the first day of the Cash Call Month. Liberty shall have the right to request reasonable documentation from Amni evidencing Amni's deposit of its portion of the Cash Call into the Joint Account. Liberty's obligation to make payments as provided herein shall be suspended until such time as Amni provides such reasonable documentation.

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- 10.1.3 The Parties may dispute a Cash Call on the basis that Operator's estimated expenditure for the Cash Call Month exceeds what costs and expenditure should reasonably be incurred for the Joint Account for that month based on the approved Work Programme and Budget. In the event that the Parties so dispute any portion of a Cash Call, the Parties shall give to the Operator a notice in writing specifying the amount in dispute and the reason therefore not later than eight (8) Days from the date of receipt of such Cash Call. The Parties may not, however, dispute any portion of a Cash Call required for the protection of life and property or for the prevention of pollution pursuant to sub-Article 6.9.2.

- 10.1.4 The undisputed portion of the Cash Call shall be paid by the Parties into the Joint Account not later than the due date and the Parties shall use their best endeavours to resolve the matter on the disputed portion promptly. Upon settlement, the disputed portion or amount agreed, as the case may be, shall be paid by the Parties into the Joint Account not later than ten (10) days from the date of resolution

of the dispute. If the dispute is not settled by the date Parties receive the Operator's itemized return of actual expenditures for the Cash Call Month with respect to which the dispute arose, as included with the submittal referred to in Article 10.1.1(a), provided such actual expenditures are in accordance with approved Work Programme and Budget under this Agreement, or are expenses incurred pursuant to Article 6.9.2, the Parties shall pay the Joint Account, by the due date of the next Cash Call, or shall receive a credit against the amount of such Cash Call, as the case may be, the difference between:

- (1) the undisputed portion of the Cash Call with respect to which the dispute arose and which has already been paid by Parties, and
- (2) the actual expenditure for such Cash Call Month.

10.1.5 Unless otherwise agreed, each Party shall pay its Cash Call entirely in the currency of the Cash Call.

10.2 PAYMENTS FOR JOINT OPERATIONS EXPENDITURES

Except as may otherwise be agreed by the Parties, all payments for Joint Operations expenditures shall be made solely from the Joint Accounts.

10.3 FAILURE OF A PARTY TO PAY A CASH CALL

If a Party fails to meet its Cash Call by the due date specified in Article 10.1.2 such Party shall become the Defaulting Party and Article XVIII of this Agreement shall apply.

ARTICLE XI - INSURANCE AND LITIGATION

11.1 INTENTIONALLY DELETED

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11.2 JOINT ACCOUNT INSURANCE

The Operator shall at all times while Joint Operations are conducted, subject to Operating Committee's approval on policy terms and conditions, obtain and maintain for itself and Non-Operator and pay for, and charge to the Joint Account all insurance in the types and amounts required by the Joint Venture Agreement and applicable laws, rules and Regulations in respect of the Joint Property and Joint Operations, including but not limited to the following:

- (a) employer's liability insurance covering each employee engaged in the Joint Operations when such employee is not covered by workmen's compensation;
- (b) comprehensive general third party liability and property damage insurance covering Joint Operations endorsed to include offshore operations, seepage and pollution to a limit of not less than US \$15,000,000 or its equivalent in local currency;
- (c) motor vehicle liabilities insurance;
- (d) aviation liability to a limit of not less than US \$15,000,000 or its equivalent in local currency;
- (e) charterer's legal liability insurance to provide coverage arising out of the use of any chartered barges or vessels;
- (f) marine insurance; and

(g) any insurance required by any contract entered into by the Operator in furtherance of Joint Operations including contractor's all risk insurance.

11.2.1 The Operator shall obtain and maintain such other insurance at competitive rates, as may be determined by the Operating Committee.

11.2.2 The insurance carried by the Operator pursuant to Article 11.2 hereof shall name the Non-Operator as additional or coinsured and underwriters shall waive all rights of subrogation in favour of the Non-Operator and its employees.

11.2.3 In the event that the Operator fails to take out and maintain any of the insurance policies provided for in Article 11.2, being an insurance which the Operator is obliged to take out, the Operator shall be solely responsible for any loss, claims, demands or damages arising therefrom, except where the Operator has used all reasonable endeavours to obtain or maintain such insurance but has been unable to do so and has promptly notified the Non-Operator.

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11.2.4 The Operator shall use its best efforts to require all contractors and subcontractors, if any, to maintain insurance of such types and in such amounts required by any applicable laws, rules and Regulations or any decision of the Operating Committee while performing work in respect to Joint Operations, provided that such insurance policies shall include waivers of all rights or recourse, by subrogation or otherwise, against the Parties and their respective Affiliates, directors, servants, agents and employees. The Operator shall use its best efforts to require all such contractors to name the Parties as additional insureds on the contractor's insurance policies.

11.2.5 Where applicable, the Operator shall use reasonable efforts to ensure that marine drilling rigs and work boats used in Joint Operations are insured by the owners of such vessels on a full form (hull, tackle and machinery) or on an all risks form, that adequate protection and indemnity, collision and tower's liability insurance is maintained by such owners and that such insurance policies include waivers of all rights, by subrogation or otherwise, against the Parties and their respective Affiliates, directors, servants, agents and employees.

11.2.6 The Operator shall in respect of all insurance to be obtained pursuant to this Article 11.2 from the Effective Date and thereafter before the end of each year:

(a) upon notice to the Operating Committee, discuss and obtain the approval of the Operating Committee on premium rates and policy terms and conditions including but without limitation to deductibles and insured value.

(b) promptly notify the Operating Committee of any loss.

(c) duly file all claims and take all necessary and proper steps to collect any proceeds and credit them to the Joint Account.

Notwithstanding anything contained in this Article 11.2.6 herein, Non-Operators may appoint an insurance broker or brokers to look after their insured interests hereunder.

11.2.7 The Operator shall, not later than thirty (30) Days from the date of the issuance of an Insurance Policy or renewal of same pursuant to this Agreement, furnish Non-Operator with true copies of the Policies or renewal endorsements with respect to the insurance required under Article 11.2 hereof.

11.2.8 All policies and certificates of insurance obtained and maintained in accordance with Articles 11.1 and 11.2 shall state:

- (a) the types and amounts of insurance carried;
- (b) the insurance company or companies underwriting the coverage;
- (c) the effective and expiration dates of all policies;

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- (d) that each Party shall be given not less than thirty (30) Days' advance written notice of any material changes or cancellation of any policy;
- (e) that a written waiver of subrogation endorsement in favour of the Party not carrying the insurance has been attached to all policies of insurance required under Article 11.1 hereof; and
- (f) the territorial limits of all policies.

11.2.9 Liability of Operator under Article 11.2.3 for failure to take out the insurance required by Article 11.2, except where so agreed to by Non-Operator in writing, shall not be diminished by the provision of the information required under Article 11.2.8.

11.2.10 The limits of insurance coverage set forth in Article 11.1 or 11.2 are meant to be minimum amounts only. Insurance Policies pursuant to this Article XI shall be obtained and maintained, or extended as the case may be, by the relevant Party to such further limits as the Operating Committee shall determine and advised to the Parties, based on the scope and risk of planned operations.

11.3 INDEMNITY

11.3.1 Except as otherwise provided in this Article XI and in Article 6.2.3, any loss or damage suffered by the Parties or either of them from third party claims arising out of the Operator's conduct of the Joint Operations shall be for the Joint Account. Any loss, damage or costs suffered by the Operator from claims arising out of the Operator's conduct of the Joint Operations and any recovery from insurance provided under Article 11.2 shall be for the Joint Account.

11.3.2 If any Party fails to take out and maintain any insurance policy which such Party is obliged to take out under Article 11.1, such Party shall hold harmless and indemnify the other Party from and against all claims, actions causes of actions, loss and damage suffered by each other Party arising out of, or in connection with, such failure.

11.4 LITIGATION

11.4.1 The Operator shall promptly notify the Parties of:

- (a) any incidents, accidents or circumstances causing damage to Joint Property, the cost of which may exceed \$250,000 or such lesser amounts as shall from time to time be determined by the Operating Committee; and

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- (b) any claim, litigation, lien, demand or judgment relating to the Joint Operations where the total amount in dispute and/or the total amount of damages together with any costs are estimated to exceed \$100,000, or such lesser amount as shall from time to time be determined by the Operating Committee.

The Operator shall have the authority to commence, prosecute, defend, pursue or settle any claim, litigation, lien, demand or judgment relating to the Joint Operations (other than between the Parties) both on behalf of itself and, if appropriate, the other Parties provided that:

(i) in the case of any litigation (irrespective of the estimated amount of damages and costs) to be pursued, prosecuted or defended otherwise than in any court in Nigeria, the Operator shall have no such authority without the prior approval of all the Parties except such authority as may be necessary:

(1) to prevent judgment being given against any Party while full authority of the Parties is being sought; or

(2) solely to enable the Operator to contest the exercise by the relevant court of jurisdiction in the matter, provided that the Operator first obtain legal advice in the relevant jurisdiction from an appropriate reputable legal practitioner that the contest itself would not constitute submission by the Operator to such jurisdiction; and

(ii) where the total amount in dispute and/or the total amount of damages together with any costs are estimated to exceed \$100,000 or such lesser amount as shall from time to time be determined by the Operating Committee, the Operator shall have no authority (subject to subparagraph (i) above) without the prior approval of the Operating Committee.

11.4.2 Any Non-Operator shall promptly notify the other Parties of any claim, litigation, lien, demand or judgment brought by it or against it relating to, or which may affect the Joint Operations. If such claim, litigation, lien, demand or judgment would give rise to any claim for indemnity under Article 23.2.2, the Operator shall have the authority to take over the conduct of such claim, litigation, lien, demand or judgment and Article 11.4.1 shall apply thereto.

11.4.3 Notwithstanding Articles 11.4.1 and 11.4.2, each party shall have the right to participate in any prosecution, defense or settlement conducted in accordance with Articles 11.4.1 and 11.4.2 at its sole cost and expense provided that such participation shall not prejudice the conduct thereof by the Operator or the interests of the Joint Operations.

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11.4.4 For the avoidance of doubt it is hereby declared that the conduct of any litigation involving a Sole Risk Project will be in the hands of the Participating Party or Parties and at the sole cost and expense of such Participating Party.

11.5 IMA #11 INSURANCE PROCEEDS

Attached as Schedule E is the AFE that has been submitted by Abacan to the insurance carriers with respect the insurance claim resulting from the blow-out of the IMA #9 well. The Parties agree that all insurance payments received by Abacan with respect to the re-drill of the IMA #11 well (the AInsurance Proceeds@) shall be Joint Property with each Party being deemed to have contributed to the Joint Account its Participating Interest. Amni acknowledges that Liberty shall conduct all negotiations with the insurance companies liable for payment with respect to the IMA #9 well blow-out. Liberty shall attempt to cause the insurance carriers to fund Insurance Proceeds in such a way that the contractors drilling the IMA #11 well receive payment directly

from the insurance carriers. Amni agrees to use reasonable efforts to co-ordinate its operations to facilitate Liberty=s efforts to cause such direct payment. To the extent Liberty is unable to cause the insurance carriers to pay the contractors directly, then each Party shall be responsible for its Participating Interest of Petroleum Costs of the costs of drilling the IMA #11 well and as and when Insurance Proceeds are received, each Party shall receive its Participating Interest of Petroleum Costs of such Insurance Proceeds.

ARTICLE XII - EXPLORATION WORK PROGRAMME AND BUDGET

12.1 ANNUAL WORK PROGRAMME AND BUDGET

The Operator shall, within sixty (60) Days after the execution of this Agreement and thereafter on an annual basis not later than September 1st in each Calendar Year submit to the Parties a proposed exploration Work Programme and Budget for the next Calendar Year (the September 1, 1998 delivery shall also include the Work Programme and Budget for the remainder of the 1998 Calendar Year), showing:

- (a) Joint Operations to be performed in the Deep Zones of the IMA Field and other work to be undertaken;
- (b) the information required under the Account Procedure; and
- (c) such other information as the Operating Committee shall have required the Operator to provide.

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12.1.2

The proposed exploration Work Programme and Budget shall be subject to consideration, revision and approval by the Operating Committee and the Parties. The Operating Committee shall consider such exploration Work Programme and Budget and make such revisions thereto as shall be agreed as soon as practicable but in any event not later than November 30. Not later than December 31, the Operating Committee shall approve an exploration Work Programme and Budget and such approval shall, subject to Articles 12.2 and 12.3 authorize and oblige the Operator to proceed with it.

12.2 AUTHORIZATION FOR EXPENDITURE

12.2.1

Such as provided in Articles 6.9.2, 6.9.3 and 6.9.4, the Operator shall, before entering into any commitment or incurring any expenditure under an approved exploration Work Programme and Budget, submit to each Non-Operator an AFE. An AFE shall be prepared in accordance with Section 3 of the Uniform Project Implementation Procedure. Subject to the approval of the AFE hereunder, the Operator shall be authorized and obliged, subject to Article 12.3, to proceed with such commitment or expenditure. An AFE shall be approved by affirmative decision of a majority of the Operating Committee or by signature of the Parties having an aggregate Participating Interest sufficient for an affirmative decision of the Operating Committee.

12.2.2

In the event that the Operating Committee gives its approval to any exploration Work Programme and Budget or any AFE executed in connection therewith, Liberty may, by notice to AMNI given not more than thirty (30) Days following the date of Liberty's receipt of notice of such approval, elect not to proceed with such Work Programme and Budget or AFE as applicable, and the operations and work covered by such Work Programme and Budget or AFE shall be conducted as Sole Risk Operations in accordance with Article XVI with AMNI being the Sole Risk Party.

12.3 AMENDMENT

At any time either Party may, by notice to the Operating Committee, propose that an approved exploration Work Programme and Budget and/or an approved AFE be amended. The Operating Committee shall consider such proposal and, if the Operating Committee so requires, the Operator shall prepare and submit to the Parties a revised exploration Work Programme and Budget incorporating any such amendment and showing the matter listed in Article 12.1.1 and the information required under Section 3 of the Uniform Project Implementation Procedure. To the extent that an amendment is approved by the Operating Committee, the approved exploration Work Programme and Budget and/or AFE shall be amended accordingly provided always that any such amendment shall not invalidate any authorized commitment or expenditure made by the Operator prior thereto, provided that any revised Work Programme and Budget or AFE shall be subject to Liberty's rights under Article 12.2.2.

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ARTICLE XIII - APPRAISAL WORK PROGRAMME AND BUDGET

13.1 JOINT WORK PROGRAMME AND BUDGET

13.1.1 In the event of a Discovery, the Operator shall, if the Operating Committee so decides and as soon as Practicable after such decision, submit to each Non-Operator a proposed appraisal Work Programme and Budget for such Discovery showing:

- (a) the wells to be drilled and other projects and work to be undertaken;
- (b) the information required under the Accounting Procedure;
- (c) details of the number of employees and contract personnel required; and
- (d) such other information as the Operating Committee shall have required the Operator to provide.

13.1.2 The proposed appraisal Work Programme and Budget shall be subject to consideration, revision and approval by the Operating Committee. The Operating Committee shall as soon as practicable consider such appraisal Work Programme and Budget and make such revisions thereto as shall be agreed. If the Operating Committee approves an appraisal Work Programme and Budget, such approval shall be subject to Articles 13.2 and 13.3, authorize and oblige the Operator to proceed with it.

13.2 AUTHORIZATION FOR EXPENDITURE

13.2.1 Save as provided in Articles 6.9.2, 6.9.3 and 6.9.4, the Operator shall, before entering into any commitment or incurring any expenditure under an approved appraisal Work Programme and Budget, submit to the Operating Committee an AFE therefor. An AFE shall be prepared in accordance with Section 3 of the Uniform Project Implementation Procedure. Subject to the approval of such AFE hereunder, the Operator shall be authorized and obliged, subject to Article 13.3, to proceed with such commitment or expenditure. An AFE shall be approved by affirmative decision of the Operating Committee.

13.2.2 In the event that the Operating Committee gives its approval to any appraisal Work Programme and Budget or any AFE executed in connection therewith, Liberty may, by notice to AMNI given not more than twenty (20) Days following the date of Liberty's receipt of notice of such approval or of such AFE, elect not to proceed with such Work Programme and Budget or AFE as applicable, and the operations and work covered

by such Work Programme and Budget or AFE shall be conducted as Sole Risk Operations in accordance with Article XVI with AMNI being the Sole Risk Party.

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13.3 REVIEW AND AMENDMENT

13.3.1 The Operator shall, as and when required by the Operating Committee, review the approved appraisal Work Programme and Budget and submit to the Parties a report thereon.

13.3.2 At any time either party may, by notice to the other Party propose that an approved appraisal Work Programme and Budget and/or an approved AFE be amended. The Operating Committee shall consider such proposal and, if the Operating Committee so requires, the Operator shall prepare and submit to the Parties a revised appraisal Work Programme and Budget incorporating any such amendment and showing the matter listed in Article 13.1.1 and the information required under Section 3 of the Uniform Project Implementation Procedure. To the extent that any such amendment or revised appraisal Work Programme and Budget is approved by the Operating Committee, the approved appraisal Work Programme and Budget and/or AFE shall be amended accordingly, provided always that any such amendment shall not invalidate any authorized commitment or expenditure made by the Operator prior thereto, and further provided that any revised Work Programme and Budget or AFE shall be subject to Liberty's rights under Article 13.2.2.

ARTICLE XIV - DEVELOPMENT WORK PROGRAMME AND BUDGET

14.1 JOINT WORK PROGRAMME AND BUDGET

14.1.1 The Operator shall, if the Operating Committee so decides and as soon as practicable after such decision, submit to the Non-Operators a proposed development Work Programme and Budget for a Discovery showing:

- (a) the projects and other work to be undertaken;
- (b) the information required under the Accounting Procedure;
- (c) the manner in which the development is to be managed with details of the number of employees and contract personnel required;
- (d) the estimate of the date of commencement of production and of the annual rates of production; and
- (e) such other information as the Operating Committee shall have required the Operator to provide.

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14.1.2 The proposed development Work Programme and Budget shall be subject to consideration, revision and approval by the Operating Committee. The Operating Committee shall meet to consider such development Work Programme and Budget as soon as practicable and to make such revisions thereto as shall be agreed. Unless the Operating Committee otherwise agrees to an earlier date, the Operating Committee shall approve or reject the development Work Programme and Budget within thirty (30) Days of its submission by the Operator to the Parties provided that, within the said period of thirty (30) Days any Party wishing to carry out further work or studies in connection with the development of the Discovery may, by notice to the other Party specifying the further work or studies, require that the said period be extended up to a maximum total period of:

(a) in the case of the carrying out of further appraisal drilling of the Discovery, ninety (90) Days; and

(b) in all other cases, sixty (60) Days;

and in such event the said period shall be so extended. A Party proposing to carry out further appraisal drilling of the Discovery shall, in its said notice to the other Party, inform them of its intention and:

(i) the Operator shall carry out such drilling at the risk, cost and expense of such Party and the provisions of Article XVI (other than the first sentence of Article 16.3) shall apply as if such Party were a Sole Risk Party and such drilling were Sole Risk Operation under that Article;

(ii) such Party shall not be entitled to any reimbursement from the other Party of the costs and expenses thereof, unless as a result of such drilling all the Parties decide not to proceed with the development of the Discovery in which event the other Party shall pay to such Party within twenty-eight (28) Days of the decision not to proceed with the development an amount equal to the lesser of the amount it would have contributed to the Joint Account had such additional drilling or work been carried out as part of the Joint Operations or its share of the additional costs incurred; such amount shall be paid in Dollars or other approved currencies as approved by the Parties applicable to the costs and expenses; and

(iii) all data and information obtained from such additional drilling and work shall promptly be made available to, and be owned jointly by, all the Parties.

14.2 AUTHORIZATION FOR EXPENDITURE

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14.2.1 Save as provided in Articles 6.9.2, 6.9.3 and 6.9.4, the Operator shall, before entering into any commitment or incurring any expenditure with respect to the preparation of a development Work Programme and Budget or under an approved development Work Programme and Budget, submit to the Operating Committee an AFE therefor. An AFE shall be prepared in accordance with Section 3 of the Uniform Project Implementation Procedure. Subject to the approval of such AFE hereunder, the Operator shall be authorized and obliged, subject to Article 14.3, to proceed with such commitment or expenditure provided always that an AFE within an approved development Work Programme and Budget shall be deemed to have been approved by the Operating Committee unless, within fourteen (14) Days (or such longer period as shall have been agreed by the Parties) of its submission to the Parties, any Party gives notice to the Operator that they require such AFE to be formally approved by the Operating Committee.

14.2.2 In the event that the Operating Committee gives its approval to any development Work Programme and Budget or any AFE executed in connection therewith, Liberty may, by notice to AMNI given not more than thirty (30) Days following the date of Liberty's receipt of notice of such approval of such Work Programme, Budget or AFE, elect not to proceed with such Work Programme, Budget or AFE as applicable, and the operations and work covered by such Work Programme, Budget or AFE shall be conducted as Sole Risk Operations in accordance with Article XVI with AMNI being the Sole Risk Party.

14.3 REVIEW AND AMENDMENT

14.3.1 The Operator shall, in each Year, review the approved development Work Programme and Budget and submit to the Operating Committee not later

than September 1st a report thereon together with an update of such development Work Programme and Budget dealing separately with the next Year and the remaining phase of the approved development Work Programme and Budget and showing the matters listed in Article 14.1.1 and the information required under Section 3 of the Uniform Project Implementation Procedure.

- 14.3.2 At any time either Party may, by notice to the other Party propose that an approved development Work Programme and Budget and/or an approved AFE be amended. The Operating Committee shall consider such proposal and, if the Operating Committee agrees to such an amendment, the Operator shall prepare and submit to the Operating Committee a revised development Work Programme and Budget incorporating any such amendment and showing the matters listed in Article 14.1.1 and the information under Section 3 of the Uniform Project Implementation Procedure. To the extent that any such amendment or revised development Work Programme and Budget is approved by the Operating Committee, the approved development Work Programme and Budget and/or AFE shall, subject to obtaining any necessary consent or approval of the Ministry, be deemed amended accordingly provided always that any such amendment shall not invalidate any authorized commitment or expenditure made by the Operator prior thereto, and further provided that any revised Work Programme and Budget or AFE shall be subject to Liberty's rights under Article 14.2.2.

ARTICLE XV - PRODUCTION WORK PROGRAMME AND BUDGET

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15.1 ANNUAL WORK PROGRAMME AND BUDGET

- 15.1.1 The Operator shall not later than September 1st in the year prior to the commencement of production and each subsequent Year, submit to the Operating Committee a proposed production Work Programme and Budget for the Year showing:

- (a) the projects and other work to be undertaken;
- (b) the information required under the Accounting Procedure;
- (c) an estimate of the date of commencement of production (if approximate) and of the total production by Quarters and the maximum daily rate to be achieved in each Quarter;
- (d) details of the number of employees and contract personnel required; and
- (e) such other information as the Operating Committee shall have required the Operator to provide.

- 15.1.2 The proposed production Work Programme and Budget shall be subject to consideration, revision and approval by the Operating Committee. The Operating Committee shall consider such production Work Programme and Budget and make such revisions thereto as shall be agreed as soon as practicable but in any event not later than October 1st. Not later than December 31st the Operating Committee shall approve a production Work Programme and Budget and such approval shall subject to Articles 15.2 and 15.3 authorize and oblige the Operator to proceed with it.

15.2 AUTHORIZATION FOR EXPENDITURE

- 15.2.1 Save as provided in Articles 6.9.2, 6.9.3 and 6.9.4, the Operator shall, before entering into any commitment or incurring any expenditure under an approved Work Programme and Budget, submit to the Operating Committee an AFE therefor. An AFE shall be prepared in

accordance with Section 3 of the Uniform Project Implementation Procedure. Subject to the approval of the AFE hereunder, the Operator shall be authorized and obliged, subject to Article 15.3, to proceed with such commitment or expenditure. An AFE may be approved by affirmative decision of the Operating Committee or by signature by Parties having an aggregate Participating Interest sufficient for an affirmative decision of the Operating Committee.

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15.2.2 In the event that the Operating Committee gives its approval to any production Work Programme and Budget or any AFE executed in connection therewith, Liberty may, by notice to AMNI given not more than thirty (30) Days following the date of Liberty's receipt of notice of such approval or of such AFE, elect not to proceed with such Work Programme and Budget or AFE as applicable, and the operations and work covered by such Work Programme and Budget or AFE shall be conducted as Sole Risk Operations in accordance with Article XVI with AMNI being the Sole Risk Party.

15.3 AMENDMENT

At any time either Party may, by notice to the Operating Committee, propose that an approved production Work Programme and Budget and/or an approved AFE be amended. To the extent that an amendment is approved by the Operating Committee, the approved production Work Programme and Budget and/or AFE shall be deemed amended accordingly provided always that any such amendment shall not invalidate any authorized commitment or expenditure made by the Operator prior thereto, and further provided that any revised Work Programme and Budget or AFE shall be subject to Liberty's rights under Article 15.2.2.

ARTICLE XVI - SOLE RISK OPERATIONS

16.1 DEFINITIONS

For the purpose of this Article XVI:

16.1.1 "Common Costs" means overhead expenses in respect of operating and maintenance charges and depreciation on common user assets which are shared by Sole Risk Operations and Joint Operations.

16.1.2 "Exploratory Well" means:

(a) a well drilled in the Deep Zones of the IMA Field in an area lying outside the interpreted closure of any structural or stratigraphic trap on which closure a well has been drilled which is capable of producing Petroleum, or

(b) a well in the Deep Zones of the IMA Field in any area lying inside the interpreted closure of any structural or stratigraphic trap, to the extent to which it is deepened or plugged back to a stratigraphic level different from that to which it had previously been drilled and found capable of producing Petroleum; or

(c) any well that has been agreed by the Parties to be an Exploratory Well.

16.1.3 "Non-Proposing Party/ies" means the Parties not giving notice of an intention to conduct a Sole Risk Operation.

16.1.4 "Non-Sole Risk Party/ies" means the parties not participating in a Sole Risk Operation.

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- 16.1.5 "Production Facilities" means drilling and/or production, platforms and/or petroleum storage and transportation facilities required to produce and deliver any Petroleum that may be discovered from an Exploratory Well within the Deep Zones of the IMA Field.
- 16.1.6 "Proposing Party/ies" means the Parties giving notice of its intention to conduct a Sole Risk Operation as hereinafter defined.
- 16.1.7 "Sole Risk Exploratory Well" means an Exploratory Well drilled by a Sole Risk Party/ies pursuant to this Article XVI.
- 16.1.8 "Sole Risk Notice" means a notice given pursuant to Article 16.4 of a Party's intention to conduct a Sole risk Operation.
- 16.1.9 "Sole Risk Operation" means an operation conducted for only one of the Parties in accordance with the provisions of this Article XVI.
- 16.1.10 "Sole Risk Party/ies" means the Party/ies who undertakes to conduct a Sole Risk Operation pursuant to this Article XVI.

16.2 SOLE RISK OPERATIONS

Subject to Article 16.3, Sole Risk Operations shall only include and be undertaken in respect of any one or more of the following activities:

- (a) the deepening, side tracking or plugging back of an Exploratory Well;
- (b) the drilling of an Exploratory Well including testing and coring programmes;
- (c) the drilling of appraisal and development wells and the installation of Production Facilities to develop a discovery made by a Sole Risk Exploratory Well, provided the purchase of such Facilities is not otherwise to increase or accelerate production of Petroleum from geological structures in the Deep Zones of the IMA Field other than the geological structure on which such Sole Risk Exploratory Well was Drilled;
- (d) any other activity or project agreed by the Parties to be undertaken as a Sole Risk Operation; and
- (e) any operation governed by a Work Programme and Budget or an AFE made pursuant to Articles XII, XIII, XIV or XV for which Liberty has elected not to participate in pursuant to the terms of such Articles.

16.3 CONDITIONS FOR SOLE RISK OPERATIONS

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- (a) No Sole Risk Operation may be conducted if it would adversely affect Joint Operations or conflict with all or any part of any current Work Programme and Budget.
- (b) No Sole Risk Operation shall be undertaken until:
 - (i) The operations comprising the Sole Risk Operation shall first have been proposed in writing to the Operating Committee in complete form. The appropriate proposal to be in complete form shall specify as Joint Operations such as location of proposed well, scope of geological and geophysical programmes, proposed depth, itemized estimate of the costs thereof, economic analysis, expected date of commencement and the expected date of completion.
 - (ii) The Operating Committee shall have disapproved or be deemed to

have disapproved the proposal, in accordance with the procedures set forth in Article VIII.

- (c) A Sole Risk Operation for the deepening or sidetracking of an Exploratory Well in course of drilling may be proposed only if such well has not encountered a Discovery and the Parties have decided to abandon the well following their receipt of all drilling and Test results.

16.4 SOLE RISK NOTICE

Within 6 months after the Operating Committee disagrees with a proposal for Joint Operations or, in the case of Article 16.3 (c) within forty-eight (48) hours after notice from the Operator recommending abandonment of an Exploratory Well, any Party may give to the other Party a Sole Risk Notice, in writing. The Non-Proposing Party shall have ninety (90) Days, after the receipt of the sole Risk Notice, within which to notify the Party giving the Sole Risk Notice, whether or not to participate in the costs of such Sole Risk Operation ("Participation Notice"); provided, however, that in the case of a Sole Risk activity pursuant to Article 16.3(c) the period in which to give Participation Notice shall be forty-eight (48) hours.

16.5 SOLE RISK OPERATION AS JOINT OPERATION

If the Non-Proposing Party elects to participate in the proposal which is the subject of a Sole Risk Notice within the applicable period specified in Article 16.4, such Sole Risk Operation shall be carried out by the Operator as Joint Operation and the current Work Programme and Budget shall be deemed to be amended accordingly.

16.6 SOLE RISK OPERATION

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In the event the Non-Proposing Party does not elect, within the applicable period specified in Article 16.4 to participate in a proposed Sole Risk Operation, the Proposing Party shall be entitled to carry out the Sole Risk Operation at its Sole Risk, cost and expenditure. Costs and expenses of the Sole Risk Operation incurred by the Sole Risk Party shall be computed in accordance with the Accounting Procedure.

16.7 OPERATOR OF SOLE RISK OPERATION

Notwithstanding that the Operator may not be the Sole Risk Party, the Sole Risk Operation shall, subject to Article 16.7.3 and Article 16.8, be carried out promptly and diligently by the Sole Risk Operator for the sole account and benefit of the Sole Risk Party.

- 16.7.1 Any Sole Risk Operation shall be carried out at the sole risk, cost and expense of, and under the overall supervision and control, of the Sole Risk Party but otherwise pursuant to this Agreement.
- 16.7.2 The Sole Risk Operator shall keep and maintain separate books, records and accounts (including bank accounts) with respect to the Sole Risk Operations, including Sole Risk share of all Common Costs in connection therewith, which shall be subject to the right of examination and audit by the Sole Risk Party and Non-Consenting Party.
- 16.7.3 The Sole Risk Party shall be obligated to advance the estimated expenditure for the Sole Risk Operation to the Operator within fifteen (15) Days after receipt of the Operator's request therefor. The Operator shall not use, or be required to use, Joint Account funds or its own funds for the purpose of paying the costs and expenses of the Sole Risk Operation.

16.8 COMMENCEMENT OF SOLE RISK OPERATION

It is hereby understood and agreed that the Sole Risk Party shall do all things necessary to enable the Operator on its behalf to commence the Sole Risk Operation within ninety (90) Days after expiration of the period specified in Article 16.4 for giving a Participation Notice in the case of a Sole Risk Operation under Articles 16.2(a), (b), (c) or (e); or within one hundred eighty (180) Days after expiration of the period specified in Article 16.4 for giving a Participation Notice in case of projects under Article 16.2(d); or within 48 hours after expiry of the period specified in Article 16.4 for giving a Participation Notice in case of projects under Article 16.3(c). If the Sole Risk Operation specified in the Sole Risk Notice is not commenced within the period specified in this Article 16.8 for reasons attributable to the Proposing Party, then the right of the Proposing Party to carry out the Sole Risk Operation shall lapse.

16.9 INFORMATION CONCERNING SOLE RISK OPERATION

The Operator shall, in relation to the Sole Risk Operation, furnish to the Parties all information and data which the Operator is obligated to give the Non-Operators under the terms of this Agreement.

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16.10 ELECTION TO PARTICIPATE IN FURTHER WORK

A Non-Consenting Party may at any time, elect to participate in a Sole Risk Operation by paying to the other Party, an amount equal to its Participating Interest of Petroleum Costs share of the cumulative cost and expenditure of the Sole Risk Operation, incurred as of the date of such election plus 250% thereof ("Re-entry Penalty"). The whole or any part of the Re-entry Penalty shall be paid in cash in the currency in which the Sole Risk costs have been incurred or in kind or both as may be mutually agreed by the Parties. Following an election and payment as aforesaid, such operations shall be carried out as Joint Operations.

16.11 USE OF JOINT PROPERTY AND PERSONNEL OF THE OPERATOR FOR SOLE RISK OPERATION

A Sole Risk Party shall be entitled to use Joint Property and personnel of the Operator for the Sole Risk Operation upon terms and conditions agreed by the Parties, provided however that it is understood that, at all times, the Joint Operations shall take precedence over the Sole Risk Operation in such use of Joint Property and personnel.

16.12 INDEMNIFICATION OF THE NON-CONSENTING PARTY

The Sole Risk Party shall indemnify and hold harmless the Non-Consenting Party from all suits, claims, liens, liabilities, damages, costs, losses and expenses whatsoever directly or indirectly caused to third parties or incurred by the Non-Consenting Party as a result of anything done or omitted to be done in the course of carrying out the Sole Risk Operation.

16.13 TITLE TO THE SOLE RISK OPERATION, PRODUCTION AND FACILITIES

16.13.1 Subject to Article 16.10, all property acquired through a Sole Risk Operation, including data and information, shall be wholly owned by the Sole Risk Party.

16.13.2 In case of a Sole Risk Operation under Article 16.2(d) the relevant facilities as well as any Petroleum produced therefrom shall be owned by the Sole Risk Party until such time as the Non-Consenting Party has elected to participate in further work under the Sole Risk Operation pursuant to Article 16.10.

16.13.3 Notwithstanding the election of a Non-Consenting Party to participate in a Sole Risk Operation involving production of Petroleum discovered

as the result of a Sole Risk Exploratory Well, and the payment by the Non-Consenting Party of the amount of money referred to in Article 16.10, the Non-Consenting Party shall not be entitled to receive any payment in kind of cash or credit for any Petroleum which was produced as a result of a discovery from such Exploratory Well prior to the date of such election and payment. Upon such election and payment however the Non-Consenting Party shall be entitled to its Participating Interest of Petroleum produced as a result of a discovery from such Exploratory Well following such election and payment.

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ARTICLE XVII - ACCOUNTING PROCEDURE

17.1 The Accounting Procedure is hereby made part of this Agreement. In the event of any conflict between any provision in the main body of this Agreement and any provision in the Accounting Procedure, the provision in the main body shall prevail.

ARTICLE XVIII - DEFAULT

18.1 FAILURE TO PAY

If any Party ("Defaulting Party") fails to pay in full its share of any Cash Call or Advance by the due date as provided in Article X or elsewhere in this Agreement (including all schedules thereto) (such date being hereinafter the "Default Date"):

- (i) the Operator shall notify by telex all the Parties of such default as soon as practicable after the occurrence of such default;
- (ii) after the occurrence of such failure to pay, the Operator shall serve on the Defaulting Party a formal notice (a "Default Notice") declaring that the Defaulting Party is in default from and including the Default Date;
- (iii) each Non-Defaulting Party shall contribute, as hereinafter provided, a share of the amount of default in the proportion that its Participating Interest bears to the total of the Participating Interests of the Non-Defaulting Parties, and pending receipt of such additional contributions the Operator shall make arrangements to meet any commitments falling due by borrowing the necessary finance from outside sources or by making the necessary finance available itself and all costs of any such finance shall be charged to the Non-Defaulting Parties; finance made available to the Operator shall bear interest calculated on a day to day basis at the Agreed Interest Rate;
- (iv) within five (5) Working Days following the date of notification by the Operator under Article 18.1(i), the Operator shall notify all the Parties of the liability of each of the Non-Defaulting parties to contribute to the amount in default and shall make a further Cash Call accordingly to take effect on the expiry of the six (6) Business Days specified in Article 18.1(v);
- (v) if such default continues for than six (6) Working Days after the date of notification by the Operator under Article 18.1(i) each of the Non-Defaulting Parties shall on the Business Day next following such sixth Business Day pay the amount notified under Article 18.1(iv), and thereafter shall continue to pay, in addition to its share of subsequent Advances, the proportion specified in Article 18.1(iii) of that part of all such

subsequent Advances attributable to the Defaulting Party until such time as the Defaulting Party has remedied its default in full, and failure by a Party to make such payment on behalf of a Defaulting Party shall likewise and with the same results render that Party in default; and

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(vi) no Party shall be entitled at any time to call into question any aspect of the Default Notice or its service on the Defaulting Party other than on the grounds (a) that the Defaulting Party had not failed to pay in full its share of any Cash Call or Advance by the due date as aforesaid, (b) that any such failure was not continuing at the date of service of the Default Notice (whether in respect of the whole or any part of the amount which the Defaulting Party failed to pay as aforesaid), (c) that the Default Notice was not served on the Defaulting Party.

18.2 REMEDY OF DEFAULT

The Defaulting Party shall have the right to remedy the default at any time by payment in full to the Operator or, if the Non-Defaulting Party has paid any amounts under Article 18.1(v), to the Non-Defaulting Party, in proportion to the amounts so paid by the Non-Defaulting Party of all amounts which the Defaulting Party has failed to pay (including the amount of Cash Calls and Advances attributable to the Defaulting Party which the Non-Defaulting Party has become liable to pay in terms of Article 18.1(v) together with interest thereon calculated on a day to day basis at the Agreed Interest Rate, from and including the due date for payment of such amounts until but not including the actual date of payment.

18.3 CONTINUATION OF DEFAULT

18.3.1 If a Party defaults after the commencement of commercial production and has not remedied the default by the sixth Business Day after Notice thereof from the Operator, the Defaulting Party shall not be entitled to its Participating Interest of Production which shall vest in and be the property of the Non-Defaulting Parties in the proportions which their respective Percentage Interests of Petroleum Costs bear to the total of the same, and Operator shall be authorized to sell such Petroleum, at the best price obtainable under the circumstances and, after deducting all reasonable costs, charges and expenses incurred by Operator in connection with such sale, pay the proceeds proportionately to the Non-Defaulting Parties which proceeds shall be credited against all monies advanced pursuant to Article 18.1 together with interest accrued thereon. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the Non-Defaulting Parties.

18.3.2 During the continuation of any default the Defaulting Party shall not be entitled to be represented at meetings of the Operating Committee or any sub-committee thereof nor to vote thereat (so that the voting interest of each Non-Defaulting Party shall be in the proportion which its Participating Interest bears to the total of the Participating Interest of all the Non-Defaulting Parties) and shall have no further access to any data and information relating to the Joint Operations. The Defaulting Party shall be bound by decisions of the Operating Committee made during the continuation of default.

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18.4 In the case of any Sole Risk Project pursuant to clause 16, the provision of this clause 18 shall apply mutatis mutandis to the Sole Risk Parties.

18.5 From the Default Date the Defaulting Party shall have no further rights with respect to the Deep Zone of the IMA Field or this Agreement except as provided for in this clause 18.

18.6 OTHER REMEDIES

All remedies provided hereunder shall be without prejudice to any other rights available to the Non-Defaulting Parties whether at common law, pursuant to statute or otherwise.

ARTICLE XIX - DISPOSITION OF PRODUCTION

19.1 RIGHT AND OBLIGATION TO TAKE IN KIND

Except with respect to Tax Oil or as otherwise provided in this Article, each Party shall have the right and obligation to own, take in kind and separately dispose of its Participating Interest of Production from any Exploitation Area in such quantities and in accordance with such procedures as may be set forth in the offtake agreement referred to in Article 19.2 or in the special arrangements for natural gas referred to in Article 19.3. If Government is party to the offtake agreement, then the Parties shall endeavour to obtain its agreement to the principles set forth in this Article.

19.2 OFFTAKE AGREEMENT FOR CRUDE OIL

If Crude Oil is to be produced from an Exploitation Area, the Parties shall in good faith, and not less than three (3) months prior to first delivery of Crude Oil, negotiate and conclude the terms of an agreement to cover, the offtake of Crude Oil produced under the Joint Venture Agreement, which agreement shall also provide for the sale of the Tax Oil by the Operator. The Government may, if necessary and practicable, also be party to the offtake agreement. This offtake agreement shall to the extent possible be consistent with the Joint Venture Agreement, and make provision for:

- (a) The delivery point, at which title and risk of loss of Participating Interest of Production of Crude Oil shall pass to the Parties (or as the Parties may otherwise agree);
- (b) The Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, Participating Interest of Production and grades of Crude Oil, for as far ahead as is necessary for the Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of Crude Oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts;

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- (c) Nomination by the Parties to the Operator of acceptance of their Participating Interest of Production of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire Participating Interest of Production arising during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the parties may otherwise agree;
- (d) Elimination of overlifts and underlifts;
- (e) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

- (f) Distribution to the Parties of Entitlements to ensure, to the extent Parties take delivery of their Entitlements in proportion to the accrual of such Entitlements, that each Party shall receive currently Entitlements of grades, gravities and qualities of Petroleum similar to Petroleum received by each other Party.
- (g) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments; and
- (h) The option and the right of the other Parties to sell an Entitlement which a Party fails to nominate for acceptance pursuant to (c) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of the Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. The Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments. Sales to non-affiliated third parties shall be for the realized price f.o.b. the delivery point. Sales to any of the Parties or their Affiliates shall be at current market value f.o.b. the delivery point. The Party arranging the sale shall pay to the Party whose Entitlement is involved the above price after deduction of all costs, including storage costs, incurred in respect of such sale and a marketing fee of an agreed percentage of the applicable price less deductions, reflecting actual costs of disposal at immediate notice. Current market value shall be the value of the Entitlement in international markets (unless the Entitlement was required to be delivered into the Government's domestic market, in which case it shall be the value therein between a willing buyer and seller and shall be agreed between the two Parties concerned, or failing agreement, determined by an expert to be appointed in accordance with procedures set forth in the offtake agreement.

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19.3

SEPARATE AGREEMENT FOR NATURAL GAS

The Parties recognize that if natural gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Joint Venture Agreement.

ARTICLE XX - CONFIDENTIALITY

20.1

CONFIDENTIALITY DATA AND INFORMATION

All data and information (the "Data") acquired or obtained by any Party in respect of the Joint Operations and under or pursuant to this agreement shall be considered confidential and shall be kept confidential and not be disclosed during the term of this Agreement and for a period of five (5) years thereafter and shall not be divulged in any way to any third party without the prior written approval of all the Parties, provided that:

- (a) any Party may, without such approval, disclose the whole or any

part of the Data in good faith:

- (i) to any Affiliate of such Party upon obtaining an undertaking of confidentiality (in similar terms to this Article 20.1) from such Affiliate;
- (ii) to any bona fide prospective assignee of such part upon obtaining an undertaking of confidentiality (in similar terms to this Article 20.1) from such assignee and subject to such Party having given not less than two (2) Business Days' notice to the other Parties specifying the extent to which that Party intends to disclose the Data to the prospective assignee and the name of such prospective assignee;
- (iii) to any outside professional consultants engaged by or on behalf of such Party and acting in that capacity, upon obtaining an undertaking of confidentiality (in similar terms to this Article 20.1) from such consultants, provided that such Party shall promptly inform the other Parties of the name of such consultants and the data disclosed to them;
- (iv) to any bank or financial institution from whom such Party is seeking or obtaining an undertaking of confidentiality (in similar term to this Article 20.1) from such bank or institution;
- (v) to the extent required by the Act, the OPL and OML governing the Deep Zones of the IMA Field, any other applicable law or the Regulations of the Ministry;
- (vi) to the extent that the same has become generally available to the public other than as a result of any breach by such Party of its obligations hereunder;

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- (vii) pursuant to an order of any court of competent jurisdiction; or
 - (viii) any government, stock exchange or securities commission having jurisdiction over such Party.
- (b) the Operator may disclose the Data to such persons as may be necessary in connection with the conduct of the Joint Operations upon obtaining an undertaking of confidentiality (in similar terms to this Article 20.1) from such persons provided that the Operator shall promptly inform the other Parties of the names of such persons and of the Data disclosed to them.

In the event of any Party ceasing to hold a Participating Interest, such Party shall nevertheless remain bound by this Article 20.1.

20.2 TRADING RIGHTS

20.2.1 The Operator may, with the prior approval of the Operating Committee and on such terms and conditions as it shall approve, exchange any Data for other similar data and information and the Operator shall promptly provide all the Parties as shall request the same with conformed copies of the agreement relating to such exchange and all such other data and information provided that, notwithstanding the foregoing provisions of this Article XX, if any Party is also the owner or part owner of such other data and information it shall not be entitled to prevent an exchange which has been approved by all the other Parties.

20.2.2 A Party having acquired any data and information by the conduct of a Sole Risk Project undertaken under Article XVI shall have the right to take such data and information as its exclusive property without seeking the prior approval of the Non-Consenting Parties, save that if the Non-Consenting Party in accordance with Article 14.4 such data and information shall thereafter become Joint Property and be subject to the restrictions imposed by Article 20.1.

ARTICLE XXI - PUBLIC ANNOUNCEMENTS

21.1 Subject to Articles 20.1, 21.2 and 21.3, the Operator shall be responsible for the preparation and release of all announcements and statements regarding this Agreement 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 Operation Committee has been obtained.

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21.2 Except as provided in Article 21.3, if any Party shall itself wish to issue or make any public announcement or statement regarding this Agreement or the Joint Operations it shall not do so unless prior thereto it furnished all the Parties with a copy of such announcement or statement obtains the approval of the Operating Committee provided that, notwithstanding any failure to obtain such approval, no Party or Affiliate of such Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with any applicable law or the regulations of a recognized stock exchange.

21.3 The Sole Risk Party carrying out a Sole Risk Project (or the operating if acting as operator for the Sole Risk Operation on behalf of the Sole Risk Party) shall be responsible for the preparation and release of all public announcements and statement to the Sole Risk Operation. The unanimous approval of the Sole Risk Parties (if more than one) shall be obtained to the terms of any such announcement or statement before it is released. If, prior to the release of such announcement or statement, the Non-Consenting Parties shall have discharged in full their liabilities to the Sole Risk Party in accordance with Article 14.4, the provisions of Article 21.1 will apply.

ARTICLE XXII - OUTGOINGS AND GRANTS

22.1 OUTGOINGS

The Parties shall be liable for payments in accordance with their Participating Interest. The Operator shall pay all such sums for the Joint Account excepting royalties, petroleum profit taxes and other taxes and governmental levies. If the Ministry shall require a Party to deliver Petroleum in place of royalty, the Operator shall, with the prior consent of each of the Parties, make arrangements with the Ministry of such delivery.

22.2 GRANTS

Grants received by any of the Parties from any governmental agency or body in Nigeria or internationally in respect of their respective expenditures made pursuant to this Agreement will be retained by the Party receiving the same. The Operator shall supply to any Party applying for a grant, at the sole cost of the Party requiring the same, all requisite data and information which such Party may reasonably require for the purpose.

23.1 COVENANT AND UNDERTAKING

Subject to the overriding responsibility of the Operator under Article 6.2.2, each Party hereby covenants and undertakes with the other Party that it will comply with all the applicable provisions and requirements of the Act and the OPL and OML establishing the Deep Zones of the IMA Field and will do all such acts and things within its control as may be necessary to keep and maintain any OPL and OML establishing the Deep Zones of the IMA Field in force and effect.

23.2 RELATIONSHIP

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23.2.1 The rights, duties, obligations and liability of the Parties hereunder shall be several and not joint or collective. Each Party shall be responsible only for its individual obligations hereunder. It is expressly agreed that it is not the purpose or intention of this Agreement to create, nor shall the same be construed as creating, any mining partnership, commercial partnership or other partnership, joint venture, association or trust, or as authorizing any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in the Joint Venture Agreement and this Agreement.

23.2.2 Subject to Article 6.2.3 each Party agrees to indemnify each other's Party, to the extent of its Participating Interest share for any claim by or liability to (including any cost and expenses necessarily incurred in respect of such claim or liability) any person not being a Party hereto, arising from or in connection with the Joint Operations including, without prejudice to the generality of the foregoing, any claim or liability based on the tort of negligence.

23.2.3 The Operator hereby covenants and undertakes that it will perform such acts, execute such documents, and do all other things as may be necessary to enable it to perform each and every agreement, covenant, undertaking, obligation and liability made, undertaken or assumed under this Agreement and further will not perform (or omit to perform) any act the performance (or the omission of the performance) of which would, if the Owner were a Party, render the Owner in breach of any such agreement covenant, undertaking, obligation or liability.

23.3 TAX

The Operator shall be responsible for reporting and discharging all taxes relating to the ownership and operation of the properties subject to this Agreement and shall satisfy such obligations out of the Tax Oil.

24.1 RESTRICTION

This Agreement and all the provisions hereof shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and assigns but neither this Agreement nor any of the rights, interest or obligations hereunder or under OML 112, OPL 237 or in respect of the IMA Field shall be assigned or pledged by any Party without the prior written consent of the other Party, which consent

shall not be unreasonably withheld, and the Government, if necessary, but may be assigned to Affiliates without such consent subject to the provisions of this Agreement. Further, AMNI hereby consents to a pledge by Liberty to of its interests in this Joint Operating Agreement, the Joint Venture and in the Deep Zones of the IMA Field to financial institutions now or hereafter providing credit to Liberty.

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The Parties acknowledge that the interests conveyed to Liberty with respect to its 10% undivided interest in the Deep Zones is subject to obtaining all necessary governmental approvals required to consummate the transactions provided for herein. The Parties agree to obtain such approvals as promptly as possible. If by December 1, 1998 the necessary government approvals have not been obtained, then the Parties shall enter into such amendments to this Agreement and the Joint Venture Agreement and such other contractual agreements as are necessary to provide Liberty (or its nominee) with all of the rights and benefits that were to be provided to Liberty pursuant to this Agreement and the Agreements executed in connection herewith.

ARTICLE XXV - WITHDRAWAL

25.1 RESTRICTION

No Party may withdraw from this Agreement unless it also withdraws from the Joint Venture Agreement, and in such case in accordance with the following provisions of this Article.

25.2 WITHDRAWAL

Subject to the provisions of this Article, any Party may withdraw from this Agreement and the Joint Venture Agreement by giving notice to all other Parties stating that it wishes to withdraw from the Joint Venture Agreement and this Agreement and specifying a proposed effective date of withdrawal which shall be at least sixty (60) Days, but not more than one hundred eighty (180) Days after the date of such notice. Such notice shall be unconditional and irrevocable when given. Within twenty (20) Business Days of receipt of such notice, any of the other Parties may similarly give notice that it wishes to withdraw from the Joint Venture Agreement and this Agreement. If all the other parties give such notice no assignment shall take place, the Parties shall be deemed to have decided to abandon the Joint Operations and the Joint Venture Agreement shall be determined on the earliest possible date. If less than all the other Parties give such notice, the withdrawing Parties shall withdraw from the Joint Venture Agreement and this Agreement and the non-withdrawing parties shall take the place of the withdrawing parties in accordance with Article 25.3 without compensation whatsoever.

25.3 CONDITIONS

With respect to Article 25.2:

(a) a withdrawing Party shall assign all of its said interest to the non-withdrawing Parties and such interest shall (unless otherwise agreed by such non-withdrawing parties) be allocated to them in the proportions in which their respective Participating Interest prior to the effective date of withdrawal (as hereinafter defined) bear to the total of the same;

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(b) a withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any necessary or desirable to obtain consent or approval of the Ministry in connection with,

and shall execute and deliver all documents necessary to effect any such assignment and a withdrawal shall not be effective and binding upon the Parties until the date upon which the same shall have been done (the "effective date of withdrawal");

- (c) a withdrawing Party shall promptly join in all actions required by the other Parties for the maintenance of the Deep Zone of the IMA Field provided that its participation in such actions shall not cause it to incur after the date on which notice of withdrawal shall have been given any financial obligations except as provided in this Article XXV;
- (d) a withdrawing Party shall pay all fines and penalties which may be prescribed by the Ministry and all costs and expenses incurred by the other Parties in connection with such withdrawal;
- (e) a withdrawing Party shall not be allowed to withdraw from the Joint Venture Agreement and this Agreement if its said interest is subject to any liens, charges or encumbrances other than rent and royalty payable under the OML and OPL governing the Deep Zones of the IMA Field, unless the other Parties are willing to accept the assignment subject to such additional liens, charges and encumbrances;
- (f) unless the Party or Parties acquiring its said interest agree to accept the withdrawing Party's liabilities and obligations, a withdrawing Party shall remain liable and obligated for its Participating Interest share of all expenditure accruing to the Joint Account under any Work Programme and Budget approved by the Operating Committee and authorized by AFE prior to the date on which notice of withdrawal is given even if the operations concerned are to be implemented thereafter provided always that this sub-paragraph (f) shall not render a withdrawing Party liable for any amounts which such Party would not have been obliged to pay had it not withdrawn; and
- (g) a withdrawing Party shall remain liable and obligated for its Participating Interest share of all net costs and obligations that in any way relate to the abandonment of Joint Operations or a Sole Risk Project in which such withdrawing Party participated if abandonment occurs within five (5) years after the effective date of withdrawal and, prior to such withdrawal, such withdrawing Party shall provide the other Parties with such security therefor as is acceptable to all such other Parties.

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- (h) If such withdrawing Party has, at the effective date of the withdrawal, already provided security for abandonment costs pursuant to an Abandonment Agreement entered into pursuant to Article 6.10.3 the adequacy of such security (both in terms of the proposed withdrawal in question and otherwise) shall be reviewed by the non-withdrawing Parties. Without prejudice to the right of the majority in Participating Interests of the non-withdrawing Parties to require the withdrawing Party to provide additional or substitute security for its said share, if the said majority of the non-withdrawing Parties determines that the security in question should not be released, the withdrawing Party shall not be entitled to any such release and the security in question (together with such additional security as the majority in Participating Interests of the non-withdrawing Parties shall have required the withdrawing Party to provide) shall be held as security for such withdrawing Party's said share until its liability under this Article 25.3(h) has been discharged.

ARTICLE XXVI - FORCE MAJEURE

26.1 The obligations, so far as and to the extent that the obligations are affected, of each of the Parties hereunder, other than the obligations to make payments of money or furnish security, shall be suspended during the period and to the extent that such Party is rendered unable, wholly or in part, from carrying out its obligations under this Agreement by 'Force Majeure' (as hereinafter defined). In such event, such Party shall give notice of suspension as soon as reasonably possible to the other Parties stating the date and extent of such suspension and the cause thereof. Any of the Parties whose obligations have been suspended as aforesaid shall use all reasonable endeavours to remedy such cause and shall resume the performance of such obligations as soon as reasonably possible after the removal of the cause and shall so notify all the other Parties.

26.2 For the purposes of this Agreement, "Force Majeure" shall mean any event beyond the reasonable control of a Party and which by the exercise of reasonable efforts, the Party is not able to prevent, and includes, but is not limited to, such events as governmental restrictions, strikes, lockouts, shortages of labor or material, acts of God, insurrection, riots, wars, fire, storms, hurricanes, floods and the like.

ARTICLE XXVII - NOTICES

27.1 Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement shall be delivered pursuant to Article 15.5 of the Joint Venture Agreement.

ARTICLE XXVIII - DISPUTE RESOLUTIONS PROVISIONS

28.1 This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England.

28.2 Any dispute arising out of and relating to this Agreement and which the Parties have not settled by themselves, shall finally be decided, to the exclusion of the courts, by arbitration in accordance with the arbitration rules of the International Chamber of Commerce. Three arbitrators shall be appointed, each party appointing one arbitrator, and the two arbitrators thus appointed choosing the presiding arbitrator. In reaching a decision, the arbitrators shall be guided by the terms of this Agreement and international practice in similar agreements.

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IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by their duly authorized officers and representatives as of the day and year first above written.

SIGNED, SEALED AND DELIVERED
for and on behalf of

SIGNED, SEALED AND DELIVERED
for and on behalf of

AMNI INTERNATIONAL PETROLEUM
DEVELOPMENT COMPANY LIMITED

LIBERTY TECHNICAL SERVICES
LTD.

By: /s/ Tunde J. Afolabi

By: /s/ Wade G. Cherwayko

Name: TUNDE J. AFOLABI
Designation: Managing Director
Chief Executive Officer

Name: Wade G. Cherwayko

Designation: President

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SCHEDULE "A"

ACCOUNTING PROCEDURE

This Schedule "A" is attached to and forms part of the Joint Operating Agreement made between AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD. the 30th day of June, 1998, (the "Agreement").

I DEFINITIONS AND PURPOSE

- 1.1 Words and phrases defined in Article 1 of the Agreement, when used herein, shall have the meaning assigned to them therein.
- 1.2 The purpose of this Accounting Procedure is to establish equitable methods and rules for determining and reporting changes and credits applicable to Joint Operations under this Agreement, to the end that the Operator shall, subject to the provisions of this Agreement, neither gain nor lose by reason of the fact that it acts as the Operator.

II CHARGEABLE COSTS AND EXPENDITURES

The Operator shall charge the Joint Account for all reasonable costs and expenses made in connection with the conduct of Joint Operations (the Operator shall not charge the Joint Account, and the Parties shall not be liable, for any unreasonable costs and expenses). Such costs shall include, but not be limited to:

2.1 CONCESSION PAYMENTS

All direct costs necessary to acquire and to maintain rights to the Deep Zones of the IMA Field or to acquire and to maintain such permits as are required for the Joint Operations.

2.2 LABOUR AND RELATED COSTS

Salaries and wages, including bonuses of employees of the Operator who are directly engaged in the conduct of Joint Operations, whether temporarily or permanently assigned, irrespective of the location of such employees. The costs of salaries and wages referred to herein shall include, without limitation, the costs of employee benefits, customary allowances and personal expenses incurred under the Operator's allowances and personal expenses incurred under the Operators' practice and policy, and amount imposed by applicable Governmental authorities, which are applicable to such employees. These costs and expenses shall include:

- 2.2.1 Cost of established plans for employee group life insurance, hospitalization, pension, retirement, savings and other benefits plan;
- 2.2.2 Cost of holidays, vacations, sickness and disability benefits;
- 2.2.3 Cost of living, housing, and other customary allowances;
- 2.2.4 Reasonable personal expenses which are reimbursable under the Operator's standard personnel policies;
- 2.2.5 Obligations imposed by Government authorities;

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2.2.6 Cost of transportation of employees, other than as provided in paragraph 2.3 below, as required in the conduct of Joint Operations.

2.2.7 Charges in respect of employees temporarily engaged in Joint Operations calculated to reflect the actual costs thereto during the period or period of such engagement.

2.3 EMPLOYEE RELOCATION AND RELATED COSTS

For the purposes of this paragraph 2.3, the following words shall have the following respective meanings, namely:

"Relocation Costs" means, with respect to employees of the Operator

relocation costs, Transportation Costs and transfer expenses, in conformity with the Operator's established and Customary practices, including transportation of such employees' families and their personnel and household effects.

"Transportation Costs" for the above purpose shall include the cost of

freight and passenger service, meals, hotels, and other expenditures related to the transfer.

2.3.1 Relocation Costs, Transportation Costs and transfer expenses, within Nigeria, for personnel engaged in Joint Operations.

2.3.2 Relocation Costs and Transportation Costs with respect to expatriate employees, including:

(a) Relocation Costs and Transportation Costs for the Operator's employees and their families transferring to the Joint Operations;

(b) Relocation Costs and other related expenses incurred in the final repatriation or transfer of the Operator's expatriate employees and families in the case of such employees' retirement or separation from the company, or

in the case of such employees' relation to the Operator's Head Office.

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PROVIDED HOWEVER, that:

(a) Relocation Costs incurred in moving an expatriate employee and his family beyond his point of origin, established at the time of his transfer to Nigeria, will not be charged to the Joint Account; and

(b) no charge shall be made to the Joint Account with respect to expenses incurred in the final repatriation or transfer of the Operators' expatriate employees and families to other areas outside of the Contract Area.

2.3.3 Relocation Costs and Transportation Costs with respect to Nigeria employees on training assignments outside the Contract Area.

2.3.4 Charges in respect of employees temporarily engaged in Joint Operations shall be calculated to reflect the actual costs thereto during the period or periods of such engagement.

2.4 SERVICES PROVIDED BY THIRD PARTIES/MARKET ORIENTATED AFFILIATES

The cost of professional, technical, consultation, utilities and other services procured from third party sources pursuant to any contract or other arrangement between such third parties and the Operator for the purposes of the Joint Operations.

2.5 SERVICES PROVIDED BY THE OPERATOR'S AFFILIATES, NON-OPERATOR OR

NON-OPERATORS AFFILIATES

The cost of professional, administrative, scientific and technical services provided or performed by the Non-Operator, or by any Affiliate of the Operator or Non-Operator for the direct benefit of Joint Operations, including, but not limited to, services provided by the Producing, Exploration, Legal, Financial, Purchasing, Insurance, Accounting, and Computer Services Departments of Non-Operator or such Affiliates.

2.5.1 Costs and charges hereinabove referred to shall include, without limitation, the costs and charges for specific projects or studies carried out for the Joint Account by Non-Operators or Non-Operators' Affiliates.

2.5.2 Charges for providing the above services shall reflect the actual cost only of providing such services and shall not include any element of profit.

2.5.3 The charge out rate shall include all costs and expenses incidental to the employment of the personnel utilized for the aforesaid services.

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2.5.4 The charges for services rendered for purchasing and/or for coordinating forwarding and expediting shall be chargeable to the extent that the same have not been fully reimbursed under provisions of Article 3.1.3 hereof.

2.6 DAMAGE AND LOSS TO JOINT PROPERTY

Subject to the provisions of paragraph 2.6.2 hereunder, all costs or expenses incurred for the repair or replacement of Joint Property resulting from damages or losses by fire, flood, storm, theft, accident or any other cause shall be for the Joint Account.

2.6.1 The Operator shall furnish the Non-Operators with written notice of any occurrence of damage or loss incurred which is estimated to exceed \$50,000.00 as soon as practicable after the occurrence of the event giving rise to the said damage or loss.

2.6.2 Where the loss or damage, referred to in this paragraph 2.6 is insured against pursuant to this Agreement, any recoveries or deductibles under the relevant insurance policies shall be for the Joint Account. Recoveries or deductibles relating to insurance obtained by an individual Party shall be for the sole account of that Party.

2.7 LEGAL EXPENSES

All costs or expenses of handling, investigating, asserting defending and settling litigation or claims arising our of or relating to Joint

Operations or necessary to protect or recover the Assets, including, but not limited to legal fees, court costs, arbitration costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation, arbitration or claims in accordance with the provisions of this Agreement.

2.8 DUTIES AND TAXES

All duties and taxes, fees and government assessment of every kind and nature except as excluded by this Agreement.

2.9 COSTS OF OFFICES, CAMPS, AND MISCELLANEOUS FACILITIES IN NIGERIA

Net costs of establishing, maintaining, and operating offices, camps, warehouses, housing and other facilities serving the Joint Operations. If such facilities serve other operations in addition to the Joint Operations, the net cost thereof shall be allocated to the properties and facilities served on such equitable basis as may be approved by the Operating Committee pursuant to Article 2.12 of this Agreement.

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2.10 OPERATOR'S PARENT COMPANY HEAD OFFICE OVERHEAD

The charge for the Operator's parent company overhead (hereinafter called "Head Office Overhead Charge").

2.10.1 The Head Office Overhead Charge shall cover professional, administrative and technical services which include, but are not limited to, production, exploration, treasury, payroll, communications, personnel, executive administrative management, central engineering and process engineering services provided by the Operator's parent company Head Office or any of its Affiliates to the extent not chargeable under paragraph 2.5 of this Schedule "A."

2.10.2 In respect to the Operator's Head Office Overhead Charge, the Operator shall charge monthly to the Joint Operations an amount based on one-twelfth (2) of the estimated annual Head Office Overhead Charge. Adjustments of the Head Office Overhead Charge, based on actual expenditures, will be made at the end of each calendar year.

2.10.3 For the purpose of calculating the Head Office Overhead Charges pursuant to paragraph 2.10.2 hereof, costs, charges, and expenditures relating to royalties, Concession rentals, taxes, fees and charges paid to any government or taxing authority, shall be excluded.

2.11 COSTS OF MATERIAL

The costs of materials purchased or furnished by the Operator for use in Joint Operations as provided under Section 3 of this accounting procedure.

2.12 COST OF THE OPERATOR'S EQUIPMENT AND FACILITIES

The costs of equipment and Facilities owned and furnished by the Operator or any of its Affiliates shall be charged to the Joint Account at rates commensurate with the cost of ownership and operation.

2.12.1 The rates charged pursuant to this paragraph 2.12 shall not

exceed those currently prevailing for the supply of like equipment and facilities on comparable terms in the area where the Joint Operations are being conducted.

2.12.2 The equipment and facilities referred to herein shall exclude major investment items such as, but not limited, to, drilling rigs, producing platforms, oil treating facilities, oil and gas loading and transportation systems, and terminal facilities and other major facilities, charges for which shall be subject to a separate agreement.

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2.13 OTHER EXPENDITURES AND COSTS

Any other expenditures and costs, not covered or dealt within the foregoing provisions of this Section 2, which are incurred by the Operator in accordance with the provisions of this Agreement.

III MATERIALS ADMINISTRATION

Costs, expenses, credits and other charges in respect of materials and supplies, equipment, machines, tools and any other goods of a similar nature acquired, used, consumed or disposed for the purposes of, or in the course of the conduct of, the Joint Operations shall be for the Joint Account as set forth in this Section 3.

3.1 MATERIALS ACQUISITION

Materials purchased by the Operator shall be at Net Cost. "Net Cost" shall include, but shall not be limited to, the invoice price less trade and cash discounts actually received, purchase and procurement fees, freight and forwarding charges, between point of supply and point of shipment, freight to port of destination, insurance, customs duties, consular fees, excise and other applicable taxes, other times chargeable against imported materials and, where applicable, handling and transportation expenses from point of importation to warehouse or operating site.

3.1.1 Except as otherwise provided in paragraph 3.1.4 and 3.1.5 below, materials for use in the Joint Operations shall be purchased by the Operator in arm's length transactions in the open market.

3.1.2 The Operator shall be under no obligation to purchase new, used or surplus materials from the Non-Operators unless such materials are of the specification required and have a competitive price.

3.1.3 Where an Affiliate of the Operator has arranged for the purchase, coordinated the forwarding and expediting effort, a fee equal to four percent (4%) of the FOB value of the materials will be added to the cost of the materials purchased.

3.1.4 Whenever any material is not readily obtained at published or listed prices because of national emergencies, strikes or other usual causes over which the Operator has no control, the Operator may charge Joint Account for the required material at the actual cost incurred by the Operator in providing such material, and in moving it to the Contract Area.

3.1.5 The Operator may purchase or otherwise acquire materials from an affiliate on the same terms as set forth in this paragraph 3.1.

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3.2 MATERIALS DISPOSAL

The operator shall have the right to dispose of surplus materials as provided in Article 2.10 of this Agreement.

3.2.1 Disposals of surplus material requiring Operating Committee approval under Article 2.10 of this Agreement shall be effected in accordance with a disposal and tendering procedure established for such disposals by the Operator.

3.2.2 Any disposal and tendering procedure established by the Operator for the purposes of subparagraph 3.2.1 shall:

(i) provide for disposal in arms length transactions in the open market; and

(ii) include, for the Parties, a preferential right to purchase same at a competitive price.

3.2.3 Proceeds from each sale or other disposal of material hereunder shall be credited to the Joint Account.

3.3 INVENTORIES

At reasonable intervals, inventories shall be taken by the Operator of all Joint Property. The Operator shall give thirty (30) days written notice of its intent to take inventory to permit the Non-Operators to be represented at the taking of such inventory. Failure on the Non-Operators to be represented after due notice shall bind the Non-Operators to accept the inventory taken by the Operator as correct.

3.3.1 Reconciliation of the physical inventory with the account of the Joint Operations shall be made by the Operator and a list of overages and shortages with relevant explanation where appropriate shall be furnished to the Non-Operators, if requested. Appropriate inventory and accounting adjustments shall thereupon be made to the accounts of the Joint Operations.

3.3.2 Wherever there is a sale or change of interest in the Joint Property, a special inventory of such Joint Property may be carried out by the Operator, provided the purchaser of such interest agrees to bear all of the expenses thereof. In such cases, both the seller and the purchaser shall be entitled to be represented at such inventory and shall be bound by inventory whether or not such representation is provided.

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SCHEDULE "B"

UNIFORM PROJECT IMPLEMENTATION PROCEDURE

This Schedule "B" is attached to and forms part of the Joint Operating Agreement made between AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED AND LIBERTY TECHNICAL SERVICES LTD. the 30th day of June, 1998 ("the Agreement").

I DEFINITIONS

Words and phrases defined in Article 1 of the Agreement, when used herein, shall have the same meanings assigned to them therein.

II APPLICATION

II.1 This Schedule sets out the procedure for initiating projects, tendering for and implementing contracts and procuring materials and equipment for the Joint Operations subject to sections 2.2 and 2.4 of this Schedule "B."

II.2 The procedure shall be applicable to all contracts and purchase orders whose values exceed the respective limits set forth in Article 4.4 of this Agreement and which, pursuant thereto, require the prior concurrence of the Operating Committee.

III PROCEDURE FOR INITIATING PROJECTS

3.1 The Operator realizing the need for a project or contract to which this procedure applies pursuant to section 2 hereinabove, shall introduce it as part of the proposed work programmes and budget to be developed and submitted by the Operator, under this Agreement, to the Operating Committee.

3.1.1 The Operator shall provide adequate information with respect to the project including, without limitation, the following:

- (i) A clear definition of the necessity and objective of the project;
- (ii) Scope of the project; and
- (iii) Cost Estimate thereof.

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3.1.2 The Chairman of the Operating Committee shall forward or transmit the project proposal along with all related documentation prepared and provided by the Operator pursuant to Subsection 3.1.1 hereof to the Sub-Committee established pursuant to Article 8.7 of the Agreement. The Sub-Committee shall consider the proposal at its next meeting and, if acceptable, shall recommend it to the Operating Committee for approval.

3.1.3 The Operating Committee may, prior to confirming its approval, make recommendations to the Operator regarding the selection, scope and timing of the project. Such recommendations shall constitute an instruction to the Operator who shall, where applicable, modify its previous submittal as may be required by the said instruction of the Operating Committee.

3.1.4 The project as approved pursuant to sub-sections 3.1.2 and 3.1.3 shall form part of the Work Programme and Budget of the Joint Operations. Such approval shall also constitute authorizations by the Operating Committee to the Operator to initiate contacts and purchases relevant to the project proposal.

3.1.5 Projects design and supervision/management shall first be drawn from available Operator's in-house expertise or that of the Operator's Affiliated Companies as approved by the Operating Committee under approved budget.

3.1.6 After approval of the project/budget, the Operator shall:

- (a) promptly provide the Operating Committee with copies of all approved AFE's;
- (b) prepare a detailed project implementation schedule including, without limitation, detailed engineering design, material/equipment procurement, inspection, transportation, fabrication/construction, installation, testing and

commissioning; and

- (c) shall present same to the Operating Committee including, without limitation, the following:
 - (i) project definition;
 - (ii) project specification;
 - (iii) flow diagrams;
 - (iv) projects schedule;
 - (v) major equipment specifications; and
 - (vi) cost estimate of the project.

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- (d) prepare an activity status report as directed by the Operating Committee.

IV CONTRACT TENDER PROCEDURE

- 4.1 The following tender procedure shall apply to work not directly undertaken by the Operator itself or by the Operator's Parent Company which have a cost of \$50,000 or less.
 - 4.1.1 The Operator shall maintain a list of approved companies for the purposes of contracts for the Joint Operations, (the "Approved Contractors' List"). The Non-Operators shall have the right to propose companies to be included in the list. Operator shall be responsible for prequalifying any Contractor to be included in the Approved Contractors' List.
 - 4.1.2 Contractors included in the Approved Contractors' List shall be both local and/or overseas companies or entities. They shall also be registered with the Department of Petroleum Resources of the Ministry of Petroleum Resources.
 - 4.1.3 When a contract is to be bid, the Operator shall present a list of proposed bidders to the Operating Committee for concurrence not less than fifteen (15) working days before issuance of invitations to bid to prospective contractors. Non-Operators may propose additional names to be included in the list of proposed bidders or the deletion of any one thereof. Contract specifications shall be in English and a recognized format used in the international petroleum industry.
 - 4.1.4 If the Operating Committee has not responded within fifteen (15) working days following the presentation of the list of proposed bidders as aforesaid, the Operator's list shall be deemed to have been approved.
- 4.2 The Operator shall establish a Bid Committee who shall be responsible for prequalifying bidders, sending out bid invitations, receiving and evaluating bids and determining successful bidders to whom contracts shall be awarded.
- 4.3 Analyses and recommendations of bids received and opened by the Bid Committee shall be sent by Operator to the Operating Committee for concurrence before a contract is executed with the selected contractor. The Operating Committee shall respond within fifteen (15) working days. Approval shall be deemed to have been given if the Operating Committee has not responded within said period.

4.4 Prospective vendors/Contractors for work estimated in excess of \$250,000.00 shall submit the commercial summary of their Bids to the Operator not earlier than 15 minutes before the closure of Bid as specified in the letter of invitation to Bid, if requested by the Operator.

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4.5 In all cases in which an entity affiliated or otherwise related to Operator is invited to bid, the Operator shall make full disclosure to the Operating Committee of its relationship, if any, with the company or companies.

4.6 The foregoing procedures may be waived in emergency cases. In such cases the Operator may negotiate directly with contractors. In respect of work requiring specialized skill, upon the approval of Liberty, the Operator may negotiate directly with the Contractors and promptly inform the Operating Committee of the outcome of such negotiation.

V GENERAL CONDITIONS OF CONTRACTS

Except as otherwise approved by the Parties, the following general guidelines and conditions of contract shall apply.

5.1 PAYMENT OF TERMS

5.1.1 A minimum of 10% of contract price shall be held as a retention payment until after the end of a guarantee period agreed with the contractor which shall vary between six months and twelve months, depending on the project, with the exception of drilling and seismic data acquisition, well surveys and other such services. A contractor may be given the option to provide other guarantee equivalent to the 10% retention such as Letter of credit or Performance Bond.

5.1.2 Provision shall be made for appropriate withholding tax as may be applicable.

5.2 LANGUAGE OF CONTRACT

The language of the contract shall be English.

5.3 LAWS, REGULATIONS, AND PERMITS

5.3.1 The governing law of all agreements shall be the laws of England.

5.3.2 The Regulations shall apply to contractors performing in Nigeria and, as far as practicable, they shall use indigenous human and material resources.

5.3.3 All contracts shall include a provision whereby the Contractor shall hold the Operator harmless and indemnify the Operator from and against all liabilities, losses, damages and claims resulting from claims and suits by third parties.

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5.4 TERMINATION

Each contract shall also provide for early termination upon notice and the Operator shall use all reasonable endeavours to obtain a termination provision with minimal penalty.

5.5 LOCATION SUBSIDIARY

Contracts shall provide, in the case of a foreign contractor, that the local part of the work, where practicable, shall be performed by contractors' local subsidiary.

6 MATERIALS & EQUIPMENT PROCUREMENT PROCEDURE

6.1 The Operator may, through own in-house or Parent Company procure materials and equipment subject to conditions set forth hereinbelow.

6.2 The provisions of this Section 6 shall not apply to lump sum or turnkey contracts/projects.

6.3 In ordering the equipment/materials, the Operator shall obtain from vendors/manufacturers such rebates/discounts and such warranties/guarantees that such vendors/manufacturers normally offer, and all rebates, discounts, guarantees and all other grants and responsibilities shall be for the benefit of the Joint Operations.

6.4 The Operator shall:

6.4.1 by means of established policies and procedures ensure that its procurement efforts provide the best total value, with proper consideration of quality, service, price, delivery and operating costs to the benefit of the Joint Operations;

6.4.2 maintain appropriate records, which shall be kept up to date, clearly documenting procurement activities;

6.4.3 provide a quarterly listing of excess materials in its stock list to the Operating Committee; and

6.4.4 check the listings from other operators pursuant to subsection 6.4.2 above, prior to initiating any foreign purchase order.

6.5 The Operator shall initiate and maintain policies and practices which create a competitive environment/climate amongst local and/or overseas suppliers. Competitive quotation processes shall be employed for all local procurements where the estimated value exceeds the equivalent of \$150,000.00.

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6.5.1 Fabrication, whenever practicable shall be done locally provided standards are not jeopardized. To this effective, the Joint Operations recognize and shall accommodate local offers at a reasonable premium.

6.5.2 Subject to Article 4.1.1, the Operator shall give preference to Nigerian Indigenous Companies in the award of sub-contracts provided the companies possess the requisite skill for the execution of such contracts.

Contracts within the agreed financial limit of the Operator shall be awarded to only competent Nigerian indigenous contractors. Where there are no Nigerian Indigenous contractors possessing the required skill/capability for the execution of such contracts, the Operator shall notify the Operating Committee accordingly.

6.6 Analyses and recommendations of competitive quotations received pursuant to section 6.5 shall be presented to the Operating Committee for approval before a purchase order is issued to the selected vendor/manufacturer.

6.6.1 Approval shall be deemed to have been given if a response has not been received within fifteen (15) working days of receiving the analyses and recommendation presented pursuant to above section 6.6.

VII PROJECT MONITORING

7.1 The Operator shall furnish monthly, a project report to the Operating Committee.

7.1.1 For major contracts exceeding \$1,000,000.00, or equivalent, the Operator shall, in addition, furnish to Operating Committee a detailed quarterly report which shall include:

- (i) Approved budget total for each project;
- (ii) Expenditure on each project;
- (iii) Variances and explanation;
- (iv) Number and value of construction change orders;
- (v) Bar chart of schedule showing work in progress and work already completed and schedule of mile-stones, and significant events; and
- (vi) Summary of progress during the reporting period, summary of existing problems, if any, and proposed remedial action; and anticipated problems; and percentage of completion.

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7.1.2 In case of an increase in excess of 10% on the project, the Operator shall promptly notify and obtain the consent of the Operating Committee.

7.1.3 Not later than three (3) months following the physical completion of any major projects over \$1,000,000.00, or equivalent, the Operator shall prepare and deliver to the Operating Committee a project completion report which shall include the following:

- (a) Cost performance of the project in accordance with the work breakdown at the commencement of the project;
- (b) Significant variations in any item or subitems; and
- (c) Summary of problems and unexpected events encountered during the project.

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SCHEDULE "C"

UNIFORM NOMINATION, SHIP SCHEDULING AND LIFTING PROCEDURE

[The terms of this Schedule shall be negotiated by the Parties promptly after the discovery of a Commercial Quantities of Petroleum, with all Parties negotiating in good faith]

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SCHEDULE "D"

MAP OF THE IMA FIELD

[MAP OF THE IMA FIELD]

IMA FIELD, OML 112 (FORMERLY OPL 469)) AND OPL 237

DEEP ZONES:

All geological formations within and around the Ima Field that are north (upthrown) and south (downthrown) of the geological fault dividing the Ima Field, all depths below the geological producing reservoir within the Ima Field, known as the * F + sand, as currently shown on the maps and schematic cross-section materials covering the Ima Field annexed hereto as Schedule A, or a depth of 12,150 feet (true vertical depth), whichever is the lesser depth, lying within the geological co-ordinates along the northern boundary of OML 112 and OPL 237, to the south boundary of OML 112, to the western boundary of OML 112 and to the eastern boundary of 550,000m E, as annexed hereto as Schedule B.

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SCHEDULE "E"

AFE FOR IMA # 11

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Exhibit 10.5

DEBENTURE

Dated as of June 30,1998

BETWEEN

LIBERTY TECHNICAL SERVICES LTD.
as the Chargor

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED
as the Beneficiary

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THIS DEBENTURE is dated as of June 30, 1998 and is made BETWEEN:

LIBERTY TECHNICAL SERVICES LTD., a company existing under the laws of the Bahamas "LIBERTY@", also referred to as the "CHARGOR@); and

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED, a company existing under the laws of Nigeria ("AMNI", also referred to as the "BENEFICIARY").

PREAMBLE

WHEREAS Liberty has entered into a Sale/Purchase Agreement and related Prepayment Agreement, with Total International Limited ("TOTAL") both dated July 29, 1997 (the "LIBERTY OIL CONTRACT" and the "PREPAYMENT AGREEMENT" respectively), and

WHEREAS pursuant to the Prepayment Agreement, Total made a Prepayment (as defined in the Prepayment Agreement) to Liberty in the amount of US.\$35,000,000 (the APREPAYMENT@) of which approximately US[\$2,916,666.67] has been reimbursed to Total to date; and

WHEREAS Liberty requested Total to a limited extension of the period for the reimbursement of the Prepayment (as defined in the Prepayment Agreement) as described in Clause A of the amendment ("AMENDMENT NO. 1") of the Prepayment Agreement dated 6 April 1998; and

WHEREAS it was a condition of Total entering into Amendment No 1 that the Chargor enter into a Debenture dated 6th April 1998 for the purpose of securing the payment and performance of the Liberty's Secured Liabilities as defined in such Debenture;

WHEREAS Amni is the holder of OML No. 112 issued by the Federal Government of Nigeria in respect of Concession Block 469 and an OPL also issued by the Federal Government of Nigeria in respect of Concession Block 237, and Amni and Liberty are Joint Venturers in the development and operation of the part of the Concessions in Nigeria by virtue of which Liberty is the beneficial owner of 10% interest in the Deep Zone in OML No 112 (as such term is hereinafter defined);

WHEREAS Liberty and Amni have pursuant to a Memorandum of Agreement of even date herewith agreed (inter alia) that Amni will accept joint responsibility for \$5,000,000 of the debt currently owed by Liberty to Total under the Prepayment Agreement as amended and that Liberty would grant Amni a charge over certain assets owned by Liberty, currently charged to Total.

WHEREAS the respective rights of Total and Amni are set out in an Intercreditor Agreement of even date herewith

WHEREAS it is intended by the parties to this Debenture that this document shall take effect as a deed notwithstanding the fact that a party may only execute this document under hand.

IT IS AGREED as follows:

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1 INTERPRETATION

1.1 DEFINITIONS

In this Debenture:

"AFFILIATES" means Abacan Resource Corporation, Dahomey Resource Corporation, West African Resource Corporation, Abacan Resources (Benin) Limited, Abacan Resources (Delta) Limited, Abacan Technical Services Ltd., Abacan Services (UK) Limited, Abacan Services (USA) Limited, Abacan Resources (Nigeria) Ltd., Agbara Resources Limited, Angus International Resources Ltd., Profile International Ltd. and includes all other legal entities controlled directly or indirectly by any of such companies.

"ASSUMPTION OF DEBT" means the acceptance by Amni of joint responsibility with Liberty for up to \$5,000,000 of the Secured Liabilities, which obligations may be reduced to \$2,500,000 of the Secured Liabilities if the first well drilled fails to discover Economic Production [WHERE AECONOMIC PRODUCTION@ MEANS THAT SUCH WELL IS CAPABLE OF PRODUCING CONTINUOUSLY AN AMOUNT OF PRODUCTION AT A MINIMUM LEVEL WHICH WOULD ENTITLE LIBERTY TO RECEIVE AN ENTITLEMENT TO OIL

HAVING AN ANNUAL VALUE OF NOT ---]

"ENFORCEMENT OFFICER" means the person defined as such in Clause 7.1 (Appointment of Enforcement Officer).

"EVENT OF DEFAULT" means Beneficiary has made a required payment with respect to its obligations as to the Assumption of Debt and Chargor has failed to reimburse Beneficiary for the amount of such payment within thirty (30) days after the date the payment is made. For the purposes of this definition, Chargor shall be deemed to have timely reimbursed Beneficiary if Beneficiary makes the payments to Secured Lenders by using proceeds attributable to Chargor's interest in the Security Assets.

"FINANCE DOCUMENTS" means that certain Credit Facility Agreement by and among Chargor and certain of its Affiliates, as Borrowers and Guarantors, and Total and Credit Suisse First Boston ('CSFB") (Total and CSFB are collectively referred to here as the "Secured Lenders).

"PROJECT" means the development and operation of the Deep Zone capable of producing continuously an amount of production at a minimum level that would entitle Liberty to receive an entitlement to oil having an annual value of not less than U.S. \$5,000,000 (at then current oil prices) as determined by a reputable firm of independent petroleum engineers.

"REALISATIONS ACCOUNT" means each amount maintained from time to time by the Chargor for the purposes of Clause 6.2 (Contingencies) at such bank as the Beneficiary may from time to time approve.

"SECURED LIABILITIES" means the Chargor's liability to the Beneficiary hereunder in respect of the Assumption of Debt.

"SECURITY ASSETS" means all assets, rights and property of the Chargor the subject of any security created by or pursuant to this Debenture and described in the Schedule,

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"SECURITY PERIOD" means the period beginning on the date of this Debenture and ending on the date on which (a) all the Secured Liabilities have been unconditionally and irrevocably -paid and discharged in full and no further Secured Liabilities can arise under or in respect of the Finance Documents; or (b) the Beneficiary's obligation as to the Assumption of Debt is unconditionally and irrevocably released and discharged.

"TSRA" means the Termination Settlement and Release Agreement between the parties of even date herewith

1.2 CONSTRUCTION

- (a) Capitalised terms defined in the TSRA and the Finance Documents have, unless expressly defined in this Debenture, the same meaning in this Debenture.
- (b) If the Beneficiary (based upon appropriate legal advice in relevant jurisdictions) considers that any amount paid by the Chargor to the Beneficiary is capable of being avoided or otherwise set aside on the liquidation or administration of the Chargor or otherwise, then that amount shall not be considered to have been irrevocably paid for the purposes of this Debenture until such time as the period during which such payment may be set aside has expired.

2 COVENANT TO PAY

2.1 COVENANT

In consideration of the Assumption of Debt the Chargor covenants with the Beneficiary that the Chargor will reimburse Beneficiary for payments made to the Secured Lenders with respect to the Assumption of Debt, which reimbursement may take the form of proceeds out of Chargor's interest in production from the Security Assets.

3 FIXED AND FLOATING CHARGES

3.1 CREATION OF FIXED CHARGES

As security for the Assumption of Debt the Chargor charges in favor of the Beneficiary by way of a fixed charge all of their present and future right, title and interest in and to the assets and interests described in the Schedule.

4 CONTINUING SECURITY, ETC

4.1 CONTINUING SECURITY

The security constituted by this Debenture shall be continuing and until the Assumption of Debt: is terminated or discharged will extend to the ultimate balance of all sums payable by the Chargor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

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4.2 BREAKING OF ACCOUNTS

If for any reason the security constituted by this Debenture ceases to be a continuing security, the Beneficiary may open a new account with or continue any existing account with the Chargor and the liability of the Chargor in respect of the Secured Liabilities and the Assumption of Debt at the date of such cessation shall remain regardless of any payments in or out of any such account.

4.3 REINSTATEMENT

- (a) Where any discharge (whether in respect of the obligations of the Chargor or any other person or any security for those obligations or otherwise) is made in whole or in part, or any arrangement is made on the faith of any payment, security or other disposition, which is avoided or must be restored on insolvency, liquidation or otherwise without limitation, the liability of the Chargor under this Debenture shall continue as if such discharge or arrangement had not occurred.
- (b) The Beneficiary may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

5 WHEN SECURITY BECOMES ENFORCEABLE

The security constituted by this Debenture shall only become immediately enforceable upon the occurrence of an Event of Default and the power of sale and other powers conferred by the Conveyancing and Law of Property Act 1881 of Nigeria as varied or amended by this Debenture shall be immediately exercisable upon and at any time after the occurrence of any Event of Default provide the same is continuing. After the security by this Debenture has become enforceable, the Beneficiary may in its absolute discretion enforce all or any part of the security in any manner it sees fit

6 ENFORCEMENT OF SECURITY

6.1 GENERAL

For the purposes of all powers implied by statute the Secured Liabilities shall be deemed to have become due and payable on the date of this Debenture and Section 20 of the Conveyancing and Law of Property Act 1881 of Nigeria (restricting the power of sale) and Section 17 of the same Act (restricting the

right of consolidation) shall not apply to this security.

6.2 CONTINGENCIES

- (a) If the Beneficiary enforces the security constituted by this Debenture (whether by the appointment of an Enforcement Officer Or otherwise) at a time when no amounts are due under the Finance Documents (but at a time when amounts may become so due), the Beneficiary (or the Enforcement Officer) may pay the proceeds of any recoveries effected by it into any Realisations Accounts as it considers appropriate.

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- (b) The Beneficiary (or the Enforcement Officer) may (subject to the payment of any claims having priority to this security) withdraw amounts standing to the credit of the Realisations Accounts to:

- (i) meet all costs, charges and expenses incurred and payments made by the Beneficiary (or such Enforcement Officer) in the course of such enforcement;
- (ii) pay remuneration to the Enforcement Officer as and when it becomes due and payable; and
- (iii) meet amounts due and payable under the Finance Documents as and when they become due and payable,

in each case, together with interest thereon (before as well as after judgment and payable on demand) at the Default Rate from the date they become due and payable until the date they are unconditionally and irrevocably paid and discharged in full.

- (c) The Chargor will not be entitled to withdraw all or any moneys (including interest) standing to the credit of any Realisations Accounts until the expiry of the Security Period.

7 ENFORCEMENT OFFICER

7.1 APPOINTMENT OF ENFORCEMENT OFFICER

- (a) At any time after the security constituted by this Debenture becomes enforceable or (if the Chargor so requests the Beneficiary in writing) at any time, the Beneficiary may without further notice, appoint, under seal or in writing under its hand, any one or more qualified persons to be a receiver or receiver and manager (each an AENFORCEMENT OFFICER@) of all or any part of the Security Assets in like manner in every respect as if the Beneficiary had become entitled to exercise all of the rights, powers and discretions conferred by the Conveyancing and Law of Property Act 1881 of Nigeria.
- (b) In paragraph (a) above "qualified person" means a person who, under the Companies and Allied Matters Decree 1990 of Nigeria, is qualified to act as a receiver/manager of the property of any company with respect to which he is appointed.

7.2 REMOVAL

The Beneficiary may by writing under its hand:

- (a) remove any Enforcement Officer appointed by it; and
- (b) may, whenever it deems it expedient, appoint a new Enforcement Officer in the place of any Enforcement Officer whose appointment may for any reason have terminated.

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7.3 REMUNERATION

The Beneficiary may fix the remuneration of any Enforcement Officer appointed by it provided that such remuneration shall be reasonable having regard to the circumstances.

7.4 RELATIONSHIP WITH BENEFICIARY

To the fullest extent permitted by law, any right, power or discretion conferred by this Debenture (either expressly or impliedly) upon an Enforcement Officer may be exercised by the Beneficiary in relation to any Security Assets without first appointing an Enforcement Officer or notwithstanding the appointment of an Enforcement Officer.

8 POWERS OF ENFORCEMENT OFFICER

8.1 GENERAL

- (a) Each Enforcement Officer has, and is entitled to exercise, all of the rights, powers and discretions set out below in this Clause 8 in addition to those conferred by the Conveyancing and Law of Property Act 1881 of Nigeria on any receiver appointed thereunder and those conferred by the Companies and Allied Matters Decree 1990 of Nigeria on an administrative receiver appointed thereunder.
- (b) If there is more than one Enforcement Officer holding office at the same time, each Enforcement Officer may (unless the document appointing him states otherwise) exercise all of the powers conferred on an Enforcement Officer under this Debenture individually and to the exclusion of any other Enforcement Officer.

8.2 POSSESSION

An Enforcement Officer may take immediate possession at get in and collect any Security Assets.

8.3 SALE OF ASSETS

An Enforcement Officer may sell, exchange, convert into money and realise any Security Assets by public auction or private contract and generally in any manner and on any terms which he reasonably thinks proper. The consideration for any such transaction may consist of cash or other valuable consideration and any such consideration may be payable on such terms as he thinks fit.

8.4 COMPROMISE

An Enforcement Officer may settle, adjust, refer to arbitration, compromise and arrange any claims and disputes with or by any person who is or claims to be a creditor of the Chargor or relating in anyway to any Security Assets.

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8.5 LEGAL ACTIONS

An Enforcement Officer may bring, prosecute, enforce, defend and abandon all actions, suits and proceedings in relation to any Security Assets which may seem to him to be expedient.

8.6 RECEIPTS

An Enforcement Officer may give valid receipts for all moneys and execute all assurances and things which may be proper or desirable for realising any Security Assets.

8.7 SUBSIDIARIES

An Enforcement Officer may form a subsidiary company of the Chargor and transfer to that subsidiary any Security Assets.

8.8 OTHER POWERS

An Enforcement Officer may:

- (a) do all other acts and things which he may reasonably consider desirable or necessary for realising any Security Assets or incidental or conducive to any of the rights, powers or discretions conferred on an Enforcement Officer under or by virtue of this Debenture; and
- (b) exercise in relation to any Security Assets all the powers, authorities and things which he would be capable of exercising if he were the absolute beneficial owner with full title guarantee of the same, and may use the names of the Chargor for any of the above purposes.

9 APPLICATION OF PROCEEDS

All moneys received by the Beneficiary and the Enforcement Officer pursuant to enforcement of this security shall be applied:

FIRST in satisfaction of or provision for all costs, charges and expenses incurred and payments made by the Beneficiary or an Enforcement Officer in the enforcement of the security and of all remuneration due to the Beneficiary or an Enforcement Officer;

SECOND in or towards payment of all other fees and interest due to Total by Amni as a result of the Assumption of Debt

THIRD in or towards payment of all other amounts due to the Beneficiary under this Debenture.

FOURTH in payment to the Chargor.

10 NO LIABILITY AS MORTGAGEE IN POSSESSION ETC.

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- (a) The Beneficiary shall riot, nor shall any Enforcement Officer appointed as aforesaid by reason of it or the Enforcement Officer entering into possession of the Security Assets, or any part of them, be liable to account as mortgagee in possession or be liable for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.
- (b) Every Enforcement Officer shall be deemed to be the agent of the Chargor for all purposes and shall as agent for all purposes be deemed to be in the same position as an Enforcement Officer duly appointed by a mortgagee under the Conveyancing and Law of Property Act 1881 Nigeria. The Chargor alone shall be responsible for its contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by it and the Beneficiary shall not incur any liability (either to the Chargor or to any other person) by reason of the Beneficiary's making his appointment as an Enforcement Officer.
- (c) Every such Enforcement Officer and the Beneficiary shall be entitled to all the rights, powers, privileges and immunities conferred on mortgagees and Enforcement Officers by the Conveyancing and Law of Property Act 1981 of Nigeria when such Enforcement Officers have been duly appointed under that Act but so that Section 20 of that Act shall not apply.

- (d) The Beneficiary. and the Enforcement Officer shall be entitled to exercise its powers under this Assignment in such a manner and at such times as the Beneficiary and the Enforcement Officer in its absolute discretion may determine and the Beneficiary and the Enforcement Officer shall not in any circumstances be answerable for any loss occasioned by the same or resulting from postponement thereof (unless caused by its negligence or willful default).

11 PROTECTION OF THIRD PARTIES

No purchases, mortgagee or other person or company dealing with the Beneficiary or an Enforcement Officer or its or his agents shall be concerned to enquire whether the Secured Liabilities have become payable or whether any power which the Beneficiary or Enforcement Officer is purporting to exercise has become exercisable or whether any money remains due under the Finance Documents or to see to the application of any money paid to the Beneficiary or to any Enforcement Officer.

12 EXPENSES

12.1 UNDERTAKING TO PAY

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Upon the occurrence and during the continuation of an Event of Default all costs, charges and expenses properly incurred and all payments made by the Beneficiary, any Enforcement Officer or other person appointed under this Debenture in the lawful exercise of the powers conferred by this Debenture whether or not occasioned by any act, neglect or default of the Chargor shall carry interest (before as well as after judgment) at the Default Rate from the date of it being incurred or becoming payable until the date it is unconditionally and irrevocably paid and discharged in full. The amount of all such costs, charges, expenses and payments and all interest thereon and all remuneration payable under this Debenture shall be payable by the Chargor on demand. All such costs, charges, expenses and payments shall be paid and charged as between the Beneficiary and the Chargor on the basis of a full indemnity and not on the basis of party and party or any other kind of taxation.

12.2 INDEMNITY

The Beneficiary and every Enforcement Officer, attorney, manager or other person appointed by the Beneficiary under this Debenture shall, be entitled to be indemnified out of the Security Assets in respect of all liabilities and expenses properly incurred by them in the execution or attempted execution of any of the powers, authorities or discretions vested in them by this Debenture and against all actions, proceedings, costs, claims and demands in respect of any matter or thing properly done or omitted in any way relating to the Security Assets and the Beneficiary and any Enforcement Officer may retain and pay all sums in respect of the same out of any moneys received under the powers conferred by this Debenture.

13 DELEGATION BY BENEFICIARY

The Beneficiary and any Enforcement Officer may at any time and from time to time delegate by power of attorney or in any other manner to any person or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Beneficiary or an Enforcement Officer (as appropriate) under this Debenture in relation to the Security Assets or any part of them. Any such delegation may be made upon such terms (including power to sub-delegate) and subject to such regulations as the Beneficiary or the Enforcement Officer (as appropriate) may think fit. Neither the Beneficiary nor any Enforcement Officer shall be in any way liable or responsible to the Chargor for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

14 ASSURANCES

The Chargor shall at its own expense take whatever reasonable action the Beneficiary or an Enforcement Officer may require for:

- (a) perfecting or protecting the security intended to be created by this Debenture over any Security Assets; or
- (b) facilitating the realisation of any Security Assets or the exercise of any right, power, authority or discretion vested in the Beneficiary or any Enforcement Officer of the Security Assets or any of its or their delegates or sub-delegates.

15 REDEMPTION OF PRIOR MORTGAGES

The Beneficiary may, at any time after the security constituted by this Debenture has become enforceable, redeem any prior Security Interest other than the pledge made to the Secured Lenders against the Security Assets or procure the transfer of any such Security Interest to itself and may settle and pass the accounts of the prior mortgagee, chargee or encumbrancer. Any accounts so settled and passed shall be conclusive and binding on the Chargor, All. principal moneys, interest, costs, charges and expenses of and incidental to any redemption and transfer shall be paid by the Chargor to the Beneficiary on demand.

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16 POWER OF ATTORNEY

16.1 APPOINTMENT

The Chargor, by way of security, irrevocably appoints the Beneficiary and every Enforcement Officer of the Security Assets appointed by the Debenture and. their delegates and sub-delegates to be its attorney and take any action which the Chargor is obliged to take under this Debenture (including, without limitation, to make any demand upon or to give any notice or receipt to any person owing moneys to the Chargor and to execute and deliver any charges, legal mortgages, assignments or other security and any transfers of securities) and generally in their name and on their behalf to exercise all or any of the rights, powers, authorities and discretions conferred by or pursuant to this Debenture or by statute on the Beneficiary or any Enforcement Officer, delegate or sub-delegate and (without prejudice to the generality of the foregoing) to seal and deliver and otherwise perfect any deed, assurance, agreement, instrument or act which it or he may reasonably deem proper in or for the purpose of exercising any of the powers, authorities and discretions. Such powers shall only be exercisable in the circumstances contemplated by Clause 6.

16.2 RATIFICATION

The Chargor hereby ratifies and confirms and agrees to ratify and confirm whatever any attorney as is mentioned in Clause 16.1 (Appointment) does or purports to do in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to in this Clause 16.

17 NEW ACCOUNTS

If the Beneficiary receives or is deemed to be affected by notice whether actual or constructive of any subsequent charge or other interest affecting any part of the Security Assets and/or the proceeds of sale any Security Assets, other than the pledge made to the Secured Lenders the Beneficiary may open a new account or accounts with the Chargor. If the Beneficiary does not open a new account it shall nevertheless be treated as if it had done so at the time when it received or was deemed to have received notice. As from that time all payments made to the Beneficiary shall be credited or be treated as having been credited to the new account and shall not operate to reduce the amount for which this Debenture

is security.

18 STAMP DUTIES

The Chargor shall. pay and, forthwith on demand, indemnify the Beneficiary against any liability it incurs in respect of any stamp, registration and similar tax which is or becomes payable in connection with the entry into, performance or enforcement of this Debenture.

19 WAIVERS, REMEDIES CUMULATIVE

(a) The rights of the Beneficiary under this Debenture:

- (i) may be exercised as often as necessary;
- (ii) are cumulative and not exclusive of its rights under general law; and

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(iii) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any right is not a waiver of that right.

(b) The Beneficiary may waive any breach by the Chargor of any of the Chargor's obligations under this Debenture if so instructed by the Beneficiary.

20 MISCELLANEOUS

20.1 SEVERABILITY

If a provision of this Debenture is or becomes illegal or unenforceable in any jurisdiction, that shall not affect:

- (a) the validity or enforceability in that jurisdiction of any other provision of this Debenture; or
- (b) the validity or enforce ability in other jurisdictions of that or any other provision of this Debenture.

20.2 COUNTERPARTS

This Debenture may be executed in any number of counterparts and this will have the same effect as if the signatures on. the counterparts were on a single copy of this Debenture.

20.3 NOTICES

Any notice or other communication given or made under this Agreement shall be in writing and may be delivered personally or sent by telex or facsimile transmission or by recorded delivery letter addressed as follows:

(a) If to the Chargor, to:

LIBERTY TECHNICAL SERVICES LIMITED
Suite 140
14811 St. Mary's Lane
Houston, Texas 77079
USA

Attn. Tim Stephens

LIBERTY TECHNICAL SERVICES LIMITED
39 Warehouse Road, Apapa,
Lagos, Nigeria

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Attention: Wade G. Cherwayko
Telex No. 2915 Abacan Ny
Facsimile transmission No: 234 1 5454 03 01

(b) If to the Beneficiary, to:

AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LTD. PLOT 1377b Tiamiyu
Savage Street
Victoria Island, P.O. Box 54452
Falomo, Ikoyi
Fax: 011 234 262 1526
Attn: Tunde J. Afolabi
Managing Director

or to such other address or telex or facsimile transmission number as the relevant addressee may hereafter by notice hereunder substitute.

Any such notice shall be deemed to have been duly served, given or made:

- (i) in the case of delivery, when left at the relevant address; or
- (ii) in the case of telex, when the sender receives the answer-back of the addressee at the end to the telex message, or
- (iii) in the case of a facsimile transmission, on receipt by the addressee of the complete text in legible form.

21 COVENANT TO RELEASE

The Beneficiary shall, at the request and cost of the Chargor, take any action necessary (including re-assigning to the Chargor) to release or reassign the Security Assets from the security constituted by this Debenture upon the expiry of the Security Period.

22 GOVERNING LAW

This Debenture shall be governed by and construed in accordance with Nigerian law.

23 JURISDICTION

23.1 SUBMISSION

For the benefit of each party to this Debenture, each party to this Debenture agrees that the courts of Nigeria have non-exclusive jurisdiction to settle any disputes in connection with this Debenture and accordingly submit to the jurisdiction of the Nigerian courts.

<PAGE>

23.2 SERVICE OF PROCESS

Without prejudice to any other mode of service, service of process relating to any proceedings in connection with this Debenture shall be made upon the Chargor at the address set forth in Article 20.3 hereof.

23.3 FORUM CONVENIENCE AND ENFORCEMENT ABROAD

The Chargor:

- (a) waives objection to the Nigerian courts on grounds of inconvenient forum or otherwise as regards proceedings in connection with this

Debenture; and

- (b) agrees that a judgment or order of a Nigerian court in connection with this Debenture is conclusive and binding on it and may be enforced against them in the courts of any jurisdiction.

23.4 NON-EXCLUSIVITY

Nothing in this Clause 23 (Jurisdiction) limits the right of the Beneficiary to bring proceedings against the Chargor in connection with this Debenture in any other court of competent jurisdiction or concurrently in more than one jurisdiction.

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SCHEDULE
ASSETS AND INTERESTS

THE DEEP ZONE OF NIGERIA
MINING LEASE OML 112

<PAGE>

IN WITNESS whereof this Debenture has been duly executed as a deed on the date stated at the beginning of this deed.

SIGNED and SEALED

for and an behalf of
LIBERTY TECHNICAL SERVICES LIMITED

[Seal]

By: /s/ Wade Cherwayko

Name: Wade Cherwako

Title: Director

SIGNED and SEALED
for and on behalf of

[Seal]

AMNI INTERNATIONAL PETROLEUM
DEVELOPMENT COMPANY LIMITED

By: _____

Name: _____

Title: Vice President

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<TYPE>EX-10.6

<SEQUENCE>11

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EXHIBIT 10.6

CONSENT AGREEMENT

On even date herewith Amni International Petroleum Development Company Limited (AAmni@) and Liberty Technical Services Ltd. (ALiberty@) have entered into a Joint Venture Agreement regarding the Deep Zones of the IMA Field. All capitalised terms used but not defined herein shall have the meanings ascribed to such terms in the Joint Venture Agreement (AJoint Venture Agreement@).

Liberty has requested the consent of Amni to a pledge by Liberty of its interest in the Joint Venture Agreement, the Joint Operating Agreement and the other agreements executed in connection therewith (collectively, the AJoint Venture Interests@) to Credit Suisse First Boston. The pledge shall be accomplished pursuant to the form of the Debenture attached hereto. Such pledge is being made in accordance with the terms of a Credit Facility Agreement being executed on even date herewith by Liberty, Abacan Resource Corporation, and certain other subsidiaries of Abacan Resource Corporation, as borrowers and guarantors, and Credit Suisse First Boston.

Amni hereby consents to the granting of a pledge on the Joint Venture Interests pursuant to the terms of the Debenture.

Liberty Technical Services Ltd.

By: /s/ Tunde Folawiyo

Name: Tunde Folawiyo

Title: Secretary

Amni International Petroleum Development Company Limited

By: /s/ Tunde Afolabi

Name: Tunde J. Afolabi

Title: Managing Director/CEO

[The Debenture referenced herein has been filed as Exhibit 10.5 to the Form 10-KSB dated effective March 1, 1999.]

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EXHIBIT 10.7

DATED 30th June 1998

- (1) ABACAN TECHNICAL SERVICES LIMITED
- (2) LIBERTY TECHNICAL SERVICES LIMITED
- (3) AMNI INTERNATIONAL PETROLEUM
DEVELOPMENT COMPANY LIMITED
- (4) SEDCO FOREX INTERNATIONAL, INC.
- (5) SCHLUMBERGER OVERSEAS S.A.

AGREEMENT
FOR THE ACQUISITION OF CERTAIN INTERESTS IN PROCESS
AND OTHER EQUIPMENT, FIXTURES AND FITTINGS ATTACHED TO, OR
CONNECTED WITH, A MOBILE OFFSHORE PRODUCTION UNIT ("THE LANGLEY")

Gouldens
22 Tudor Street
London EC4Y OJJ

Tel: 0171 583 7777
Facsimile: 0171 583 3051

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WBS(8) 738914

THIS AGREEMENT is made this 30th day of June 1998

BETWEEN:

- (1) ABACAN TECHNICAL SERVICES LIMITED, a company incorporated under the laws of the Bahamas ("Abacan");
- (2) LIBERTY TECHNICAL SERVICES LIMITED, a company incorporated under the laws of the Bahamas ("Liberty");
- (3) AMNI INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY LIMITED, a company incorporated under the laws of Nigeria ("Amni");
- (4) SEDCO FOREX INTERNATIONAL, INC., a company incorporated under the laws of Panama ("Sedco"); and
- (5) SCHLUMBERGER OVERSEAS S.A., a company incorporated under the laws of Panama ("Schlumberger").

WHEREAS:

1. Pursuant to an Integrated Services Contract dated 20 October 1995 Sedco and Schlumberger have provided to Liberty and Amni the use of a Mobile Offshore Production Unit ("the Langley") and of certain process and other equipment attached or fixed thereto, and provide certain continuing services in connection therewith.
2. The parties have agreed that any interests of Liberty and Amni in the foregoing equipment shall be transferred to Sedco on the following terms and conditions.

NOW IT IS HEREBY AGREED as follows:

1. Interpretation:

In this Agreement, unless the context otherwise requires, the following expressions have the following meanings:

"Completion" has the meaning given by Clause 4;

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"Equipment" means all process equipment and any other equipment, fixtures and fittings attached to, or connected with, the MOPU, including (without limitation) the power plant (comprising three gas turbines) and that equipment specified in Schedule 1 hereto;

"ISA" means the Integrated Services Contract dated 20 October 1995 between Liberty, Amni, Sedco and Schlumberger (as amended by a Deed of Amendment of even date herewith);

"MOPU" means the Mobile Offshore Production Unit (the ALangley");

"Schlumberger Group" means Schlumberger and any holding company of Schlumberger and any subsidiary of Schlumberger or of any such holding company (and in this Agreement "subsidiary" and "holding company" shall have the meanings given them by the Companies Act 1985);

"US\$" means the currency of the United States of America.

2. Transfer:

2.1 Liberty and Amni hereby confirm that Amni has waived in favour of Liberty all right, title and interest that it may have in the Equipment as part of a settlement between the parties, which settlement is evidenced in a separate agreement of even date herewith.

2.2 Liberty agrees to transfer to Sedco, and Abacan agrees to procure the transfer to Sedco of, any right, title and interest that Liberty may have in the Equipment free from all liens, charges and encumbrances at and with effect from (other than the Permitted Lien as hereinafter defined).

2.3 For the avoidance of doubt, it is hereby confirmed and acknowledged by Liberty that full payment for the process equipment referred to in Clause 7.2.1 of the ISA has not been received by Sedco and Schlumberger; and that accordingly the Bill of Sale referred to in such Clause has not been delivered to Liberty and that, notwithstanding any payments that may have been made to Sedco and Schlumberger, title and ownership of such equipment has not been transferred to it.

2.4 The parties agree that the right, title and interest transferred pursuant to this Clause 2 shall be valued at US\$ [] .

3. Debts:

3.1 In consideration for the transfer referred to in Clause 2, Sedco and Schlumberger agree that the debts comprising:

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- (a) the sum of US\$[] owed to them by Abacan as at 18 June 1998 in respect of the Trident 8 Drilling Contract dated 1 November 1996 between Sedco and Abacan (as amended);
- (b) the sum of US\$[] owed to them by Liberty and Amni as at 18 June 1998 under the ISA;
- (c) the sum of US\$ [] owed to them under Clause 14.1.3.2(d) of the ISA in respect of the termination of the ISA;
- (d) subject to and without prejudice to Clause 3.2, the sum of approximately US\$[] owed to them under Clause 14.1.3.2 (b) of the ISA in respect of the demobilisation expenses; and
- (e) any other amounts owed to members of the Schlumberger Group as at 26 June 1998 by Abacan, Liberty and Amni or any of their subsidiaries or holding companies,

shall be extinguished and cease to be payable.

3.2 Amni acknowledges and agrees that, following the termination of the ISA, and notwithstanding Clause 8 hereof, Amni shall be liable to pay, and shall pay, demobilisation expenses to Sedco and Schlumberger (including under Clause 14.1.3.2) up to a maximum amount of US\$750,000, provided that Amni shall not be required to make such payment if the MOPU and the Equipment shall have been chartered under contract to a third party on terms that such charter contract commences immediately upon the termination of the ISA (or at the latest within 15 days of the date of such termination).

4. Completion:

4.1 The transfer contemplated by this Agreement shall be completed immediately upon execution of this Agreement (time being of the essence). At such completion ("Completion") Liberty and Amni will deliver to Sedco:

- (a) a Bill of Sale in the form set out in Schedule 2 executed by Liberty;
- (b) a Deed of Amendment amending the terms of the ISA in the form agreed between the parties executed by Liberty and Amni;
- (c) a notice in the form set out in Schedule 4 executed by Amni; and
- (d) confirmation that they have made payment to Sedco by wire transfer of the sum of US\$252,600 in respect of the period from 19 June 1998 to 30 June 1998 (both days inclusive) for services rendered pursuant to ISA.

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5. Warranties:

5.1 Liberty, Abacan and Amni represent and warrant to Sedco and Schlumberger as follows:

- (a) Liberty, Abacan and Amni have the requisite power and authority to enter into and perform this Agreement.
- (b) This Agreement constitutes and any other documents which are to be delivered at Completion will, when executed, constitute binding obligations of such of Liberty, Abacan and Amni as are parties to them in accordance with their respective terms.
- (c) The execution and delivery of this Agreement, and the performance by Liberty, Abacan and Amni of their obligations under it, will not:
 - (i) result in a breach of any provision of the documents of constitution of Liberty, Abacan or Amni;
 - (ii) result in a breach of, or constitute a default under, any instrument to which Liberty, Abacan and Amni are parties or by which they are bound; or
 - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which Liberty, Abacan or Amni are parties or by which they are bound.
- (d) All consents and agreement of third parties which are required for the transfer contemplated by this Agreement have been obtained in writing.
- (e) Other than the Permitted Lien (as hereinafter defined), no third party (other than Sedco or Schlumberger) has any right, title or interest in or to the Equipment.
- (f) Neither Liberty, Abacan, nor Amni has any right, title or interest in or to the MOPU nor, to the best of their knowledge and belief, does

any third party other than the Permitted Lien.

- (g) Other than the Permitted Lien or as set out in Schedule 3 hereto, no option, right to acquire, mortgage, charge, pledge, lien (other than a lien arising by operation of law in the ordinary course of trading) or other form of security or encumbrance or equity on, over or affecting the whole or any part of the Equipment is outstanding and there is no agreement or commitment to give or create any and no claim has been made by any person to be entitled to any.
- (h) Neither Liberty nor Amni has agreed to acquire any asset comprised in the Equipment on terms that the property is not passed until full payment is made.

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- (i) Following the transfer of the Equipment at Completion, Liberty and Amni will have no further right, title or interest in or to the Equipment.

For the purposes of this Clause 5.1, "Permitted Lien" means any charge or security interest in favour of Credit Suisse First Boston or Total International Limited.

5.2 Liberty, Abacan and Amni accept that Sedco and Schlumberger are entering into this Agreement in reliance upon each of the warranties set out above.

6. Taxation etc:

6.1 Sedco shall be responsible for any VAT or customs duties arising from the transfer of the Equipment hereunder.

7. General:

7.1 Liberty, Abacan and Amni shall from time to time and at all times after Completion execute all such deeds and documents and do all such things as Sedco or Schlumberger may reasonably require for perfecting the transactions intended to be effected under or pursuant to this Agreement and for vesting in Sedco the full title and benefit of the Equipment. Without limiting the foregoing, Liberty and Amni agree to execute all such documents and do all such things as may be necessary to vest in Sedco the benefit of manufacturer's and supplier's warranties in respect of the Equipment of which they may have the benefit.

7.2 Liberty and Amni undertake to preserve and transfer to Sedco all documentation relating to government duties, taxation and customs levies that may be relevant to or relate to the Equipment.

7.3 This Agreement constitutes the entire agreement between the parties relating to the sale and purchase of the Equipment and no party has relied on any representation made by any other party or any other person except as expressly set out herein.

7.4 The parties agree that the contents of this Agreement, and all details of the transactions contemplated in it, shall be kept strictly confidential and shall not be disclosed to any other person.

7.5 This Agreement may be executed in any number of counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall constitute one and the same instrument.

7.6 The obligations of Liberty, Abacan and Amni under this Agreement are several and not joint.

8. Waiver of Claims

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8.1 Schlumberger and Sedco hereby waive and release (on behalf of themselves and the Schlumberger Group) all claims against and indebtedness due from Liberty, Abacan, Abacan Resource Corporation and all of its subsidiaries and affiliates arising under the terms of the ISA or in respect of or in connection with operations related thereto. Schlumberger and Sedco hereby waive and release all claims against and indebtedness due from Amni arising under the terms of the ISA arising on or before 30 June 1998, or in respect of or in connection with operations related thereto and arising on or before 30 June 1998. Schlumberger and Sedco accept that Amni, Liberty and Abacan are entering into this Agreement in reliance upon the foregoing waiver.

9. Jurisdiction:

9.1 This Agreement shall be governed by and construed in accordance with English law. All disputes or claims arising in connection with this Agreement shall be settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with such rules.

AS WITNESS the hands of the duly authorized representatives of the parties the day and year first above written.

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SCHEDULE 1
EQUIPMENT

See attached document

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SCHEDULE 2
BILL OF SALE

Know all men by these presents, that:

LIBERTY TECHNICAL SERVICES LIMITED, a company incorporated under the laws of the Bahamas (hereinafter called the ASeller"), does hereby bargain and sell all its right, title and interest in all process equipment and other equipment, fixtures and fittings attached to, or connected with, the Mobile Offshore Production Unit (the ALangley"), including, without limitation, the power plant (comprising three gas turbines) and that equipment specified in Schedule 1 hereto (hereinafter called the AEquipment") unto:

SEDCO FOREX INTERNATIONAL, INC., a company incorporated under the laws of Panama, its successors and assigns ("Sedco")

for a consideration valued at US\$8,000,000.

FURTHER, that the Seller hereby warrants that no third party (other than Sedco or Schlumberger Overseas S.A.) has any right, title or interest in or to the Equipment and that title to the Equipment is free and clear of all liens, charges, claims, mortgages or encumbrances (and there is no agreement or commitment to give any).

NO WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IS GIVEN BY THE SELLER.

In testimony whereof, the Seller has executed this Bill of Sale by its authorized representative this 30th day of June 1998.

LIBERTY TECHNICAL SERVICES LIMITED

Signature

Name:
Title:

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SCHEDULE 3
PERMITTED SECURITY INTERESTS

None

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SCHEDULE 4
NOTICE

Amni International Petroleum Development Company Limited hereby gives six (6) months' notice to Sedco Forex International, Inc. ("Sedco") and Schlumberger Overseas S.A. ("Schlumberger") that the Integrated Services Contract dated 20 October 1995 (as amended by a Deed of Amendment dated 30 June 1998) ("ISA") shall be terminated on 30 December 1998 pursuant to Article 14.1.1 thereof In connection therewith, it acknowledges that such termination is for reasons other than the material breach or default of Sedco or Schlumberger.

Authorized signatory for and on
behalf of Amni International Petroleum
Development Company Limited 30 June 1998

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SIGNED by T.B. Folawiyo)
)
)
for and on behalf of ABACAN) /s/ T.B. Folawiyo
TECHNICAL SERVICES LIMITED)
in the presence of:)
J. Harvie)

SIGNED by T.B. Folawiyo)
)
)

for and on behalf of LIBERTY) /s/ T.B. Folawiyo
TECHNICAL SERVICES)
LIMITED in the presence of:)
J. Harvie)

SIGNED by)
)
)

for and on behalf of AMNI) /s/ Tunde Afolabi
INTERNATIONAL PETROLEUM)
DEVELOPMENT COMPANY)
LIMITED in the presence of:)
Musa Bello Mustapha)

SIGNED by Didier Fontaine)
)
)

for and on behalf of SEDCO FOREX) /s/ Didier Fontaine
INTERNATIONAL, INC. in the)
presence of:)
name unrecognizable)

SIGNED by Michael McGuiny)
)
)

for and on behalf of SCHLUMBERGER) /s/ Michael McGuiny
OVERSEAS S.A. in the)
presence of:)
name unrecognizable)

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EXHIBIT 10.08

ABACAN RESOURCE CORPORATION

and

DAHOMY RESOURCE CORPORATION

and

LIBERTY TECHNICAL SERVICES LIMITED
(as the Borrowers)

THE GUARANTORS herein referred to

CREDIT SUISSE FIRST BOSTON
(as Agent)

CREDIT SUISSE FIRST BOSTON
(as Security Trustee)

and

THE LENDERS herein referred to

\$30,702,500
CREDIT FACILITY AGREEMENT

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FACILITY AGREEMENT (the "AGREEMENT") made on 2 July 1998

BETWEEN

ABACAN RESOURCE CORPORATION, an Alberta, Canada corporation, whose registered office is at Suite 1600, 407 Second Street S.W., Calgary, Alberta, Canada (sometimes referred to individually herein as "ARC") and DAHOMEY RESOURCE CORPORATION, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, The Bahamas (sometimes referred to individually herein as "DAHOMEY"), and LIBERTY TECHNICAL SERVICES LIMITED, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, The Bahamas (sometimes referred to individually herein as "LIBERTY") (in their capacities as borrowers and guarantors together the BORROWERS and each a BORROWER);

EACH OF THE COMPANIES LISTED IN SCHEDULE 6 HERETO, (together the ORIGINAL GUARANTORS and each an ORIGINAL GUARANTOR),

CREDIT SUISSE FIRST BOSTON (as AGENT);

CREDIT SUISSE FIRST BOSTON (as SECURITY TRUSTEE);

THE LENDERS listed on the execution pages of this Agreement.

IT IS AGREED

DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS: In this Agreement, except where the context otherwise requires:

ADVANCE means the principal amount of the Dollar amount made available to the Borrowers hereunder by way of loan or (as the context requires) the principal amount thereof for the time being outstanding;

ADDITIONAL GUARANTOR means any Subsidiary which shall accede to this Agreement pursuant to clause 12.2(j), in each case, so long as it remains an Additional Guarantor;

AGENT'S SPOT RATE OF EXCHANGE means the spot rate of exchange of the Agent for the purchase with one currency of any other relevant currency in the London foreign exchange market at or about 10.00 a.m. (London time) on the day in question for delivery two Business Days later, the Agent's certificate as to such rate being conclusive in the absence of manifest error;

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AMNI GUARANTEE means the agreement executed or to be executed in favour of the Security Trustee and issued by Amni International Petroleum Development Company Limited pursuant to clause 4.1(i);

APPLICABLE LAWS means, in relation to any member of the Consolidated Group, all and any laws, statutes, regulations and judgments relating to its business as in force from time to time;

AVAILABILITY PERIOD means the period commencing on the Closing Date of this Agreement and ending seven (7) days thereafter;

BORROWER means each of ARC, Dahomey and Liberty and as the context requires together the BORROWERS;

BORROWERS' AGENT means ARC or any other person for the time being nominated as such by the then current Borrowers' Agent and agreed by the Agent (such agreement not to be unreasonably withheld or delayed);

BUSINESS DAY means a day on which banks are open in New York, London, and Zurich for the transaction of business of the nature required by this Agreement and in relation to a day on which a payment is to be made, in the place of the principal domestic market of the currency of such payment;

CLOSING DATE means the date that the Agent has given to the Lenders and the Borrowers' Agent the notice referred to in clause 4.2;

COMMITMENT means, in relation to a Lender, the aggregate principal amount set opposite its name in Schedule 1 or as applicable, the amount set out in a Transfer Certificate for a Lender duly completed and accepted for transfer pursuant to the terms of this Agreement, in any case to the extent not transferred, canceled or reduced in accordance with the provisions hereof;

CONSOLIDATED GROUP means at any particular date the Borrowers and the Guarantors;

DEBENTURES mean the agreements executed or to be executed by each of the Obligors pursuant to clause 4.1(f) and 12.2(k) in favour of the Security Trustee creating a first ranking Security Interest over the assets and undertakings required to be covered by the Security Trustee in accordance with the terms hereof;

DOLLARS AND \$ means the lawful currency of the United States of America;

DRAWING DATE means a Business Day upon which the Advance is to be made as set forth in the Drawing Notice relating thereto or is made on or before July 2, 1998;

DRAWING NOTICE means a notice of drawing substantially in the form set out in Schedule 2 duly completed and signed by the Borrowers and the Borrowers' Agent;

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ENVIRONMENT means:

- (i) any land including, without limitation, surface land and sub-surface strata, sea bed or river bed under any water (as defined in paragraph (ii) below) and any natural or man-made structures;
- (ii) water including, without limitation, coastal and inland waters, surface waters, ground waters and water in drains and sewers; and

(iii)air including, without limitation, air within buildings and other natural or man-made structures above or below ground;

ENVIRONMENTAL CLAIM means any claim from any third party, governmental authority or agency or any regulatory body, notice of violation, prosecution, demand, action, abatement or other order, relating to Environmental Matters and any notification or order requiring compliance with the terms of any Environmental Licence or Environmental Law;

ENVIRONMENTAL LAW includes, in relation to any member of the Consolidated Group, all or any laws, statutes, regulations, treaties, and judgments of any governmental authority or agency or any regulatory body in any jurisdiction in which that member of the Consolidated Group is formed or carries on business relating to Environmental Matters applicable to it and/or any other activities from time to time carried on by it and/or the occupation or use of any property owned, leased or occupied by it as in force from time to time;

ENVIRONMENTAL LICENCE means, in relation to any member of the Consolidated Group, any permit, licence, authorisation, consent or other approval required at any time by any Environmental Law for the business from time to time carried on by it as in force from time to time;

ENVIRONMENTAL MATTERS means (i) any release or threatened release, generation, deposit, disposal, keeping, treatment, transportation, transmission, handling or manufacture of any waste or any Substance; (ii) nuisance, noise, defective premises, health and safety at work or elsewhere; and (iii) the pollution, conservation or protection of the Environment or of man or of any living organisms supported by the Environment;

EVENT OF DEFAULT means any of the events mentioned in clause 13.1 upon the expiration of any applicable cure or grace period set forth therein;

FACILITY means the advance facility the terms and conditions of which are set out in this Agreement;

FACILITY MARGIN means 4.0 percent per annum.

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FACILITY OFFICE means, in relation to any Lender, the office listed in Schedule 1, or such replacement office as any Lender nominates in accordance with the terms of this Agreement;

FINAL MATURITY DATE in respect of the Total Outstandings in the amount of \$20,702,500 plus all capitalised interest hereunder means the date falling 364 calendar days after the date of this Agreement (unless extended as set forth in this definition) or if such day is not a Business Day the immediately preceding Business Day. At any time after the date falling ten months after this Agreement the Borrowers' Agent, by giving the Agent not less than thirty Business Days nor more than 60 days notice thereof, may request the Lenders to extend the Final Maturity Date by 180 days or less (the FIRST EXTENSION DATE) commencing on the date of such request to the Agent. If the Final Maturity Date is so extended, the Borrowers' Agent may request further extensions of the Final Maturity Date of up to 180 days each by giving notice to the Agent thereof not less than thirty Business Days nor more than 60 days following the expiration of each three-month interval following the First Extension Date and during the then-current Availability Period. No extension of the Final Maturity Date shall be binding unless and until notified in writing to the Borrowers' Agent by the Agent, and shall not be binding on any Lender unless accepted by such Lender, in its sole discretion, by written notice thereof to the Agent. The Obligors acknowledge that any extension of the Final Maturity Date may be conditioned upon the acceptance by the Obligors of certain financial covenants then required by the Lenders;

FINAL MATURITY DATE in respect of the Total Outstandings in excess of the amount of \$20,702,500 plus all capitalised interest hereunder means the date falling 544 days after the Closing Date or such earlier date as may be agreed between the Agent and the Borrowers' Agent;

FINANCING DOCUMENTS means this Agreement, the Share Pledges, the Security Trust Deed, the Guarantor Accession Deeds, the Debentures, the Amni Guarantee, the Warrant and any other agreement or document executed pursuant to this Agreement which is expressed therein to be a Financing Document;

GUARANTOR means each of the Borrowers, any of the Original Guarantors and any Additional Guarantor as shall accede to this Agreement pursuant to clause 12.2(j) in each case, so long as they remain Guarantors and as the context requires, together the Guarantors;

GUARANTOR ACCESSION DEED means in respect of an Additional Guarantor a deed substantially in the form set out in Schedule 5 with such amendments as the Agent may approve or reasonably require duly executed on behalf of the proposed Additional Guarantor, the Borrowers' Agent and the Agent;

INTELLECTUAL PROPERTY means all letters patent, trade marks, service marks, designs, utility models, copyrights, design rights, applications for registration of any of the foregoing and rights to apply for them in any part of the world, moral rights, inventions, confidential information, know-how and rights of like nature arising or subsisting anywhere in the world in relation to any of the foregoing, whether registered or unregistered and the benefit of all licences and other rights to use any of the same now or hereafter owned by or otherwise belonging to any Obligor;

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INTEREST ADJUSTMENT means the amount of interest plus Facility Margin equal to the difference between the interest and Margin calculated in accordance with clause 6.2 (a) and (b) less the interest and Facility Margin which would have been payable hereunder if the Total Outstandings hereunder were \$20,702,500.

INTEREST PAYMENT DATE means, for any Advance, the last day of an Interest Period;

INTEREST PERIOD means, for any Advance, the period determined in accordance with clause 6.1;

JOINT VENTURE DOCUMENTS means the Joint Venture Agreement dated November 27, 1996 between Optimum Petroleum Development Limited and Agbara Resources Limited (Nigerian Oil Prospecting License 310); the Purchase and Sale Agreement between Addax Petroleum Benin Limited and Abacan Resources (Benin) Ltd. dated July 21, 1997; Contrat pour l'Exploration et l'Exploitation P troli res, Bloc Offshore Profond No. 4 dated February 1, 1997 between Addax Petroleum Benin, Abacan Resource Limited (Benin), and the Government of Benin; Contrat pour l'Exploration et l'Exploitation P troli res, Bloc Offshore No. 1 et SEME dated February 2, 1997 between Addax Petroleum Benin, Abacan Resource Limited (Benin), and the Government of Benin; and Joint Venture Agreement dated March 8, 1998 (Nigerian Oil Prospecting License (OPL) 309) between Liberty Technical Services Limited and Yinka Folawiyo Petroleum Company Limited; and the Joint Venture Agreement dated June 30, 1998 between Liberty Technical Services Limited and Amni International Petroleum Development Company Limited, in each case as amended, modified, extended or renewed;

LENDERS means those of the banks listed in Schedule 1 and their respective successors and any permitted transferees or assigns which are for the time being participating in the Facility;

LICENCES means, in relation to any member of the Consolidated Group, any public law permits for the carrying out of its business together with any other public law or administrative law consents, concessions, licences or public law permits required for the carrying out of any such business (including planning consents

and licences);

MAJORITY LENDERS means Lenders whose Outstandings then aggregate more than 66.66 per cent. of the Total Outstandings;

MATERIAL ADVERSE EFFECT has the meaning ascribed thereto in clause 11.1 (c);

MATERIAL ENVIRONMENT CLAIM means any Environmental Claim which would, if adversely decided, entitle any person to shut down or suspend all or any material part of the business of any member of the Consolidated Group, or result in any cost, claim, liability, expense or damages in excess of \$1,000,000 to be suffered or incurred by any member of the Consolidated Group or otherwise have a Material Adverse Effect upon the business, properties, results of operations or financial condition of any member of the Consolidated Group;

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MOPU AGREEMENT means the agreement executed or to be executed pursuant to Clause 4.1(i) between Sedco Forex, Inc. and the Security Trustee in respect of the Mobile Offshore Production Unit referred to therein in substantially the form of Schedule 7;

OBLIGOR means the Borrowers and the Guarantors or as the context requires any of them;

OIL AND GAS means any and all liquid and gaseous hydrocarbons and each of them produced and to be produced from the Oil Properties;

OIL AND GAS DEVELOPMENT AGREEMENT means any agreement (other than a Joint Venture Document) now or hereafter entered into between any of the Borrowers or Guarantors or any Subsidiary of any of them pursuant to the terms of which such person directly or indirectly participates with any other person in any capital investment or joint ownership or profit sharing arrangement in respect of any Oil or Gas Property or any related pipeline or other transport facility or equipment, power generating plant, Oil and Gas Sale agreement, or power sale agreement and such agreement may reasonably be expected to have a material benefit for or impose any material obligation upon such Borrower or Guarantor or Subsidiary;

OIL AND GAS PARTNER means each party (other than an Obligor) which is a party to any Joint Venture Agreement or Oil and Gas Development Agreement;

OIL AND GAS PROPERTIES means each of the concessions, operating licenses, oil mining leases and other interests referred to in any of the Joint Venture Documents or Oil and Gas Development Agreements and any other concession, operating license, oil mining license, or similar agreement or interest in which any Obligor or Subsidiary of any Obligor has direct or indirect interest or participation and which interest could reasonably be expected to have a material benefit to such Person;

OUTSTANDINGS means, in relation to a Lender, its aggregate participation in the Advance then outstanding;

PERMISSIONS means, in relation to any member of the Consolidated Group, any consents, concessions, contractual licences or permits required for the carrying out of any of its business;

PERMITTED PURPOSE means any purpose for which the proceeds of the Advance may be used in accordance with and subject to the terms of this Agreement;

PERMITTED SECURITY INTEREST means:

- (a) a lien or right of set-off arising in the normal course of trading or by operation of law securing obligations not more than thirty days overdue and

liens for taxes not yet due and payable;

- (b) any conditional sale or title retention arising under or pursuant to any contract for the purchase or leasing of goods in the normal course of trading;

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- (c) the Security Interests existing as at the date of this Agreement details of which have been disclosed in writing to the Agent;
- (d) Security Interests incurred or deposits made in the ordinary course of trading to secure the performance of tenders, statutory obligations, bids, leases, government contracts, performance bonds, fee and expense arrangements with trustees and fiscal agents and other similar obligations (exclusive of obligations incurred in connection with Borrowings);
- (e) any Security Interest created or permitted to subsist with the prior written consent of the Majority Lenders, such consent not to be unreasonably withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Obligor to develop their assets,;
- (f) any Security Interest over any asset acquired by any member of the Consolidated Group, if such acquisition is not prohibited pursuant to the terms hereof, as security for any Borrowings which are incurred solely to finance all or part of the acquisition cost of that asset;
- (g) any Security Interest securing Borrowings incurred to refinance other Borrowings permitted to be secured pursuant to any of the paragraphs (a) to (f) above provided that the replacement Security Interest does not cover any assets other than the original assets subject to the original Security Interest and that the aggregate principal amount secured thereby is not increased;
- (h) any Security Interest created after the date hereof (other than Security Interests permitted under paragraphs (a) to (g) above) and securing indebtedness in aggregate for the Consolidated Group not exceeding \$250,000 (or its equivalent at the Agent's Spot Rate of Exchange); and
- (i) any Security Interest now or hereafter created in favour of the Security Trustee under or subject to the Security Trust Deed;
- (j) any Security Interest granted for the benefit of Amni International Petroleum Development Company Limited in the interest acquired pursuant to a Joint Venture Agreement with Liberty dated June 30, 1998 with the written consent of the Agent securing the reimbursement obligations of Liberty to Amni International Petroleum Development Company Limited in respect of amount paid by Amni International Petroleum Development Company Limited to the Security Trustee under the Amni Guarantee;
- (k) any Security Interest in respect of taxes payable by any Obligor in respect of its interest in OPL 237 and OML 112 (other than in respect of the Deep Rights as defined in the Joint Venture Agreement referred to in paragraph (j) above); and

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- (l) any Security Interest in favour of the Security Trustee created under any Financing Document.

POTENTIAL EVENT OF DEFAULT means any event which with the giving of notice, lapse of time or making of any determination specified in clause 13.1 may constitute (after the expiration of any applicable grace or cure period set

forth therein) an Event of Default;

REFERENCE BANKS means, subject to clause 6.6, the principal London office of each of The Chase Manhattan Bank, ABN Amro Bank N.V., and Credit Suisse First Boston, and any replacement Lender nominated under that clause;

SECURITY INTEREST means any mortgage, charge, pledge, lien, right of set-off, assignment by way of security, retention of title or any security interest whatsoever or any other agreement or arrangement having the effect of conferring security, howsoever created or arising;

SECURITY TRUST DEED means the security trust deed dated of even date herewith between the Borrowers, the Guarantors, Credit Suisse First Boston as Agent, Credit Suisse First Boston as Security Trustee and others as the same may be amended from time to time;

SHARE PLEDGES means the pledges executed or to be executed by the Borrowers and Guarantors pursuant to clause 4.1(f) in favour of the Security Trustee creating a first ranking Security Interest over the common stock of each of the Borrowers (other than ARC) and each Guarantor;

SUBSTANCE means (i) any radioactive emissions, (ii) electricity and any electrical or electromagnetic emissions and (iii) any substance whatsoever, (including but not limited to any "hazardous substances" under the Comprehensive Environmental Response, Compensation and Liability Act of 1990 of the United States of America, sections 964 - 965 and whether in solid or liquid form or in the form of a gas or vapour, and whether alone or in combination with any other substance) which is generally considered or known to be harmful to man or any other living organism supported by the Environment or damaging to the Environment or public health or welfare;

TAX means any present or future tax, impost, duty, levy or charge of a similar nature payable to or imposed by any supra-national, governmental, federal, state, provincial, local governmental or municipal taxing authority, body or official (together with any related penalties, fines, surcharges and interest);

TIL means Total International Limited, a Bermuda limited company;

TOTAL COMMITMENTS means at any time the aggregate amount of all the Commitments in respect of all the Lenders;

TOTAL OUTSTANDINGS means at any time the aggregate amount of all Outstandings in respect of all the Lenders;

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TRANSFER CERTIFICATE means a certificate in the form of Schedule 4 delivered pursuant to clause 19.1;

TRANSFeree has the meaning ascribed thereto in clause 19.1; and

WARRANT means an agreement in the form of Schedule 8 entered into or to be entered into in accordance with clause 4.1(1).

1.2 FINANCIAL DEFINITIONS: In this Agreement except where the context otherwise requires:

ACCOUNTS means the Reference Accounts and any other audited or unaudited accounts of the Borrowers whether or not consolidated, delivered or required to be delivered by the Borrowers to the Agent in accordance with this Agreement; but so that if the Reference Accounts and other Accounts prepared in respect of the same period are in conflict in any way, the Reference Accounts shall prevail;

ACCOUNTING PRINCIPLES means the accounting principles, standards, conventions and practices complying with generally accepted accounting principles in the

United States of America which are generally adopted and practised by companies in the United States of America or otherwise with the prior written consent of the Agent;

BORROWINGS means and includes as at any date:

- (a) all moneys borrowed (with or without security) or raised by way of debt finance by the Borrowers or any other member of the Consolidated Group;
- (b) receivables sold, assigned or discounted (save to the extent that the same are sold, assigned or discounted without recourse);
- (c) the acquisition cost of any asset to the extent payable before or after the time of acquisition and possession by the party liable therefor where the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (d) any obligation under any lease which is required to be capitalised under Accounting Principles;
- (e) the net exposure (meaning the amount payable by the party liable thereunder on termination or closing out determined on a marked to market basis) of any derivative transactions entered into which have the commercial or financial effect of any Borrowing set out within this definition;
- (f) the principal amount raised by the Borrowers or any other member of the Consolidated Group by acceptances (not being acceptances in relation to the purchase of goods or services in the ordinary course of trading which have been outstanding for 180 days or less) or under any acceptance credit opened on its behalf by a bank or accepting house;

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- (g) the principal amount (including any fixed or minimum premium payable on final redemption or repayment) of any notes, bonds, debentures, loan stock or other securities of the Borrowers or any other member of the Consolidated Group; and
- (h) any guarantee, indemnity or similar assurance against the Borrowings of any person;

but excluding:

- (i) any Borrowings by the Borrowers or any other member of the Consolidated Group which would otherwise be taken into account and are intended to be applied in the repayment of the whole or part of any other moneys taken into account as Borrowings pending such application provided that they are so applied within three months of their being so borrowed; or
- (k) amounts which would otherwise be taken into account which are for the time being owing by any member of the Consolidated Group to any other member of the Consolidated Group;

and so that:

- (l) no amount shall be taken into account more than once in the same calculation; and
- (m) when the aggregate amount of Borrowings required to be taken into account for the purpose of this paragraph on any particular day is being ascertained, any such Borrowings denominated or repayable in a currency other than dollars shall be converted for the purpose of calculating the dollar equivalent at the Agent's Spot Rate of Exchange on that day for the purchase of that currency with dollars;

CURRENT ASSETS means, as at the date on which it falls to be determined, the aggregate consolidated amount of all assets of the Consolidated Group realisable in the ordinary course of business within 12 months of such date as shown in the Accounts for the Calculation Period during which such date falls and determined in accordance with the Accounting Principles (for the avoidance of doubt, all intercompany receivables having been eliminated in determining the consolidated amount of all such assets);

CURRENT LIABILITIES means, as at the date on which it falls to be determined, the aggregate consolidated amount of all liabilities of the Consolidated Group payable within 12 months of such date as shown in the Accounts for the Calculation Period during which such date falls and determined in accordance with the Accounting Principles;

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INTEREST CHARGES means the aggregate interest paid or payable by the Consolidated Group (including guarantee commission and any other commitment, arrangement and similar fee in respect thereof, amounts in the nature of interest, discount charges, the interest element of rental under finance leases) on Borrowings less interest received during the relevant period (excluding in either case amounts paid or received intra Consolidated Group) and determined in accordance with the Accounting Principles;

OIL AND GAS DEVELOPMENT EXPENSES means the aggregate of all expenses (including capital expenditures) incurred in respect of any Joint Venture Document, Oil and Gas Development Agreement or Oil and Gas Property (without duplication) as stated in the Accounts for the relevant period and determined in accordance with the Accounting Principles; and

REFERENCE ACCOUNTS means, at any time, the audited combined consolidated profit and loss account and balance sheet of the Consolidated Group most recently delivered by the Borrowers to the Agent in accordance with clause 12.1 (b).

1.3 CONSTRUCTION: Except where the context otherwise requires, any reference in this Agreement to:

the AGENT, and the SECURITY TRUSTEE include its successors and permitted transferees and assigns;

an AGREEMENT also includes a concession, contract, deed, franchise, licence, treaty or undertaking (in each case, whether oral or written);
the ASSETS of any person shall be construed as a reference to the whole or any part of its business, undertaking, property, assets and revenues (including any right to receive revenues);

CONTROL means the ability, directly or indirectly, to appoint and/or remove all or the majority of the board of directors or management committee of the person or otherwise to direct its affairs in any material respect;

DERIVATIVE TRANSACTION includes any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity linked swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, currency option, spot or spot deferred oil or gas transaction, forward oil or gas transaction, oil or gas option, oil or gas lease, loan or consignment, EFP (exchange for physical), oil or gas swap, oil or gas forward rate transaction or any other similar transaction (including any option with respect to any of these transactions) or any combination of any of the foregoing transactions;

a FINANCING DOCUMENT or other agreement includes any amendments, novations or supplements thereto;

a GUARANTEE also includes any other obligation (whatever called) of any person to pay, purchase, provide funds (whether by way of the advance of money, the

purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment of, indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of any other person;

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INDEBTEDNESS means any obligation (whether present or future, actual or -contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money;

a LAW includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure in any jurisdiction or any present or future directive, regulation, request or requirement (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the general practice of persons to whom the directive, regulation, request or requirement is addressed);

a PERSON includes any corporation, association, partnership or other entity and includes its successors and permitted transferees and assigns;

a provision of law is a reference to that provision as amended or re-enacted; SUBSIDIARY in relation to any person means (i) any corporate entity of which more than 50 per cent of the issued share capital or voting rights in relation thereto is -owned directly or indirectly by such person and/or one or more subsidiaries of such person or (ii) any corporate entity which is controlled by such person;

references to a TIME OF DAY are to London time; headings and the table of contents are for ease of reference only.

AMOUNT AND PURPOSE

2.1 AMOUNT: In accordance with the provisions of this Agreement, the Lenders shall make an Advance to the Borrowers. The maximum aggregate principal amount of the Facility is \$30,702,500 (thirty million seven hundred two thousand five hundred dollars).

2.2 PURPOSE: The Facility shall be used only for the purpose of refinancing certain obligations of the Borrowers to Total pursuant to the Prepayment Agreement between Liberty and TIL dated July 29, 1997, as amended April 6, 1998, and to secure the release of the guarantees made by ARC and Dahomey to TIL dated July 20, 1997 in respect of the obligations of Liberty under the aforesaid Prepayment Agreement.

SYNDICATE AND BORROWERS

3.1 PARTICIPATION: Subject to the provisions of this Agreement, each of the Lenders shall participate in the Advance under the Facility in the proportion which its Commitment bears to the Total Commitments up to an aggregate principal amount not exceeding its Commitment.

3.2 OBLIGATIONS SEVERAL: In participating in the Facility:

(a) the rights and obligations of each of the Lenders under the Financing Documents are several. Failure of a Lender to perform its obligations under the Financing Documents shall neither:

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(i) result in the Agent, the Security Trustee or any Lender incurring any liability whatsoever; nor

- (ii) relieve the Agent, the Security Trustee, any Obligor or any Lender from their respective obligations under the Financing Documents; and
- (b) the aggregate of the amounts due to each Lender under the Financing Documents at any time is a separate and independent debt and subject to clause 13.2 each Lender shall have the right to protect and enforce its rights under the Financing Documents and it shall not be necessary (except as otherwise provided in the Financing Documents) for any other Lender or the Agent to be joined as an additional party in any proceedings to this end.

3.3 LIABILITY OF BORROWERS: The obligations of each Borrower hereunder are joint and several.

3.4 BORROWERS' AGENT: Each Obligor irrevocably authorises and instructs the Borrowers' Agent to give and receive as agent on its behalf all notices and take such other action (including, without limitation, the giving of consents, the signing of certificates or the acceptance of any proposal) as may be necessary or desirable under or in connection with the Financing Documents and confirms that it will be bound by any action taken by the Borrowers' Agent under or in connection with the Financing Documents.

3.5 Actions of Borrowers' Agent: The respective liabilities of each of the Obligors hereunder shall not be in any way affected by:

- (a) any irregularity in any act done by or any failure to act by the Borrowers' Agent;
- (b) the Borrowers' Agent acting in any respect outside any authority conferred upon it by any Obligor; and
- (c) the failure by or inability of the Borrowers' Agent to inform any Obligor of receipt by it of any notification hereunder. CONDITIONS PRECEDENT

4.1 CONDITIONS TO THE FACILITY: The Facility shall become available on the date upon which the Agent has notified the Borrowers' Agent that it received the following documents dated not more than two days before the Drawing Date or such earlier date as the Agent may in its discretion accept and in each case in form and content satisfactory to the Agent:

- (a) a certificate signed by 2 directors of each of the Borrowers substantially in the form set out in Part I of Schedule 3 and the documents therein referred to;
- (b) a certificate in respect of each of the Original Guarantors signed by 2 directors of each of the Original Guarantors substantially in the form set out in Part II of Schedule 3 and the documents therein referred to;

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- (c) opinions of the Obligors' independent legal counsel in each jurisdiction in which an Obligor is incorporated opining as to the due execution of each of the Financing Documents;
- (d) a letter from Ogilvie and Company describing and listing each of the Oil and Gas Development Agreements and each of the Oil and Gas Properties of which such firm has any knowledge or information in form and substance satisfactory to the Agent;
- (e) a certified copy of the Joint Venture Documents and Oil and Gas Development Agreements now in effect (including without limitation any agreements referred to in the letter described in paragraph (d) above), and in each case any agreements ancillary thereto in each case duly executed by all the parties thereto, and up to date copies as at the date not more than 10 days before the Drawing Date together with all consents, resolutions, documents

and other matters necessary for the effectiveness of the same and appropriate evidence that each has become wholly unconditional and effective and none of the conditions precedent thereto has been waived without the consent of the Lenders;

- (f) an executed copy of each of the Share Pledges, together with the share certificates representing 100 per cent of the common stock of each of Liberty, Dahomey and each Guarantor in the name of the respective Guarantor or Borrower which is the pledgor under the respective Share Pledge and any other documents required to be delivered pursuant thereto;
- (g) an executed copy of two Debentures issued by West African Resource Corporation (each in respect of Concession 309), an executed copy of a Debenture issued by Agbara Resources Limited in respect of Concession 310), and an executed copy of a Debenture issued by Liberty in respect of OPL 237 and OML 112 (Deep Rights) in form and content satisfactory to the Agent;
- (h) an executed copy of the Security Trust Deed;
- (i) an executed copy of the MOPU Agreement and the Amni Guarantee;
- (j) an executed copy of a Certificate issued by Yinka Folawiyo Petroleum Company Limited in form and content satisfactory to the Agent;
- (k) an executed copy of a Certificate signed by each ARC Director in the form of Part III of Schedule 3; and
- (l) an executed copy of the Warrant.

4.2 NOTICE: The Agent shall promptly notify each of the Lenders and the Borrowers' Agent after it has received all documents and confirmations required pursuant to clause 4.1.

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4.3 CONDITIONS TO THE ADVANCE: The Advance is subject to the further conditions precedent that both on the date of the Drawing Notice and on the Drawing Date no Event of Default or Potential Event of Default has occurred or would occur as a result of making the Advance.

DRAWDOWN OF THE ADVANCE

5.1 DRAWDOWN: Subject to the provisions of this Agreement, the Borrowers' Agent may on Business Days during the Availability Period draw the Advance by delivering to the Agent no later than 10.00 am (London time) a duly completed Drawing Notice in the form set out in Schedule 2, specifying in respect of the proposed Advance:

- (a) the proposed Drawing Date, which shall be a Business Day;
- (b) the amount of the Advance, which shall not exceed \$30,702,500; and
- (c) the Interest Period which shall be for successive periods of three months provided that the final Interest Period shall coincide with the Final Maturity Date.

5.2 IRREVOCABILITY: A Drawing Notice shall be irrevocable and, subject to the provisions of this Agreement, the Borrower named therein shall draw the Advance on the Drawing Date specified in the Drawing Notice.

5.3 NOTICE TO LENDERS: Subject to clause 4.3, when the Agent actually receives a Drawing Notice pursuant to clause 5.1, it shall notify each of the Lenders of the amount of the proposed Advance and the proposed Drawing Date and each Lender shall, subject to the provisions of this Agreement, make available to the Agent on the Drawing Date its participation in that Advance.

INTEREST

6.1 DURATION OF PERIODS: The following provisions shall apply to the duration of Interest Periods:

- (a) the Interest Period for each Advance shall commence on the date of that Advance and end on the date determined in accordance with and subject to clause 5.1(c); and
- (b) an Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day unless the result of such extension would be that such Interest Period would end on a day in the next following calendar month, in which event such Interest Period shall end on the last preceding Business Day.

6.2 RATE: The rate of interest payable on an Advance for each Interest Period shall be the rate per annum determined by the Agent to be the aggregate Of

- (a) the applicable Facility Margin; and

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- (b) (i) the rate which appears on the display designated as the British Bankers Association's Interest Settlement Rate as quoted on page 3750 of the Dow Jones/Telerate Monitor for dollars (or such other page or service as may replace page 3750 on such system for the purpose of displaying London Inter-bank offered rates for dollars of leading banks, from time to time) as at 11.00 a.m. (London time) on the second Business Day before the commencement of that Interest Period; or
 - (ii) if no such display rate is then available for dollars, the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Agent at its request by each of the Reference Banks as the rate at which deposits in dollars are offered for the same period as that Interest Period by that Reference Lender to leading banks in the London Inter-bank market at or about 11.00 a.m. (London time) on the second Business Day before the commencement of that Interest Period; less
- (c) the Interest Adjustment.

6.3 PAYMENT: Interest under this Agreement shall accrue from the date the Advance is made and shall be calculated on the basis of actual days elapsed (not counting within an Interest Period the last day of that Interest Period) and a year of 360 days and shall be paid on the Advance by the Borrower to the Agent for the account of the Lenders in arrears on each Interest Payment Date in dollars.

6.4 AGENT'S CERTIFICATE: The Agent shall notify the Borrowers' Agent and each of the Lenders of the rate of interest as soon as it is determined under this Agreement. The certificate of the Agent as to a rate of interest shall, in the absence of manifest error, be conclusive.

6.5 FAILURE OF REFERENCE BANK: If any Reference Bank for any reason fails to notify to the Agent the rate referred to in clause 6.2(b)(ii), subject to clause 10.3(d), the rate of interest shall be determined on the basis of the rates notified to the Agent by the remaining Reference Lenders.

6.6 NEW REFERENCE BANK: If any Reference Bank ceases to provide rates at which deposits in dollars are offered to leading banks in the London interbank market:

- (a) it shall cease to be a Reference Bank; and

(b) the Agent shall, with the approval (which shall not be unreasonably withheld or delayed) of the Borrowers' Agent, nominate as soon as reasonably practicable another Bank to be a Reference Bank in place of such Reference Bank. REPAYMENT

7.1 REPAYMENT OF ADVANCES: The Borrowers shall on the Final Maturity Date repay the Advance to the Agent for the account of the Lenders in accordance with clause 9.1.

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7.2 NETTING OFF: If on the Drawing Date:

- (a) a Lender is required to participate in an Advance; and
- (b) a payment is due to that Lender pursuant to this clause 7, then the Agent shall (without prejudice to the Borrowers' obligation to make the payment in question pursuant to this clause 7 prior to any application pursuant to this clause and without prejudice to the Borrowers' remaining obligation in relation to such payment after any such application) apply any amount payable by such Lender to that Borrower on the Drawing Date in or towards satisfaction of the amount payable by that Borrower to such Lender on such Drawing Date pursuant to this clause 7.

7.3 Fees: In order to induce the Lenders to make the Advance hereunder the Borrowers will pay to the Agent for the account of the Lenders a Facility Fee in the amount of \$500,000 on June 29, 1999 or such earlier date upon which the Total Outstandings are repaid in full.

PREPAYMENT

8.1 PREPAYMENT: The Borrowers' Agent may at any time and from time to time, serve a notice of prepayment through the Agent in respect of all or any portion of the Advance provided that the minimum principal amount of the Advance prepaid shall be \$1,000,000 and the principal amount of any prepayment shall be in an integral multiple of \$500,000. On the date falling 5 Business Days after the date of service of the notice, the Borrowers shall prepay the principal amount designated in such notice. On prepaying the Advance under this clause, the Borrowers shall pay to the Agent for the account of the Lenders accrued interest together with all other amounts due to the Lenders in respect of such Advance (including, without limitation, any sum payable under the indemnity contained in clause 14.1 (a)).

PAYMENTS

9.1 MECHANICS: The following provisions shall apply to the making of payments:

- (a) all payments by an Obligor or a Lender under this Agreement shall be made to the Agent to its account at such office or Lender as it may notify in writing to the Borrowers' Agent or the Lenders;
- (b) payments under this Agreement to the Agent shall be made in dollars for value on or before 10.00 a.m. (London time) on the due date;
- (c) each payment received by the Agent under this Agreement for another person shall, subject to paragraph (d) below, be made available by the Agent to that person by payment (on the date and in the currency and funds of receipt) to that person's account with such office or Lender in the principal center of the country of the relevant currency as it may notify to the Agent for this purpose by no less than 5 Business Days' prior notice; and

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(d) the Agent is not obliged to make payment under paragraph (c) above until it

has actually received the corresponding sum. If the Agent makes available to a person any amount which has not been made unconditionally available to the Agent and that amount is not actually and unconditionally made available, the person concerned shall forthwith on notice from the Agent repay that amount to the Agent together with interest on the amount until its repayment at a rate determined by the Agent to reflect its cost of funds.

9.2 NO SET-OFF OR COUNTERCLAIM: All payments made by an Obligor under this Agreement shall be made without set-off or counterclaim.

9.3 WITHHOLDINGS: All payments by an Obligor under this Agreement, whether in respect of principal, interest, fees or any other item, shall be made in full without any deduction or withholding in respect of Tax or otherwise (other than a Tax imposed on the overall net income of a Lender's Facility Office by the jurisdiction in which such Lender is incorporated or in which the Facility Office is located (an EXCLUDED TAX)) unless the deduction or withholding is required by law, in which event the Obligor shall:

(a) ensure that the deduction or withholding does not exceed the minimum amount legally required;

(b) forthwith pay to the Agent for the account of each Lender such additional amount so that the net amount received by that Lender will equal the full amount which would have been received by it had no such deduction or withholding in respect of Tax (other than an Excluded Tax) been made;

(c) pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding (including, but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this sub-clause); and

(d) furnish to the Agent on behalf of the Lender concerned, within the period for payment permitted by the relevant law, either:

(i) an official receipt of the relevant taxation or other authorities involved in respect of all amounts so deducted or withheld; or

(ii) if such receipts are not issued by the taxation or other authorities concerned on payment to them of amounts so deducted or withheld, a certificate of deduction or equivalent evidence of the relevant deduction or withholding.

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If any deduction or withholding in respect of Tax or otherwise is required to be made by the Agent in respect of any payment under this Agreement, the Obligor concerned shall take the action referred to in paragraph (b), the certificate of the Agent as to the amount required to be paid being conclusive, and the Agent shall take the action referred to in paragraphs (a) and (c) and itself furnish the documents referred to in paragraph (d).

9.4 TAX FORMS: Each Lender agrees, with respect to each Borrower and in respect of its Facility Office for lending to such Borrower, in order to assist such Borrower to secure the benefit of any available exemption for (or reduced rate in respect of) any deduction or withholding for or on account of Taxes, it shall, if requested in writing to do so by the Borrowers' Agent through the Agent, as soon as practicable after receipt of such request, from time to time, furnish such Borrower (at the expense of such Borrower) through the Borrowers' Agent or the appropriate governmental or other authority, duly completed copies of such certificates and documents as are necessary for such purpose.

9.5 TAX CREDITS: If and to the extent that any Obligor pays any additional amount under clause 9.3(b) and any Lender receives and retains the benefit of a refund of Tax or credit against Tax on its overall net income which is

identified by the Lender in its sole opinion as attributable to the tax that was withheld or deducted (a TAX CREDIT), then that Lender shall reimburse to the Obligor such amount as it shall determine in its absolute discretion so as to leave that Lender, after that reimbursement, in no better or worse position than it would have been in if payment of the relevant additional amount had not been required. Each Lender shall have absolute discretion as to whether to claim any Tax Credit and, if it does so claim, the extent, order and manner in which it does so and in which reliefs and credits are to be regarded as used for these purposes. No Lender shall be obliged to disclose any information regarding its tax affairs or computations to any Obligor and its certificate as to the amount to be reimbursed shall, in the absence of manifest error, be conclusive and shall not be questioned by the Obligor.

9.6 DATE: If any payment would otherwise be due on a day which is not a Business Day, it shall be due on the next succeeding Business Day unless the result of such an extension would be that such payment would be due on a day in the following calendar month, in which event such payment shall be due on the last preceding Business Day.

9.7 DEFAULT INTEREST: If a Borrower fails to pay any amount in accordance with this Agreement:

(a) the Borrower shall pay interest on that amount from the time of default up to the time of actual payment (as well after as before judgment) at the rate per annum which is the sum of

(i) the Facility Margin plus two per cent; and

(ii) the rate (as determined by the Agent) for a deposit in dollars of an amount comparable to the defaulted amount, offered to the Agent in the London Inter-bank market, for such period as the Agent may from time to time select, at or about 10.00 a.m. (London time) on the Business Day succeeding that on which the Agent becomes aware of the default for value two Business Days later;

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(b) if an amount unpaid in accordance with this Agreement is of principal due on a day during, but not the last day of, an Interest Period relating thereto, the period selected by the Agent under clause 9.7(a) shall equal the unexpired portion of the Interest Period and there shall be substituted for the rate specified in clause 9.7(a) the rate of one per cent. above the rate calculated in accordance with clause 6.2 and applicable to the unpaid amount immediately before it fell due;

(c) interest under this clause shall accrue daily on the basis of a year of 360 days from and including the first day to the last day of each period for which a rate of interest is determined under this clause and shall be due and payable by the Borrower at the end of each such period. So long as the default continues, the rate referred to in clause 9.7(a) shall be calculated on a similar basis at the end of each period selected by the Agent and notified to the Lenders and interest payable under this sub-clause which is unpaid at the end of each such period shall thereafter itself bear interest at the rates provided in this sub-clause.

9.8 JUDGMENT CURRENCY: If, under any applicable law, whether as a result of a judgment against an Obligor or the liquidation of an Obligor or for any other reason, any payment under or in connection with this Agreement is made or is recovered in a currency (the other currency) other than that in which it is required to be paid hereunder (the original currency), then, to the extent that the payment to any Lender (when converted at the rate of exchange on the date of payment or, in the case of a liquidation, the latest date for the determination of liabilities permitted by the applicable law) falls short of the amount unpaid under this Agreement, the Obligor shall as a separate and independent obligation, fully indemnify that Lender against the amount of the shortfall; and

for the purposes of this sub-clause rate of exchange means the rate at which the Lender concerned is able on the relevant date to purchase the original currency in London with the other currency.

9.9 CERTIFICATES: Any determination or notification by the Agent or any Lender concerning any rate or amount under this Agreement shall, in the absence of manifest error, be conclusive evidence as to that matter.

CHANGES IN CIRCUMSTANCES

10.1 ILLEGALITY: Where the introduction, imposition or variation of any law or any change in the interpretation or application of any law makes it unlawful or impractical without breaching such law for any Lender to allow all or part of its participation in this Facility to remain outstanding or to fund all or part of its participation in an Advance or to carry out all or any of its other obligations under this Agreement or to charge or receive interest at the rate applicable under this Agreement, upon that Lender notifying the Agent:

(a) the Agent shall notify the Borrowers' Agent and that Lender's Commitment shall forthwith be reduced to the extent necessary to cure such illegality;

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(b) the Borrower shall, within 5 Business Days of being so notified (and only to the extent necessary to cure such illegality), prepay to the Agent for the account of that Lender that Lender's participation in the Advance and any accrued interest thereon in accordance with the provisions of clause 8.1.

10.2 INCREASED COSTS: Where any Lender determines that the introduction or variation of any law or any change in the interpretation or application of any law or compliance with any request (whether or not having the force of law) from any central bank or other fiscal, monetary or other authority or agency would increase the cost, whether by loss of reliefs or other benefits that would otherwise have been available or otherwise, to that Lender (or the holding company of that Lender) of making or maintaining or funding that Lender's Commitment or reduce the amount of any sum received or receivable by that Lender in respect of its Commitment or oblige it (or its holding company) to make any payment or suffer any cost or loss of relief or other benefits (except in respect of tax on overall net income) or forego any interest or other return on, or calculated by reference to, the amount of any sum received or receivable by that Lender from an Obligor under this Agreement or reduce the effective return to it (or its holding company) under this Agreement or on its (or its holding company's) overall capital as a result of its entry into and/or compliance with this Agreement, then:

(a) that Lender shall notify the Borrowers' Agent through the Agent of such event promptly upon its becoming aware of such event; and

(b) such Obligor shall on demand pay, against evidence of the amount claimed, to the Agent for the account of that Lender or its holding company such amounts as that Lender from time to time and at any time notifies the Agent to be necessary to compensate it, or its holding company, for such increased cost, reduction, payment or foregone interest or return.

10.3 MARKET DISRUPTION: If, in relation to any Advance:

(a) the Agent (after consultation with the Reference Banks) determines that, by reason of circumstances affecting the London Inter-bank market generally, reasonable and adequate means do not or will not exist for ascertaining under clause 6.2 a rate of interest applicable to an Advance; or

(b) the Agent is notified by the Majority Lenders that deposits in dollars are not in the ordinary course of business available in the London Inter-bank market for a period equal to the forthcoming Interest Period in amounts sufficient to fund their participations in an Advance; or

- (c) the Agent is notified by Lenders which are banks (the AFFECTED LENDERS) whose Commitments aggregate more than 30 per cent. of the Total Commitments that the arithmetic mean of the offered quotations or rates referred to in clause 6.2(b) does not represent their effective cost of funding their participations in such Advances during the forthcoming Interest Period; or
- (d) only one Reference Lender notifies a rate to the Agent in accordance with clause 6.2(b)(ii), the Agent shall forthwith notify the Borrowers' Agent and each Lender, and:

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- (e) no further Advances shall be made while such circumstances continue to exist;
- (f) unless within thirty days of the giving of the notice, the Borrowers' Agent and the Agent (in consultation with the Lenders or, in the case of (c), the Affected Lenders) arrive, by negotiation in good faith, at an alternative basis acceptable to the Borrowers' Agent and the Lenders for continuing the Facility or the participations of the Affected Lenders (and any alternative basis agreed in writing shall be retroactive to and effective from the commencement of the relevant Interest Period) the Commitments of the Lenders or, in the case of (c), the Affected Lenders, shall be canceled and the Borrowers shall prepay to the Agent for the account of the Lenders the Total Outstandings or, in the case of (c), the participations of the Affected Lenders, within 10 Business Days after the end of the 30 day period with accrued interest payable to each Lender or Affected Lender, as applicable, at a rate equal to the Facility Margin plus the aggregate of the amounts certified by such Lender, and notified through the Agent to the Borrowers' Agent, as being the cost to that Lender of continuing to fund its Outstandings during the two periods referred to in this paragraph; and
- (g) while any agreed alternative basis is in force, the Agent in consultation with the Lenders or, in the case of (c), the Affected Lenders, shall periodically (but at least monthly) determine whether circumstances are such that the basis is no longer necessary; and if the Agent so determines, it shall forthwith notify the Borrowers' Agent and each Lender and that basis shall cease to be effective on a date specified by the Agent after consultation with the Lenders.

10.4 TAX: If and to the extent either:

- (a) an amount deducted or withheld from any payment, or an additional amount payable for the account of any Lender by reason of a deduction or withholding, pursuant to clause 9.3; or
- (b) an amount in respect of increased costs payable pursuant to clause 10.2, is brought into account by a Lender as a receipt for the purposes of taxation and proves inadequate, by reason of the absence of a credit, deduction or other relief which is (in any case) immediately and effectively received, fully and immediately to indemnify the relevant Lender on an after-tax basis against the cost, payment, deduction or withholding in question; then in either case the Obligor will on demand pay such further sum to the Agent for the account of the Lender as is necessary to remedy the inadequacy.

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10.5 MITIGATION: If a Lender becomes aware of circumstances that will or are likely to lead to that Lender serving a notice under clause 10.1 or additional amounts becoming payable under clause 10.2 or clause 9.3, that Lender shall promptly notify the Agent accordingly, whereupon the Agent shall notify the Borrowers' Agent and such Lender shall, without prejudice to the obligations of any of the Borrowers, take such steps as are reasonably open to it to mitigate the effects of those circumstances (including, without limitation, the transfer

of its rights and obligations hereunder to another Facility Office or to any other bank or financial institution willing to assume its participation in the Facility). Nothing in this clause imposes a legal obligation on any Lender to take any steps that might be prejudicial to it or which might conflict with its general banking policies.

10.6 CERTIFICATES AND INFORMATION: The certificate of the Agent or the relevant Lender as to the amount that is payable under clause 10.2, 10.3 or 10.4 shall, in the absence of manifest error, be conclusive and nothing in this clause 10 shall oblige any Lender to disclose any information regarding its affairs or business to any Obligor.

REPRESENTATIONS AND WARRANTIES

11.1 ON SIGNING: Each Obligor acknowledges that each of the Lenders, the Agent and the Security Trustee has entered into the Financing Documents, and that the Security Trustee has consented to be Security Trustee in relation thereto in each case in full reliance on representations by each Obligor in the following terms, and each Obligor now represents and warrants to each of them in respect of itself (and each of the Borrowers warrants and represents in relation to the Consolidated Group in clauses 11.1 (g), (h), (i), (j) and (k)) that:

- (a) Status: it is duly incorporated with limited liability, validly existing and in good standing, under the laws of its place of incorporation (except where failure to be so qualified would not reasonably be expected to have a Material Adverse Effect) and is duly qualified and authorised to do business and is in good standing in each other jurisdiction in which the conduct of its business requires it to be so qualified or authorised (except where failure to be so qualified would not reasonably be expected to have a Material Adverse Effect);
- (b) POWERS AND AUTHORISATIONS: the documents which contain or establish its constitution include provisions which give power, and all necessary corporate authority has been obtained and action taken, for it to own its assets, carry on its business and operations as they are now being conducted, to sign and deliver, and perform the transactions contemplated in, the Financing Documents to which it is a party and the Financing Documents to which it is a party constitute valid and binding obligations on it enforceable in accordance with their terms;
- (c) NON-VIOLATION: neither the signing and delivery of the Financing Documents to which it is a party nor the performance of any of the transactions contemplated in any of them does or will contravene or constitute a default under, or cause to be exceeded, any limitation on it or the powers of its directors imposed by or contained in:
 - (i) any law, rule, regulation, writ, order, determination or award by which it or any of its assets is bound or affected;
 - (ii) any document which contains or establishes its constitution; or
 - (iii) any agreement to which it or any of its subsidiaries is a party or by which any of its or their assets is bound,

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which default could be reasonably expected to have a material adverse effect on the business, properties, results of operations or financial condition of the Consolidated Group (a MATERIAL ADVERSE EFFECT);

- (d) Consents: no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty, charge or tax and no other action whatsoever is necessary or desirable to ensure the validity, legality, enforceability or priority of the liabilities and obligations of it or the rights of the Lenders, the Agent

or the Security Trustee (or any of them) under the Financing Documents except such authorizations, etc. as have been obtained or will be obtained within 30 days following the Drawing Date;

- (e) NO DEFAULT: no event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any Joint Venture Document or Oil and Gas Development Agreement or any other agreement or instrument by which it or any of its assets is bound or affected, being a contravention or default which could reasonably be expected to have a Material Adverse Effect or materially and adversely affect its ability to observe or perform its obligations under the Financing Documents to which it is a party except as disclosed in a certificate executed in accordance with Clause 4.1(a) or (b);
- (f) LITIGATION: no litigation, arbitration or administrative proceeding or claim which by itself or together with any other such proceedings or claims could reasonably be expected to have a Material Adverse Effect or materially and adversely affect its ability to observe or perform its obligations under the Financing Documents to which it is a party, is presently in progress or pending or, to the knowledge of any Obligor, threatened against it or any of its assets except as disclosed in a certificate executed in accordance with Clause 4.1(a) or (b);
- (g) Tax: no member of the Consolidated Group is in default in the payment of any taxes which could reasonably be expected to have a Material Adverse Effect, and no material claim is being asserted with respect to taxes which is not disclosed in the most recent Accounts except as disclosed in a certificate executed in accordance with Clause 4.1(a) or (b);
- (h) ACCOUNTS:
 - (i) the statement of the Consolidated Group as at December 31, 1997 prepared by Deloitte & Touche has been prepared on a basis consistently applied in accordance with the Accounting Principles and gives a true and fair view of the Consolidated Group for that year and the state of the affairs of the Consolidated Group at that date, and in particular accurately disclose or reserve against all the liabilities (actual or contingent) of the Consolidated Group as a whole that are required to be disclosed or reserved against in accordance with the Accounting Principles; and

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- (ii) the most recent financial statements of the Consolidated Group delivered to the Agent pursuant to clause 12.1(b) below have been prepared on a basis consistently applied in accordance with the Accounting Principles and give a true and fair view of the results of its operations for that year and the state of its affairs at that date and in particular accurately disclose or reserve against all the liabilities (actual or contingent) that are required to be disclosed or reserved against in accordance with the Accounting Principles;
- (i) ENVIRONMENT:
 - (i) so far as any officer or director is aware, it has at all times complied with all Environmental Laws and Environmental Licences in all material respects and obtained and maintained in full force and effect in all material respects all Environment Licences and there are no facts or circumstances entitling any such Environmental Licences to be revoked, suspended, amended, varied, withdrawn or not renewed; and
 - (ii) so far as any officer or director is aware, no Material Environmental Claim is pending or has been made or threatened against any member of

the Consolidated Group, save to the extent that the same is a notification or order requiring compliance with the terms of any Environmental Licence or Environmental Law which is in the process of being complied with in the time specified therein for compliance;

- (j) MATERIAL ADVERSE CHANGE: there has been no material adverse change in the consolidated financial condition of the Consolidated Group since the date referred to in paragraph (h)(i);
- (k) NO SECURITY: none of the assets of any member of the Consolidated Group is affected by any Security Interest, and no member of the Consolidated Group is a party to, nor is it or any of its assets bound by, any order, agreement or instrument under which any member of the Consolidated Group is, or in certain events may be, required to create, assume or permit to arise any Security Interest, other than any Permitted Security Interest;
- (l) CERTIFICATES: the information provided in the Certificates executed in accordance with clause 4.1, when prepared and as of the date of this Agreement:
 - (i) is true and accurate in all material respects and is not misleading in any material respect; and
 - (ii) does not omit to state any fact necessary to make such information not misleading in any material respect;
- (m) INFORMATION: the information furnished from time to time by the Borrowers in connection with the Facility is true and accurate in all material respects and is not misleading in any material respect when so furnished;

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- (n) SUBSIDIARY GUARANTORS: the Subsidiaries of each Obligor which the Agent has requested to the Borrowers' Agent accede to this Agreement have acceded to this Agreement as Additional Guarantors or are the Original Guarantors; and each Subsidiary of each Obligor has been notified to the Agent within not more than ten days following the date upon which such Person has become a Subsidiary of any Obligor.

11.2 AFTER SIGNING: Each Obligor shall be deemed to represent and warrant to each of the Lenders, the Agent and the Security Trustee on each day that the Advance or any portion thereof is outstanding, with reference to the facts and circumstances then subsisting, that each of the representations and warranties made by it contained in clause 11.1 (other than paragraph (h)(i) and (j)) and each certificate issued pursuant to clause 12.1(b)(iv) remains true, accurate and correct.

UNDERTAKINGS

12.1 ACCOUNTS AND INFORMATION: Each Borrower undertakes with each of the Lenders, the Agent and the Security Trustee that, from the date of this Agreement until all its liabilities under the Financing Documents have been discharged:

- (a) PREPARATION OF ACCOUNTS: it will prepare the financial statements referred to in paragraph (b) on a basis consistently applied in accordance with the Accounting Principles and those financial statements shall give a true and fair view of the results of the Consolidated Group for the period in question and the state of the affairs of the Consolidated Group as at the date to which the financial statements are made up and shall accurately disclose or reserve against all the liabilities (actual or contingent) of the Consolidated Group required to be disclosed or reserved against in accordance with the Accounting Principles;

(b) INFORMATION: it will deliver to the Agent in sufficient numbers for each of the Lenders:

(i) as soon as they become available (and in any event within 105 days of 31 December in each year) copies of the audited combined consolidated and consolidating financial statements for the twelve-month period then ended of the Consolidated Group which shall be shown in dollars, contain an income statement, a balance sheet and a cash flow statement and be audited and certified by a firm of independent accountants of recognised international standing;

(ii) as soon as they become available (and in any event within 60 days of the end of each of its financial quarters) copies of the unaudited consolidated and consolidating financial statements for that financial quarter of the Consolidated Group each of which shall contain an income statement and a balance sheet;

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(iii) promptly, all notices or other documents despatched by each Borrower to its shareholders or Oil and Gas Partners (or in either case, any class thereof) and, in the case of ARC, to the Toronto Stock Exchange (including, without limitation, the Borrowers' annual budget and business plan for each calendar year) or its creditors generally;

(iv) within 10 days following the close of each calendar month, an Officers Certificate signed by two Directors of ARC in the form of Part III of Schedule 3 describing any changes in the information set forth in the Certificate given since the delivery of the previous certificate; and

(v) promptly, such additional financial or other information as the Agent may from time to time reasonably request.

12.2 GENERAL UNDERTAKINGS: Each Obligor undertakes with each of the Lenders, the Agent and the Security Trustee that, from the date of this Agreement until all its liabilities under the Financing Documents have been discharged:

(a) CONSENTS: it will obtain and promptly renew from time to time, and will promptly deliver to the Agent certified copies of, any authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation as may be necessary or desirable to ensure the validity, enforceability or priority of the liabilities and obligations of it or the rights of the Lenders, the Agent and the Security Agent (or any of them) under the Financing Documents to which it is a party and it shall comply with the terms of the same;

(b) DEFAULT: if it becomes aware of the occurrence of an Event of Default or Potential Event of Default it will forthwith notify the Agent and provide the Agent with full details of any steps which it is taking, or is considering taking, in order to remedy or mitigate the effect of the Event of Default or Potential Event of Default or otherwise in connection with it;

(c) LITIGATION: promptly, and in any event within 10 days, after becoming aware of the same inform the Agent of any litigation, arbitration or administrative proceeding or claim of the kind described in clause 11.1 (f);

(d) INSURANCE: it will:

(i) procure that it takes out and maintains insurance cover over its assets and undertaking with reputable underwriters or insurance companies (including, without limitation, reinsurance companies) reasonably acceptable to the Agent, of a type and in an amount which is consistent with good business practice in the precious metal

industry;

- (ii) punctually pay all premiums and other sums payable under each policy taken out pursuant to this clause 12.2(d);

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- (iii) upon receipt of a written request from the Agent to such effect, deliver to the Agent such information as to the policies of insurance taken out pursuant to this clause 12.2(d) (or as to any matter which may be relevant to such insurances) as the Agent may reasonably request and upon renewal of any such policy, produce to the Agent, on or before its expiry date, evidence of such renewal;
 - (iv) promptly upon becoming aware of the same notify the Agent of any insurance claim where the amount of such claim exceeds \$5,000,000 (or its equivalent, on the date on which the claim is made, in the currency in which such claim is made) or such other amount as may, from time to time, be specified by the Agent;
 - (v) procure that no material reductions in limits or coverage (including those resulting from extensions) or material increases in deductibles, exclusions or exceptions shall be made to any insurance effected pursuant to this clause 12.2(d) without the prior consent of the Agent;
 - (vi) not, at any time, do (or omit to do), anything whereby any of the insurances taken out under this clause 12.2(d) may be rendered void, voidable, unenforceable, suspended or impaired in whole or in part or which may otherwise render any sum paid out under any such policy repayable in whole or in part;
 - (vii) promptly upon becoming aware thereof, inform the Agent of any substantial change in the insurances on and in relation to its business and assets;
- (e) PARI PASSU RANKING: its unsecured obligations under this Agreement do and will rank at least pari passu with all its other present and future unsecured obligations other than obligations in respect of national, provincial and local taxes and employees' remuneration and taxes and for certain other statutory exceptions;
 - (f) ENVIRONMENT: it will:
 - (i) comply in all material respects with the terms and conditions of all laws, regulations, agreements, licences and concessions including, without limitation, all Environmental Laws and all Environmental Licences, all Applicable Laws and all Licences and Permissions;
 - (ii) save as disclosed in writing to the Agent on or prior to the date hereof, ensure that no Substance is at or brought on to any property owned, leased or occupied by any member of the Consolidated Group which may give rise to a Material Environmental Claim and shall take or procure the taking of all necessary action to deal with, remedy or remove from such property or prevent the incursion of (as the case may be) the Substance in order to prevent such Environmental Claim (or in order to comply with any notification or order requiring compliance with the terms of any Environmental Licence or Environmental Law within the time specified therein for such compliance) and in a manner that complies in all material respects with all requirements of Environmental Law;

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- (g) RECORDS ETC: at any reasonable time and from time to time upon reasonable

notice, it will permit the Agent or any Lender or any agent or representative thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of it to discuss its affairs, finances and accounts with any of their respective officers and directors and its independent accountants, at the expense of the Agent or Lender, unless a Potential Event of Default or Event of Default shall have occurred and be continuing in which case at the expense of the Borrowers;

- (h) INTELLECTUAL PROPERTY: preserve and maintain in all material respects the substance and the validity of the Intellectual Property and where appropriate, use its best endeavours to protect and safeguard the Intellectual Property which is material from and against theft, loss, destruction, unauthorised access, copying or use by third parties; and
- (i) TAX RETURNS: except with respect to tax matters relating to the alleged failure of Liberty Technical Services Limited and Abacan Technical Services Inc to make past payments to the Nigerian government in connection with the operation of OPL 237 and OML 112, ensure all necessary tax returns and filings are delivered by or on behalf of each member of the Consolidated Group in accordance with applicable laws and regulations and promptly provide to the Agent a complete and correct copy of each such tax return;
- (j) ADDITIONAL GUARANTORS: promptly (and in all cases within 30 days) following the close of each calendar month it will procure that each Subsidiary (other than an Original Guarantor and any Subsidiary that has previously issued a Guarantor Accession Deed) not earlier notified to the Agent. At the request of the Agent the Borrowers will cause any Subsidiary of any Obligor to execute a Guarantor Accession Deed in the form of Schedule 5 duly completed and signed by the Borrowers' Agent and such Subsidiary, and deliver to the Agent (x) a certificate signed by 2 directors of such Subsidiary substantially in the form set out in Schedule 3 and the documents referred to therein; and (y) an opinion of an independent firm of lawyers acceptable to the Agent;
- (k) FUTURE DEBENTURES: promptly (and in all cases within 30 days) following the written request of the Agent to the Borrowers' Agent, any Obligor as to which the Agent has made such request shall enter into a Debenture in form and content and covering any property or interests requested as may be requested by the Agent (provided that the reasonable value of the property covered by such Debenture is \$500,000 or more), and provided further that all necessary authorisations, approvals or consents are or can reasonably be obtained.

12.3 NEGATIVE UNDERTAKINGS: Each Obligor undertakes with each of the Lenders, the Agent and the Security Trustee that, from the date of this Agreement until all its liabilities under the Financing Documents have been discharged:

- (a) SECURITY: it will not and will procure that no Subsidiary will:

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- (i) create or permit to subsist any Security Interest on the whole or any part of its present or future property, assets or revenues;
- (ii) sell or otherwise dispose of any of its assets on terms whereby such property or asset is or may be leased to or re-acquired or acquired by it (except to the extent that the proceeds of such sale or disposition are applied to the repayment of loans made to it);
- (iii) sell or otherwise dispose of any of its receivables on recourse terms except for the discounting of bills or notes in the ordinary course of business; except for Permitted Security Interests;

- (b) DISPOSALS: without the prior written consent of the Agent, such consent not to be unreasonably withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Obligors to develop their assets, it will not, and will procure that no Subsidiary will, either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily, sell, transfer, lease or otherwise dispose of all or any material part of their property or assets except that, without limitation, the following disposals shall not be taken into account:
- (i) disposals made with the prior consent of the Majority Lenders;
 - (ii) disposals (other than any disposal in respect of an Oil and Gas Property, any interest under a Joint Venture Document or any Interest under an Oil and Gas Development Agreement) (including repayment of loans) made in the ordinary course of business of the disposing entity;
 - (iii) disposals of property or assets (other than any disposal in respect of an Oil and Gas Property, any interest under a Joint Venture Document or any Interest under an Oil and Gas Development Agreement) in exchange for other property or assets comparable as to type and value;
 - (iv) any other disposal (other than any disposal in respect of an Oil and Gas Property, any interest under a Joint Venture Document or any Interest under an Oil and Gas Development Agreement) made for market value in money or money's worth on an arm's length basis in any financial year which, when aggregated with disposals made in that financial year, does not exceed \$1,000,000;
- (c) Accounting Reference Date: it will not, without the prior consent of the Agent, change the date of its financial year end or that of any member of its Group from 31 December;

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- (d) DIVIDENDS: it will not declare, make or pay any dividend or other distribution to its shareholders or vote or consent to do any of the foregoing with respect to its Oil and Gas Partners (except as otherwise expressly required in the Joint Venture Documents or Oil and Gas Development Agreements).
- (e) PROCEEDS OF ADVANCES: it will not, and will procure that no Subsidiary will, use the proceeds of any Advance other than as permitted under clause 2.2.
- (f) SHARE SALES: without the prior written consent of the Agent, such consent not to be unreasonably withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Obligors to develop their assets, it will not, and will procure that no Subsidiary will, dispose of all or any part of the share capital, partnership capital or capital stock of any other Obligor;
- (g) Derivatives: it will not, and will procure that no member of the Group will, enter into any derivative transaction which is not entered into in the ordinary course of business and for the purposes of hedging future exposure to fluctuations in values of assets or liabilities in relation to which the net exposure thereunder could reasonably be expected to be greater than \$2,000,000 or otherwise to have a major impact on the business of such person; and
- (h) RING-FENCING OF OBLIGORS: it will not, and will procure that no Subsidiary

will:

- (i) make any loan or lease to or grant any credit to or make any investment in any member of the Consolidated Group which is not an Obligor;
- (ii) sell, transfer, lease or otherwise dispose of all or any part of its property or assets for less than market value to any member of the Consolidated Group which is not an Obligor;
- (iii) purchase, acquire or otherwise receive a transfer or lease in any property or assets of any member of the Consolidated Group which is not an Obligor for more than market value;
- (iv) issue any guarantee in respect of indebtedness of any member of the Consolidated Group which is not an Obligor; or
- (v) deal or contract with, or provide to or receive services from, any member of the Consolidated Group which is not an Obligor except on arm's length terms and for full consideration.

12.4 ACCOUNTING PRINCIPLES: except as otherwise expressly provided in this Agreement, all accounting terms used herein shall be interpreted, and all matters required to be delivered to the Agent hereunder shall be prepared, in accordance with the Accounting Principles used in the preparation of the audited financial statements as at December 31, 1997 referred to under clause 12.1(b)(i) hereof.

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12.5 JOINT VENTURE DOCUMENTS AND OIL AND GAS DEVELOPMENT AGREEMENTS: Each of the Borrowers agrees that it shall:

- (a) observe and perform all the obligations on its part contained in and assumed by it under the Joint Venture Documents and Oil and Gas Development Agreements;
- (b) to the extent that, in the opinion of the Agent, it is commercially reasonable to do so, take all reasonable steps to enforce the performance by the Oil and Gas Partners of each of their respective obligations under the Joint Venture Documents and Oil and Gas Development Agreements and diligently pursue any remedies available to it in respect of any breach of any of the Joint Venture Documents or Oil and Gas Development Agreements or in respect of any claim arising thereunder or in relation thereto;
- (c) to the extent that, in the opinion of the Agent, it is commercially reasonable to do or not to do so, not give, withhold or grant any consent, waiver, release, notice, approval or discharge to any Oil and Gas Partner in respect of its rights or obligations under the Joint Venture Documents which or Oil and Gas Development Agreements;
- (d) forthwith upon becoming aware of the same notify the Agent of any breach by it or any other party to the Joint Venture Documents or Oil and Gas Development Agreements of any provision thereof or any dispute relating thereto;
- (e) not sell, transfer, sign or otherwise dispose of or create any Security Interest over its rights, title or interest in the Joint Venture Documents or Oil and Gas Development Agreements or Oil and Gas Properties; and
- (f) not cause, suffer or permit any amendment or modification in any Joint Venture Document.

12.6 CERTAIN AGREEMENTS WITH THIRD PARTIES: Each of the Obligors agrees that it will not and will not permit any Subsidiary to enter into or commit to enter

into any agreement with any third party in respect of the sale of any Oil and Gas or Oil and Gas Property or enter into any Oil and Gas Development Agreement or any interest therein or enter into or commit to enter into any Oil and Gas Development Agreement without the prior written consent of the Agent (such consent not to be withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Borrowers to develop the Oil and Gas Properties).

DEFAULT

13.1 EVENTS: If any of the events set out below occurs, the Agent, the Security Trustee and the Lenders may take any action as is provided for in any of the Financing Documents:

- (a) NON-PAYMENT: any Obligor fails to pay any amount due under any Financing Document on the due date or on demand, if so payable;

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- (b) Breach of principal obligations: any Obligor fails to observe or perform any of its obligations under clauses 12.1 (a), 12.2 (b), (c), (e), (j), 12.3, 12.4, 12.5 or 12.6 of this Agreement;
- (c) BREACH OF OTHER OBLIGATIONS: any Obligor fails to observe or perform any of its obligations under the Financing Documents (other than those referred to in clauses 13.1 (a) or (b) above) and, if the same is capable of remedy within 20 days, the same is not remedied within 20 days after the relevant failure in observation or performance;
- (d) MISREPRESENTATION: any material representation, warranty or statement which is made (or deemed or acknowledged to have been made) by any Obligor in the Financing Documents or which is contained in any certificate, written statement, legal opinion or written notice provided under or in connection with the Financing Documents proves to be incorrect;
- (e) Invalidity: any provision of any of the Financing Documents is or becomes, for any reason, invalid or unenforceable;
- (f) CESSATION OF BUSINESS: any member of the Consolidated Group changes or threatens to change the nature or scope of its business, suspends or threatens to suspend a substantial part of the present business operations which it now conducts directly or indirectly, or any governmental authority expropriates or threatens to expropriate all or part of its assets or any Joint Venture Partner cancels or gives written or constructive notice of intention to cancel and Joint Venture Document or any Joint Venture Document expires and the result of any of the foregoing is, in the determination of the Majority Lenders, materially and adversely to affect the financial condition of either of the Groups, or any Obligor's ability to observe or perform its obligations under any Financing Document to which it is a party;
- (g) CROSS-DEFAULT: default shall be made with respect to any agreement or other evidence of indebtedness or liability for borrowed money, or a guarantee for any of the foregoing, in excess of \$1,000,000 (or its equivalent in any other currency) (other than hereunder) of any member of the Consolidated Group if the effect of such default is to accelerate the maturity of such indebtedness or liability or to require the prepayment thereof or to permit the holder or holders thereof (or a trustee on behalf of the holder or holders thereof) to cause such indebtedness to become due prior to the stated maturity thereof, or any such indebtedness or liability shall become due and shall not be paid prior to the expiration of any period of grace, provided, that the aforesaid ----- provisions shall not apply to any indebtedness outstanding on the date of this Agreement which is referred to in any certificate delivered hereunder and is identified as being in

default;

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- (h) APPOINTMENT OF RECEIVER, LEGAL PROCESS: an encumbrancer takes possession of, or a trustee or administrative or other receiver or similar officer is appointed in respect of, all or any part of the business or assets of any member of the Consolidated Group, or distress, judgment, judgment, lien, execution, writ, warrant of attachment or other legal process is levied or enforced upon or sued out against any such assets and is not discharged within seven days of being levied, enforced or sued out, or any Security Interest which may for the time being affect any of its assets becomes enforceable;
- (i) INSOLVENCY: any member of the Consolidated Group is unable to pay its debts or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or interest) with respect to all or any class of its debts;
- (j) COMPOSITION: any member of the Consolidated Group convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors;
- (k) ADMINISTRATION, WINDING UP: a petition is presented or a meeting is convened for the purpose of considering a resolution or other steps are taken for making an administration order against or for the winding up of any member of the Consolidated Group or an administration order or a winding up order is made against any member of the Consolidated Group (other than for the purposes of and followed by a reconstruction previously approved in writing by the Majority Lenders, unless during or following such reconstruction any member of the Consolidated Group becomes or is declared to be insolvent);
- (l) ANALOGOUS PROCEEDINGS: anything analogous to any of the events specified in paragraphs (f), (g), (h), (i), (j) or (k) occurs under the laws of any applicable jurisdiction;
- (m) MATERIAL ADVERSE CHANGE: any event or series of events whether related or not occurs which would be likely materially and adversely to affect the financial condition of either of the Consolidated Group or the ability of any Obligor to perform its obligations under any of the Financing Documents;
- (n) CHANGE OF CONTROL OR OWNERSHIP: without the prior written consent of the Agent, such consent not to be unreasonably withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Obligors to develop their assets, any person whether alone or together with other persons acting in association with it, acquires control of any of the Obligors and/or there is a change in ownership of the share capital of the Obligors;

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- (o) JOINT VENTURE DOCUMENTS OR GAS DEVELOPMENT AGREEMENTS: without the prior written consent of the Agent, such consent not to be unreasonably withheld in circumstances where in the opinion of the Majority Lenders the interests of the Lenders are reasonably protected after taking into account the reasonable requirements of the Obligors to develop their assets, any amendment, modification or variation is made to any of the Joint Venture Documents or material Oil and Gas Development Agreement (such materiality to be determined by the Agent), any party thereto is in default under or commits a breach of any of the Joint Venture Documents or material Oil and Gas Development Agreement (such materiality to be determined by the Agent), or any of the Joint Venture Documents is terminated or expires, and any

such event could in the opinion of the Majority Lenders reasonably be expected to have a Material Adverse Effect;

- (p) ENVIRONMENTAL MATTERS: any Environmental Claim in which there is a reasonable likelihood of any adverse decision is brought against any member of the Consolidated Group which, if adversely decided, would be likely to entitle any person to shut down or suspend all or any material part of the business of any member of the Consolidated Group, or result in any cost, claim, liability, expense or damages in excess of \$5,000,000 to be suffered or incurred by any member of the Consolidated Group or otherwise have a Material Adverse Effect upon the business properties, results of operations or financial condition of any member of the Consolidated Group.

13.2 ACTION ON EVENT OF DEFAULT: In the case of any of the events described in clause 13.1 shall have occurred and be continuing then, at once or at any time thereafter (so long as any such event shall be continuing), the Agent may, and upon the request of the Majority Lenders shall, by notice to the Borrowers' Agent:

- (a) cancel the Total Commitments; and/or
- (b) declare all or part of the Total Outstandings to be immediately due and payable whereupon they shall become so due and payable together with accrued interest thereon and any other amounts then payable under this Agreement, such payment to be effected on a date to be notified by the Agent to the Borrowers' Agent; and/or
- (c) demand immediate repayment of any amounts to which paragraph (b) above applies; and/or
- (d) place all or part of the Advance on demand, whereupon it shall immediately become repayable on demand and at any time thereafter:
- (i) make any further amendment to the repayment obligations relating to such Advance; and/or
- (ii) demand repayment of all or part of the Advance placed on demand together with accrued interest and any other amounts then payable under this Agreement.

13.3 NOTICE: If the Agent is notified under this Agreement of the occurrence of an Event of Default it shall inform each of the Lenders.

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13.4 SECURITY: The Borrowers hereby irrevocably agree with the Agent, the Security Trustee and the Lenders that upon any enforcement of the rights conferred upon the Security Trustee pursuant to the Share Pledges, the Debentures, and any other Security Interest created in favour of the Security Trustee, the liabilities satisfied as a result of such enforcement shall be limited to the net amount distributed to the Lenders pursuant to clause 7.1

(Distribution) of the Security Trust Deed. The Borrowers further agree that as security for the payment of the Borrowers' obligation to pay interest hereunder the Borrowers will instruct TIL to pay to the Security Agent the amount of \$500,000 payable by TIL to the Borrowers under the Sale/Purchase Agreement dated July 29, 1997 between Liberty and TIL for deposit by the Security Trustee in an interest bearing deposit account for application to interest payments payable by the Borrowers hereunder as and when due or, upon the occurrence of an Event of Default, as otherwise provided in clause 7.1 of the Security Trust Deed.

INDEMNITIES

14. Each Obligor shall fully indemnify each of the Lenders, the Agent and the Security Trustee from and against any expense, loss, damage or liability

(including without limitation "response costs" and "natural resource damages" with respect to any Environmental Claims) which any of them may incur as a consequence of the occurrence of

- (a) **GENERAL INDEMNITY:** any Event of Default, or any failure to draw down in accordance with a Drawing Notice (other than as a result of any failure by such indemnified party) or of any prepayment under this Agreement or otherwise in connection with this Agreement. Without prejudice to its generality, the foregoing indemnity shall extend to any interest, fees or other sums whatsoever paid or payable on account of any funds borrowed in order to carry any unpaid amount and to any loss (including loss of profit), premium, penalty or expense which may be incurred in liquidating or employing deposits from third parties acquired to make, maintain or fund the Total Outstandings (or any part of them) or any other amount due or to become due under this Agreement; and
- (b) **ENVIRONMENTAL INDEMNITY:** any of the following:
- (i) the breach of any representation or warranty of the Obligors made or repeated in accordance with the terms of this Agreement -regarding Substances or applicable Environmental Laws,
 - (ii) the failure of any Obligor to perform any obligation herein required to be performed regarding Substances or applicable Environmental Laws,
 - (iii) any applicable Environmental Law in effect during the term hereof, and
 - (iv) any act, omission, event or circumstance existing or occurring (including without limitation the presence on or in any property or release from any property or the generation on any property of any Substance disposed of or otherwise released), resulting from or in connection with the ownership, construction, occupancy, operation, manufacture, sale, storage, distribution, use and/or maintenance of its property regardless of whether the act, omission, event or circumstance constituted a violation of any applicable Environmental Law at the time of its existence or occurrence.

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GUARANTEE

15.1 **GUARANTEE:** Each Guarantor as principal debtor and not merely as surety unconditionally and irrevocably and jointly and severally guarantees to the Agent, the Security Trustee and each of the Lenders payment by the Borrowers and the Borrowers' Agent (in that capacity) of the Guaranteed Amounts in accordance with the Financing Documents and unconditionally and irrevocably undertakes to the Agent, the Security Trustee and each of the Lenders that if and each time any Borrower does not make payment of any of the Guaranteed Amounts in accordance with the Financing Documents, the Guarantors shall pay the amounts not so paid upon first written demand by the Agent.

In this clause **GUARANTEED AMOUNTS** means any and all amounts whatsoever- which the Financing Documents provide are to be paid by the Borrowers and the Borrowers' Agent to the Lenders, the Agent and the Security Trustee (or any of them) and references to the Guaranteed Amounts include references to any part of them.

15.2 **INDEMNITY:** As a separate, additional, continuing and primary obligation, each Guarantor unconditionally and irrevocably and jointly and severally undertakes with the Agent, the Security Trustee and the Lenders (and each of them) that, should the Guaranteed Amounts not be recoverable from the Guarantor under clause 15.1 for any reason whatsoever (including, but without prejudice to the generality of the foregoing, by reason of any other provision

of the Financing Documents being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that it may have been known to the Agent, the Security Trustee or any of the Lenders, the Guarantor shall upon first written demand by the Agent under clause 15.1, make payment of the Guaranteed Amounts by way of a full indemnity in such manner as is provided for in the Financing Documents and shall indemnify the Agent, the Security Trustee and the Lenders (and each of them) against all losses, claims, costs, charges and expenses to which they may be subject or which they may incur under or in connection with the Financing Documents.

15.3 CONTINUING GUARANTEE: The above guarantees shall be continuing and shall extend to the ultimate balance of the Guaranteed Amounts, regardless of any intermediate payment or discharge in whole or in part. If any of the above guarantees ceases to continue in force, the Agent, the Security Trustee and each Lender may open a new account with or continue any existing account with the Borrowers and the liability of the relevant Guarantor in respect of the Guaranteed Amounts at the date of the cessation shall remain regardless of any payments in or out of any such account.

15.4 DISCHARGE AND RELEASE: None of the Guarantors may terminate its guarantee by notice to the Agent, the Security Trustee or any Lender or otherwise. Subject to clause 15.5, and provided the Guaranteed Amounts have been paid in full and the agreement has been canceled, terminated or expired and the Lenders have no further Commitment hereunder, the Agent shall on behalf of itself, the Security Trustee and the Lenders discharge or release the Guarantors by written instrument signed by the Agent.

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15.5 CLAWBACK: Any discharge or release referred to in clause 15.4, and any composition or arrangement which any of the Guarantors may effect with the Agent, the Security Trustee and any of the Lenders, shall be deemed to be made subject to the condition that it will be void, if any payment or security which the Agent, the Security Trustee and the Lenders (or any of them) may previously have received or may thereafter receive from any person in respect of the Guaranteed Amounts, is set aside, refunded or reduced, in whole or in part under any applicable law or proves to have been for any reason invalid. If such condition is satisfied, the Agent shall be entitled to recover from the Guarantor on demand the value of such payment as if such discharge, release, compromise or arrangement had not occurred.

15.6 WAIVER OF DEFENCES: The liabilities and obligations of each of the Guarantors under this Agreement shall remain in force notwithstanding any act, omission, neglect, event or matter whatsoever, except the proper and valid payment of all the Guaranteed Amounts and without prejudice to its generality, the foregoing shall apply in relation to anything which would have discharged the Guarantors (wholly or in part) or which would have afforded the Guarantors any legal or equitable defence, and in relation to any winding up, reconstruction, reorganisation or dissolution of, or any change in constitution or corporate identity or loss of corporate or partnership (as the case may be) identity by, any of the Obligor, any partner of an Obligor, or any other person and any incapacity or lack of corporate power or authority of any person. Without prejudice to the generality of the foregoing none of the liabilities or obligations of the Guarantors under this Agreement shall be impaired by the Agent, the Security Trustee or the Lenders (or any of them):

(a) agreeing with any Obligor any variation or departure (however substantial) of or from any Financing Document and any such variation or departure shall, whatever its nature, be binding upon each Guarantor in all circumstances, notwithstanding that it may increase or otherwise affect the liability of the Guarantors provided that if any variation which would increase the liability of any Guarantor is made, without such Guarantor's prior written consent the amount of such Guarantor's liability under this clause shall be limited to the amount for which it would have been liable had such variation not been made;

- (b) releasing or granting any time or any indulgence whatsoever to any Obligor and, in particular, waiving any of the pre-conditions for the Advance under this Agreement or any contravention by any Obligor of any of the Financing Documents or entering into any transaction or arrangements whatsoever with or in relation to any Obligor and/or any third party;
- (c) taking, accepting, varying, dealing with, enforcing, abstaining from enforcing, surrendering or releasing any security for the Guaranteed Amounts in such manner as it or they think fit; or
- (d) claiming, proving for, accepting or transferring any payment in respect of the Guaranteed Amounts in any composition by, or winding up of, any Obligor and/or any third party or abstaining from so claiming, proving, accepting or transferring.

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15.7 DEMANDS: Demands under this clause may be made from time to time, and the liabilities and obligations of the Guarantors under this Agreement may be enforced, irrespective of whether any demands, steps or proceedings are being or have been made or taken against any of the Obligors and/or any third party and/or any other Guarantor and each Guarantor waives diligence, presentment, protest, demand for repayment and notice of default to or upon any Obligor.

15.8 SUSPENSE ACCOUNT: Until all amounts which may be or become payable by the Borrowers hereunder or in connection herewith have been irrevocably paid and discharged in full, the Agent, the Security Trustee and each Lender may:

- (a) refrain from applying or enforcing any other security, moneys or rights held or received by the Agent, the Security Trustee or such Lender in respect of such amounts or apply and enforce the same in such manner and order as the Agent, the Security Trustee or such Lender sees fit (whether against such amounts or otherwise) and none of the Guarantors shall be entitled to the benefit of the same; and
- (b) hold in suspense account (subject to the accrual of interest thereon at market rates for the account of the relevant Guarantor(s)) any moneys received from any Guarantor or on account of that Guarantor's liability hereunder.

15.9 SUBORDINATION: So long as any Guarantor has any liability under this Agreement:

- (a) the Guarantors shall not take or accept any Security Interest from any other Obligor or, in relation to the Guaranteed Amounts, from any third party, without first obtaining the Agent's written consent;
- (b) after the occurrence of an Event of Default, no Guarantor shall, without first obtaining the Agent's written consent, seek to recover, whether directly or by set-off, lien, counterclaim or otherwise, nor accept any moneys or other property, nor exercise any rights, in respect of any sum which may be or become due to the Guarantor on any account by any Borrower or, in relation to the Guaranteed Amounts, from any third party, nor claim, prove for or accept any payment in any composition by, or any winding up of, any Borrower or, in relation to the Guaranteed Amounts, any third party;
- (c) if, notwithstanding the foregoing, any Guarantor holds or receives any such security, moneys or property, it shall forthwith pay or transfer the same to the Agent. THE AGENT

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16.1 APPOINTMENT AS AGENT AND ACKNOWLEDGEMENT: Each Lender irrevocably

authorises the Agent, to take such action on its behalf and to exercise and carry out such powers, discretions, authorities and duties as are specifically delegated to it by the Financing Documents and such powers as the Agent reasonably considers are incidental thereto. The Agent shall have only those powers, discretions, authorities and duties which are expressly specified in the Financing Documents. From time to time, the Agent shall give such directions, instructions or notices to the Security Trustee as directed by the Majority Lenders. The Agent shall promptly notify the Security Trustee of any notice sent to the Borrowers pursuant to clause 13.2.

16.2 RELATIONSHIP: In connection with its powers, discretions, authorities and duties under the Financing Documents, the Agent:

- (a) shall act solely as the agent of each of the Lenders, and shall not assume, and shall not be deemed to have assumed, any obligations to, or fiduciary relationship with, the Lenders other than those for which specific provision is made by the Financing Documents or any obligations to, or fiduciary relationship with, any of the Obligors;
- (b) shall not be liable for any failure of any of the parties to this Agreement duly and punctually to observe and perform any of its obligations under the Financing Documents;
- (c) shall not be liable for any action taken or omitted by it under or in connection with the Financing Documents in good faith;
- (d) may act under the Financing Documents through its personnel and agents.

16.3 MAJORITY BANK DIRECTIONS: In the exercise of any power or discretion given to the Agent under the Financing Documents and as to any matter not expressly provided for in the Financing Documents or where a decision of the Majority Lenders is provided for, the Agent shall act or refrain from acting and shall give instructions to the Security Trustee in accordance with the instructions of the Majority Lenders. In the absence of any such instructions, the Agent may act or refrain from acting as it shall see fit. Any such instructions of the Majority Lenders or any such decision of the Agent shall be binding on all the Lenders and the Agent shall not be liable to the Obligors, the Lenders or any of them for the consequences of any such instructions or decision.

16.4 CREDIT APPROVAL: In favour of the Agent and the Security Trustee, each Lender acknowledges in connection with the Financing Documents:

- (a) that it has made such enquiries on its own behalf and taken such care as would have been the case had its participation in the Facility been made directly by that Lender to the Borrowers without the intervention of the Agent or the Security Trustee and that it has not relied, and does not rely, upon any information or advice provided, or any appraisal of, or investigation into the financial condition, credit worthiness, affairs, status or nature of the Consolidated Group effected by the Agent or the Security Trustee in such capacity;
- (b) that, subject to clause 16.8, none of the Agent or the Security Trustee was or will be obliged either before or at any time after the signing of this Agreement to provide that Lender with any information or advice or to make any such investigation or appraisal.

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16.5 DOCUMENTATION: None of the Agent nor the Security Trustee nor any of their respective directors, officers, employees or agents shall be liable:

- (a) for the execution, validity, enforceability or effectiveness of any of the Financing Documents or any document delivered pursuant thereto or connected therewith; or

(b) for any statements, representations or warranties made or referred to in any of the Financing Documents or any information given in connection with any of the Financing Documents.

16.6 RELIANCE: None of the Agent nor the Security Trustee shall be liable:

(a) for the consequences of relying on any communication or document believed by it to be genuine and correct and to have been communicated or signed by the person by whom it purports to be communicated or signed;

(b) for the consequences of relying on any statement made by any director, officer or employee of any person on any matter which may reasonably be assumed to be within his knowledge or within his power to verify; or

(c) for the consequences of relying on the advice of any professional advisers selected by it in connection with the Financing Documents.

16.7 DEFAULT: The Agent shall not be obliged to take:

(a) any steps to ascertain whether any Event of Default or Potential Event of Default has occurred and until the Agent has received express notice to the contrary from the Borrowers' Agent or a Lender, it shall be entitled to assume that no such event has occurred; or

(b) any proceedings against the Obligors for the recovery of any sum due under any of the Financing Documents or otherwise in connection therewith unless it has been fully indemnified to its satisfaction by each of the Lenders in the proportion which its Outstandings bear to the Total Outstandings (or, if no Outstandings, its Commitment bears to the Total Commitments). The Agent may not bring any action or proceedings in any court in the name of any Lender without the prior written consent of such Lender (but for the avoidance of doubt without prejudice to the ability of any other Lender or the Security Trustee (or the Agent on behalf of any of the same) to bring such action or proceeding).

16.8 INFORMATION: The Agent shall:

(a) send a copy of all notices served by the Borrowers' Agent under this Agreement and of all other documents delivered to it under the Financing Documents to each of the Lenders affected by such notice or document;

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(b) not be obliged to transmit to the Lenders any information in any way relating to any of the parties to the Financing Documents which the Agent may have acquired otherwise than in its capacity as agent for the Lenders in connection with this Agreement.

16.9 COMPLIANCE:

(a) Each of the Agent and the Security Trustee may refrain from doing anything which might, in its opinion, constitute a breach of any law or regulation or be otherwise actionable at the suit of any person, and may do anything which, in its opinion, is necessary or desirable to comply with any law or regulation of any jurisdiction; and

(b) without limiting paragraph (a) above, none of the Agent nor the Security Trustee need disclose any information relating to any of the Obligors or any of its related entities if the disclosure might, in its opinion, constitute a breach of any law or regulation or any duty of confidentiality.

16.10 RESIGNATION: The Agent may at any time tender its resignation without assigning any reason therefor and without being responsible for any costs occasioned by such resignation. In that event, the Majority Lenders shall,

subject to the prior written consent of the Borrowers' Agent (such consent not to be unreasonably withheld or delayed), appoint a Lender or any bank or financial institution to act as Agent in its stead or, if no such person is so appointed within 30 days of the Agent tendering its resignation, the Agent may, in consultation with the Borrowers' Agent, appoint a Lender or any reputable bank or financial institution so to act. Such resignation shall take effect simultaneously with (and cannot take effect before) the appointment of the successor Agent and thereupon:

- (a) the retiring Agent shall be discharged from any further obligation under the Finance Documents; and
- (b) the successor Agent and each of the other parties to this Agreement shall have the same rights and obligations amongst themselves as they would have had if the successor had been a party to this Agreement as agent for the Lenders.

16.11 AGENCY DIVISION: In acting as Agent for the Lenders, the agency division of the Agent shall be treated as a separate entity from any other of its divisions or departments, and, notwithstanding the foregoing provisions of this clause 16, in the event that the Agent should act for any of the Obligors or any of their Subsidiaries in any capacity in relation to any other matter, any information given by any such Obligor or Subsidiary to the Agent in such other capacity may be treated as confidential by the Agent.

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16.12 INDEMNITY: Each of Lenders shall fully indemnify the Agent and the Security Trustee rateably in the proportion which its Outstandings bears to the Total Outstandings (or if no Outstandings, its Commitment bears to the Total Commitments), from and against any claims, proceedings, expenses, losses, damages and liabilities of every description (except in respect of any agency fee due to the Agent) which may be incurred by the Agent or the Security Trustee in such capacity in good faith and which in any way relate to or arise out of the Financing Documents or any related documents or any action taken or omitted by the Agent or the Security Trustee in enforcing or preserving, or in attempting to enforce or preserve, any of the rights of the Lenders under the Financing Documents or any related documents.

16.13 AMENDMENTS: The Agent may (except where any other authority is required for the same by the express provisions of the Financing Documents) grant waivers or consents or vary the terms of this Agreement if authorised by the Majority Lenders. Any such waiver, consent or variation so authorised and effected by the Agent shall be binding on all the Lenders and the Agent shall be under no liability whatsoever in respect of any such waiver, consent or variation. This clause 16.13 shall not authorise, except with the prior consent of all the Lenders:

- (a) any change in the rate at which interest or any fees are payable under this Agreement;
- (b) any extension of the date for, or alteration in the amount or currency of, any payment of principal, interest, fee, commission or any other amount payable under the Financing Documents;
- (c) any increase in any Lender's Commitment;
- (d) any extension of the Availability Period; or
- (e) any variation of
 - (i) the definition of Majority Lenders;
 - (ii) clause 4.3;

(iii) clause 10.2;

(iv) clause 18.2; or

(v) this clause 16.13; or

any release of all or any part of the shares pledged to the Security Trustee pursuant to the Share Pledges or the assets covered by the Debentures. EXPENSES

17.1 EXPENSES: The Borrowers' Agent shall on demand from time to time pay, in each case on the basis of a full indemnity to the Agent (for the account of the Arrangers or the Agent):

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- (a) all costs and expenses (including legal and out-of-pocket expenses) reasonably incurred in connection with the negotiation, preparation or completion of the Financing Documents and any related documents; and
- (b) at such daily and/or hourly rates as the Agent shall from time to time reasonably determine, all costs and expenses (including, without limitation, telephone, fax, copying, travel, legal and personnel costs) in connection with the Agent taking such action as it may deem appropriate, in complying with any instructions from the Majority Lenders or any request by the Borrowers' Agent in connection with:
 - (i) the granting or proposed granting of any waiver or consent under any of the Financing Documents;
 - (ii) any amendment or proposed, amendment to any of the Financing Documents;
 - (iii) any breach by any Obligor of any of its obligations under any of the Financing Documents or any investigation as to whether any such breach may have occurred;
 - (iv) the occurrence of any Potential Event of Default or an Event of Default;
 - (v) the review, preservation and/or enforcement or the attempted presentation or enforcement of any of the rights of the Agent, the Arrangers and the Lenders under the Financing Documents or any related documents; and
 - (vi) the transfer or possible transfer of the role of Agent to another person.

17.2 STAMP DUTY: The Obligors shall pay any stamp, documentary and other similar duties and taxes to which this Agreement or any other Financing Documents may be subject or give rise and shall fully indemnify the Agent, the Security Trustee and each of the Lenders from and against any losses or liabilities which any of them may incur as a result of any delay or omission by the Obligors to pay any such duties or taxes.

17.3 VALUE ADDED TAX: The amounts stated in this Agreement to be payable by the Obligors are exclusive of value added tax (VAT) and accordingly:

- (a) the Obligors shall pay on demand any VAT properly chargeable in respect of supplies to the Obligors as contemplated by this Agreement (including any VAT chargeable by the Agent and the Security Trustee in respect of its supplies to the Obligors under this Agreement); and

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- (b) in the case of goods or services supplied to or other costs, fees and expenses incurred by the Agent, the Security Trustee or the Lenders in connection with this Agreement and which are to be met by the Obligor or in respect of which the Obligors are to indemnify the Lenders, the Security Trustee or the Agent, the Obligors (for the avoidance of doubt) shall pay to the Agent (for itself or the Lender or Lenders in question) or the Security Trustee by way of additional remuneration such amount as shall represent any associated VAT (whether charged by the supplier or suffered by reason of the reverse charge provisions contained in Section 7 of the Value Added Tax Act 1983 or analogous provisions under the laws of any applicable jurisdiction).

SET-OFF AND PRO RATA SHARING

18.1 SET-OFF: Following an Event of Default, any Lender may without notice to the Borrowers' Agent combine, consolidate or merge all or any of an Obligor's accounts with, and liabilities to, that Lender and may set-off or transfer any sum standing to the credit of any such accounts in or towards satisfaction of any of the Obligor's liabilities to that Lender under the Financing Documents, and may do so notwithstanding that the balances on such accounts and the liabilities may not be expressed in the same currency and each Lender is hereby authorised to effect any necessary conversions at the Bank's own rate of exchange then prevailing.

18.2 PRO RATA SHARING: If a Lender receives or recovers any amount (other than from the Agent) in respect of sums due from an Obligor under the Financing Documents (whether by set-off or otherwise) it shall promptly notify the Agent of such amount and the manner of its receipt or recovery and the following shall apply:

- (a) the Agent shall, as soon as practicable, having regard to the circumstances, consult with the Lenders to establish the aggregate amount of sums received or recovered by the Lenders and what payments are necessary amongst the Lenders for such aggregate amount to be divided amongst the Lenders in proportion to their Outstandings or if there are no Outstandings at such time, in proportion to their Commitments;
- (b) the Lenders shall promptly make such payments to each other, through the Agent, as the Agent shall direct to effect the proportionate division referred to in paragraph (a);
- (c) if a Lender makes a payment or payments pursuant to paragraph (b), any payment previously received by that Lender shall, subject to paragraph (d), be deemed to have been made by the Obligor, as the case may be, on the understanding that it was received by that Lender as agent for the Lenders and that the payments described in paragraph (b) would be made and the liabilities of the Obligor to each of the Lenders shall accordingly be determined on the basis that such payment or payments pursuant to paragraph (b) would be made;
- (d) if a Lender makes a payment or payments pursuant to paragraph (b), paragraph (c) shall not apply if, as a result, the indebtedness of the Obligor to the Lender has been extinguished, discharged or satisfied by the amount received or recovered (for example because of set-off). In this event, for the purpose only of determining the liabilities of the Obligor to the Lenders (other than the Lender making the said payment or payments) and the liabilities of the Lenders to each other, the said payment or payments by the Lender shall be deemed to have been made on behalf of the Obligor in respect of its obligations under the Financing Documents and to the extent the Facility is thereby discharged the Obligor, shall fully indemnify the Lender for such payment or payments;

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- (e) any moneys payable by the Obligor under paragraph (d) by way of indemnity

shall be payable from the date the Lender makes the payment or payments under paragraph (b), shall carry interest from such date and for such purpose and all other purposes of this Agreement, be treated in the same way as other amounts payable under this Agreement as though such moneys were payable in respect of the Outstandings of the Lender which has the benefit of the indemnity contained in paragraph (d) (whether or not the indebtedness attributable to such participation has been extinguished, discharged or satisfied in whole or in part); and

- (f) the parties shall make such payments and take such steps as may be just and equitable to re-adjust the position of the parties if a Lender, having followed the procedures required above, is required to return any sum originally received or recovered by it in respect of sums due from an Obligor (together with any interest accrued thereon).

ASSIGNMENTS AND TRANSFERS

19.1 TRANSFERS: Any Lender (the TRANSFEROR) may at any time transfer to any other person (the TRANSFEREE) the whole or any part of its rights and/or obligations hereunder by the delivery to the Agent of a certificate substantially in the form of Schedule 4 (a TRANSFER CERTIFICATE), with the approval of the Borrowers' Agent (such approval not to be unreasonably withheld or delayed). A Lender which is proposing to transfer the whole or any part of its rights and/or obligations hereunder shall give notice thereof to the Agent which shall give notice thereof to the Borrowers' Agent in accordance with clause 20.7. The Borrowers' Agent shall indicate as soon as possible whether it approves (such approval not to be unreasonably withheld or delayed) of such Transferee. If the Borrowers' Agent does not respond to such a notice within twenty days then approval shall be deemed to be given and the Transferor shall be entitled to deliver a Transfer Certificate to the Agent. Each Transfer Certificate delivered to the Agent shall only be valid if it is in writing signed by each of the Transferor and the Transferee and is contained in one document or two counterparts. Each party to this Agreement (other than the Transferor and the Transferee) irrevocably authorises the Agent to execute any duly completed Transfer Certificate on its behalf. Any Transferee which is not a party hereto shall further accede to the Security Trust Deed by delivery of a supplemental trust deed in accordance with clause 2.2 of the Security Trust Deed.

19.2 TRANSFER CERTIFICATES: Following receipt by the Agent of a Transfer Certificate from each of a Transferor and a Transferee and with effect from the date of the Transfer Certificate or any later date specified in the Transfer Certificate:

- (a) the Transferor shall cease to be entitled to the rights and shall be released from the obligations hereunder which are specified in the Transfer Certificate; and
- (b) the Transferee shall become a party hereto as a Lender entitled to rights and liable to observe obligations which differ from those referred to in (a) only insofar as the Transferee is entitled thereto and liable in respect thereof in place of the Transferor.

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19.3 TRANSFEREES: Each Transferee shall, by its execution of a Transfer Certificate, accept that none of the Agent or the Lenders is in any way responsible for:

- (a) the accuracy and/or completeness of any information supplied to the Transferee in connection herewith;
- (b) the financial condition, creditworthiness, condition, affairs, status and nature of any of the Obligors or the observance by any of the Obligors of any of its obligations under this Agreement or any document relating

hereto; or

- (c) the legality, validity, effectiveness, adequacy or enforceability of this Agreement or any document relating hereto and, save as otherwise expressly provided herein, none of such parties shall, or shall be deemed to be, the agent or trustee of such Transferee in connection herewith.

19.4 NO OBLIGATION: The Transferor shall not be obliged by any Financing Document to:

- (a) accept a re-transfer from the Transferee of any of the rights and/or obligations assigned or novated under this clause 19; or
- (b) indemnify the Transferee for any losses arising by reason of any Obligor's failure to perform its obligations under the Financing Documents or otherwise.

19.5 DISCLOSURE OF INFORMATION: Each of the Agent, the Security Trustee and each Lender agree to keep information obtained by it pursuant to the Financing Documents confidential and agrees that it will only use such information in connection with the transactions contemplated by the Financing Documents and not to disclose any of such information other than (i) to its affiliates and advisers, officers, employees, representatives and agents of itself and its affiliates who are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by the Financing Documents or who otherwise have any need to know all or any part of such information and who are advised of the confidential nature of such information, (ii) to the extent such information presently is or hereafter becomes available to it on a non-confidential basis from a source other than any Obligor or is or comes into the public domain, (iii) to the extent used by it in preparation for or in the conduct of any proceeding relating to the Financing Documents or the transactions contemplated hereby and thereby, (iv) to the extent disclosure is required by law, regulation or judicial order or requested or required by regulators, examiners or auditors, (v) to any person providing credit to it or to any rating agency in connection with the evaluation of its credit-worthiness and who are advised of the confidential nature of, and agree to keep confidential such information, or (vi) to transferees or sub-participants or potential transferees or sub-participants who agree to be bound by the provisions of this clause 19.5.

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19.6 OBLIGORS: To the extent required by applicable law, the Obligors hereby acknowledge and approve the terms of this clause 19 and any transfer effected pursuant to this clause 19 and hereby beforehand give their permission or co-operation to such transfer. To the extent that applicable law requires that any Obligor be notified of a transfer effected pursuant to this clause 19, it is hereby agreed that the relevant Transfer Certificate shall be sufficient for the purposes of giving such notification and each Obligor hereby irrevocably authorises and instructs the Agent to receive as agent on its behalf such notification for such purpose but not otherwise.

19.7 FACILITY OFFICE: Any Lender may make its participation in any Advance available from, and may receive the benefit of any payment due to it under this Agreement at any of its Facility Offices. A Lender shall give the Agent prior written notice of any change in any of its Facility Offices for the purposes of this Agreement.

FURTHER PROVISIONS

20.1 EVIDENCE OF INDEBTEDNESS: In any proceedings relating to this Agreement:

- (a) a statement as to any amount due to the Lenders under this Agreement which is certified as being correct by an officer of the Agent; and

(b) a statement as to any amount due to a Lender under this Agreement which is certified as being correct by an officer of the Lender; shall, unless otherwise provided in this Agreement, be prima facie evidence that such amount is in fact due and payable.

20.2 APPLICATION OF MONEYS: If any sum paid or recovered in respect of the liabilities of a Borrower under this Agreement is less than the amount then due, the Agent may apply that sum to principal, interest, fees or any other amount due under this Agreement in such proportions and order and generally in such manner as the Agent shall determine.

20.3 RIGHTS CUMULATIVE, WAIVERS: The respective rights of the Agent and the Lenders under this Agreement are cumulative, may be exercised as often as they consider appropriate and are in addition to their respective rights under the applicable law. The respective rights of the Agent, the Security Trustee and the Lenders in relation to the Facility (whether arising under this Agreement or under the applicable law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing; and in particular any failure to exercise or any delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right; any defective or partial exercise of any of such rights shall not preclude any other or further exercise of that or any other such right; and no act or course of conduct or negotiation on their part or on their behalf shall in any way preclude them from exercising any such right or constitute a suspension or any variation of any such right.

20.4 ENGLISH LANGUAGE: All notices or communications under or in connection with this Agreement shall be in the English language or, if in any other language, accompanied by a translation into English. In the event of any conflict between the English text and the text in any other language, the English text shall prevail.

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20.5 INVALIDITY OF ANY PROVISION: If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

20.6 SEVERABILITY: Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each Obligor hereby waives any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

20.7 NOTICES: Any notice or communication under or in connection with this Agreement shall be in writing and shall be delivered personally, or by post, telex or fax to the addresses given in this Agreement or at such other address as the recipient may have notified to the other parties in writing or in the case only of communications by the Agent to Lenders, may be by SWIFT. Proof of posting or despatch of any notice or communication to or by the Borrowers' Agent shall be deemed to be proof of receipt:

- (a) in the case of a letter, on the third Business Day after posting;
- (b) in the case of a telex, and provided that the correct answer-back has been received, immediately on actual receipt, or, if the time of such receipt is not during normal working hours, then on the next working day in the place of receipt;
- (c) in the case of a fax, when received, or, if the time of such receipt is not

during normal working hours, then on the next working day in the place of receipt; or

- (d) in the case of transmission by SWIFT, when an acknowledgement of receipt by SWIFT is received.

20.8 CHOICE OF LAW: This Agreement is governed by, and shall be construed in accordance with, the laws of England.

20.9 SUBMISSION TO JURISDICTION: For the benefit of the Agent, the Security Trustee and each of the Lenders:

- (a) all the parties agree that the courts of England are, subject to paragraphs (b) and (c) below, to have exclusive jurisdiction to settle any disputes which may arise in connection with the legal relationships established by this Agreement (including, without limitation, claims for set-off or counterclaim) or otherwise arising in connection with this Agreement;

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- (b) the agreement contained in paragraph (a) above is included for the benefit of the Agent, the Security Trustee and each of the Lenders. Accordingly, notwithstanding the exclusive agreement in (a) above, the Agent, the Security Trustee and each of the Lenders shall retain the right to bring proceedings in any other court which has jurisdiction by virtue of the Convention on Jurisdiction and the Enforcement of Judgments signed on 27 September 1968 (as from time to time amended and extended) or by virtue of the Convention on Jurisdiction and the Enforcement of Judgments signed on 16 September 1988 (or from time to time amended and extended);

- (c) the Agent, the Security Trustee and each of the Lenders may in its absolute discretion take proceedings in the courts of any other country which may have jurisdiction, to whose jurisdiction each of the Obligors irrevocably submits;

- (d) each Obligor irrevocably waives any objections on the ground of venue or forum non conveniens or any similar grounds; and

- (e) each Obligor irrevocably consents to service of process by mail or in any other manner permitted by the relevant law.

20.10 TRIAL BY JURY: Each of the Obligors, the Agent, the Security Trustee and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Financing Documents, the Advance, or the actions of the Agent, the Security Trustee or any Lender in the negotiation, administration, performance or enforcement thereof.

20.11 AGENT FOR SERVICE OF PROCESS: Each of the Obligors shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Agreement. Such agent shall be Law Debenture Corporate Services Limited, the address of which on the date hereof is Princes House, 95 Gresham Street, London EC2V 7LY, England and any writ, judgment or other notice of legal process shall be sufficiently served on the Obligors if delivered to such agent at its address for the time being. The Obligors undertake not to revoke the authority of the above agent and if, for any reason, the Agent requests any of the Obligors to do so such Obligor shall promptly appoint another such agent with an address in England and advise the Agent thereof. If following such a request such Obligor fails to appoint another agent, the Agent shall be entitled to appoint one on behalf of the Obligors.

20.12 COUNTERPARTS: This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original but all the

counterparts shall together constitute but one and the same instrument. IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

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SCHEDULE 1

LENDER

COMMITMENT

CREDIT SUISSE FIRST BOSTON

US\$ 30,702,500

Credit Suisse First Boston
Bleicherweg 10
P.O. Box 900
CH-8070 Zurich
Switzerland

Address for Notices: As Above
Attention: Mr. Thomas Patrick
Telephone: 41 1 333 7618
Fax: 41 1 333 7620

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SCHEDULE 2
FORM OF DRAWING NOTICE

Date: *____ 19*__

Dear Sirs,

Facility Agreement dated July 2, 1998

1. We refer to clause 5 of the Facility Agreement. Terms defined in the Facility Agreement have the same meanings in this Drawing Notice.

2. We wish to borrow the Advances with the following specifications:

- (a) Borrowers: Abacan Resource Corporation, Dahomey Resource Corporation and Liberty Technical Services Limited, jointly and severally;
- (b) Drawing Date: July 2, 1998-
- (c) Amount: \$30,702,484
- (d) Interest Period: successive interest periods of three-months
- (e) Payment Instructions: Pay to the account designated by Total International Limited against written confirmation that such payment is received in satisfaction of all amounts outstanding under the Prepayment Agreement and Guarantees referred to in Clause 2.2 of the Facility Agreement.

3. We confirm that the matters represented and warranted by each Obligor set out in clause 11.2 of the Facility Agreement are true and accurate on the date of this Drawing Notice as if made with reference to the facts and circumstances now prevailing and that no Event of Default or Potential Event of Default has occurred and is continuing or would result from the Advance. Yours faithfully,

ABACAN RESOURCE CORPORATION

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For and on behalf of
Abacan Resource Corporation, [Seal]
as Borrower's Agent

By: _____
Director

By: _____
Director

For and on behalf of
Abacan Resource Corporation, [Seal]
as Borrower

By: _____
Director

By: _____
Director

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For and on behalf of
Dahomey Resource Corporation, [Seal]
as Borrower

By: _____
Director

By: _____
Director

For and on behalf of
Liberty Technical Services Limited, [Seal]
as Borrower

By: _____
Director

By: _____
Director

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SCHEDULE 3

PART I

FORM OF CERTIFICATE OF BORROWER

[Letterhead of Borrower]

To: Credit Suisse First Boston as Agent

We [*name] and [*name], both Directors of [*name of Borrower] of [*address] (the Company)

HEREBY CERTIFY that:

- (a) attached hereto marked "A", are true and correct copies of all documents which contain or establish or relate to the constitution of the [Company];
- (b) attached hereto marked "B", is a true and correct copy of resolutions duly passed at a meeting of the shareholders of the Company duly convened and held on July __, 1998 authorising the Company to:
 - (i) borrow at any time up to \$30,702,500 at a variable rate of interest pursuant to the Facility Agreement;
 - (ii) guarantee the performance by all other Obligors of their respective obligations under the Financing Documents;
 - (iii) sign, deliver and perform the Facility Agreement;
- (c) attached hereto marked "C", is a true and correct copy of resolutions duly passed at a meeting of the Board of Directors of the Company duly convened and held on July __, 1998 approving the Facility Agreement and authorising its signature, delivery and performance and such resolutions have not been amended, modified or revoked and are in, full force and effect;
- (d) attached hereto marked "D", is a true and correct copy of the acceptance by the agents in England of their appointment as agent of the Company for the purpose of accepting service of process.

Does not apply to Abacan Resource Corporation

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The following signatures are the true signatures of the persons who have been authorised to sign the Facility Agreement and to give notices and communications, including notices of drawing, under or in connection with the Facility Agreement.

Name	Position	Signature
*	*	
*	*	
*	*	

Signed:

Director

Director

Date: * _____ 19* _____

I, [*name], the Secretary of [*name of Borrower] (the Company) hereby certify that [*names of two Directors] giving above certificate] are duly appointed Directors of the Company and that the signature of each of them above is his signature.

Signed:

Secretary

Date: * _____ 19* _____

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PART II

FORM OF CERTIFICATE OF GUARANTOR

[Letterhead of Guarantor]

To: Credit Suisse First Boston

We [*name] and [*name], both Directors of [*name of Guarantor] of [*address] (the COMPANY)

HEREBY CERTIFY that:

- (a) attached hereto marked "A", are true and correct copies of all documents which contain or establish or relate to the constitution of the Company;
- (b) attached hereto marked "B", is a true and correct copy of resolutions duly passed at a meeting of the shareholders of the Company duly convened and held on July ___, 1998 authorising the Company to:
 - (i) guarantee the performance by all other obligors of their respective obligations under the Financing Documents; and
 - (ii) sign, deliver and perform the Facility Agreement; and
- (c) attached hereto marked "C", is a true and correct copy of resolutions duly passed at a meeting of the Board of Directors of the Company duly convened and held on July ___, 1998 approving the Facility Agreement and authorising its signature, delivery and performance and such resolutions have not been amended, modified or revoked and are in full force and effect;
- (d) attached hereto marked "D", are true and correct copies of the acceptance by the agent in England of their appointments as agent of the Company for the purpose of accepting service of process.

The following signatures are the true signatures of the persons who have been authorised to sign the Facility Agreement and to give any notices and communications under or in connection with the Facility Agreement.

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Name	Position	Signature
*	*	
*	*	
*	*	

Signed:

Director Director

Date: * _____ 19*_

1, [*name], the Secretary of [*name of Borrower] (the Company) hereby certify that [*names of two Directors giving above certificate] are duly appointed Directors of the Company and that the signature of each of them above is his signature.

Signed:

Secretary

Date: * _____ 19*_

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PART III

CERTIFICATE OF ARC DIRECTORS

To: Credit Suisse First Boston, as Agent under the Credit Facility Agreement dated _____, 1998.

Date:

The undersigned directors hereby certify as follows according to our best knowledge, information and belief (having made due enquiry) that as of the date of this certificate.

1. All Subsidiaries of any Obligor (as such terms are defined in the Credit Facility Agreement) are Guarantors under the Credit Facility Agreement (except such Subsidiaries as have been notified to the Agent in writing and as to which the Agent has not requested that they accede to the Credit Facility Agreement as Guarantors).

2. No Obligor is a party to any Oil and Gas Agreement except the agreements listed on the schedule attached hereto.

3. The attached schedule includes a complete and correct list of all Current Liabilities and Current Assets of each Obligor.

4. No Obligor has any legal or beneficial interest in any Oil and Gas Property other than the properties described in the Joint Venture Documents and the Oil and Gas Properties described in the attached Schedule.

5. No Obligor has filed or has had filed against it any petition under any bankruptcy or other proceeding under any analogous law.

6. No Obligor is a party to any legal action or litigation other than the matters described on the attached schedule, and no judgement or attachment has been made or granted against any Obligor or its assets except as shown on the attached schedule.

7. Except as described in the attached schedule no Obligor has received any notice of default and is not in default under any Joint Venture Document or Oil and Gas Agreement.

8. No Obligor has granted or has committed to grant any Security Interest (as such term is defined in the Credit Facility Agreement) other than a Permitted Security Interest.

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SCHEDULE 4

FORM OF TRANSFER CERTIFICATE

To: Credit Suisse First Boston

TRANSFER CERTIFICATE

relating to a Credit Facility Agreement (the FACILITY AGREEMENT) dated _____ 1998 and made between the Borrowers and Guarantors named therein, Credit Suisse First Boston as Agent, Credit Suisse First Boston as Security Trustee, and certain Lenders named therein. Terms defined in the Facility Agreement have the same meanings herein.

1. [Transferor] (the LENDER):

- (a) confirms that to the extent that details appear in the Schedule hereto against, as the case may be, the heading LENDER'S COMMITMENT and/or LENDER'S PARTICIPATION, such details accurately summarise, as the case may be, its participation in the Facility (as defined in the Facility Agreement); and
- (b) requests [Transferee Lender] (the TRANSFEREE) to accept and procure the transfer to the Transferee of the portion specified in the Schedule of, as the case may be, its participation in the Facility by counter-signing and delivering this Transfer Certificate to the Agent at its address for the service of notices specified in the Facility Agreement.

2. The Transferee hereby requests the Agent to accept this Transfer Certificate as being delivered to the Agent pursuant to and for the purposes of clause 19 of the Facility Agreement so as to take effect in accordance with the terms thereof on [date of transfer].

3. The Transferee confirms that it has received a copy of the Facility Agreement together with such other documents and information as it has required in connection with this transaction and that it has not relied and will not hereafter rely on the Lender to check or enquire on its behalf into the execution, validity, enforceability, effectiveness, adequacy, accuracy or completeness of any such documents or information and further agrees that it has not relied and will not rely on the Lender to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of any of the Obligor or of any other party to any of the Financing Documents.

4. The Transferee hereby undertakes with the Lender and each of the other parties to the Facility Agreement that it will perform in accordance with their terms all those obligations which by the terms of the Facility Agreement will be assumed by it after delivery of this Transfer Certificate to the Agent and satisfaction of the conditions (if any) subject to which this Transfer Certificate is expressed to take effect.

5. The Lender makes no representation or warranty and assumes no responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of the Facility Agreement or any document relating thereto and assumes no responsibility for the financial condition of any of the Obligor or any other party to the Financing Documents or for the performance and observance by any of the Obligor or any other such party of any of its obligations under the Financing Documents or any document relating thereto and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded.

6. This Transfer Certificate and the rights and obligations of the parties

hereunder shall be governed by and construed in accordance with English law.

THE SCHEDULE

LENDER'S COMMITMENT

* _____
LENDER'S PARTICIPATION

* _____
AMOUNT

* _____
TERM

* _____
PORTION TRANSFERRED

* _____

*Transferor

[*Transferee]

Address: *

Telex: *

Fax: *

Signed

Signed

Credit Suisse First Boston,
as Agent:

Signed .

Dated * _____ 19* ____

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SCHEDULE 5
FORM OF GUARANTOR ACCESSION DEED

To: Credit Suisse First Boston, as Agent

From: [*Proposed additional Guarantor].

Date: * _____ 19* ____

1. We refer to an agreement (the Facility Agreement) dated _____ 1998 and made between the Borrowers and Guarantors named therein, Credit Suisse First Boston as Agent, Credit Suisse First Boston as Security Trustee and the Lenders as referred to therein. Terms defined in the Facility Agreement shall bear the same meanings herein.

2. We [name of the company] of [Registered Office] (Registered no. * _____) agree to become a Guarantor under the Facility Agreement and to be bound by the terms of the Facility Agreement as Guarantor.

3. Our address for notices is:

* _____

4. This Deed is governed by English law.

EXECUTED as a DEED by)
[PROPOSED GUARANTOR])
[acting by two directors/a director)
and the secretary])

Director

Director/Secretary

SIGNED by)
for and on behalf of [Borrowers' Agent])
in the presence of:)

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SCHEDULE 6
THE ORIGINAL GUARANTORS

ABACAN RESOURCES (BENIN) LIMITED, whose registered office is at:

WEST AFRICA RESOURCE CORPORATION, whose registered office is at:

AGBARA RESOURCES LIMITED, whose registered office is at:

ABACAN POWER (BENIN) LIMITED, whose registered office is at:

ABACAN-ADDAX BENIN CONSORTIUM S.A., whose registered office is at:

ANGUS INTERNATIONAL RESOURCES LTD., whose registered office is at:

PROFILE INTERNATIONAL LTD., whose registered office is at:

<PAGE>

SCHEDULE 7

[FORM OF MOPU AGREEMENT]

[Intentionally excluded as Mopu Agreement is not an Agreement
to which the Company is a party]

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SCHEDULE 8

The purpose of this document is to set forth the terms and conditions of the transaction entered into between

CREDIT SUISSE FIRST BOSTON, ZURICH ("Party A")

And

ABACAN RESOURCES CORP, TORONTO ("Party B")

(collectively, the "Parties")

on the Trade Date specified below (the "Transaction").

The definitions and provisions contained in the 1991 ISDA Definitions (the "1991 Definitions") and the 1996 ISDA Equity Derivatives Definitions (the "1996 Definitions") both as published by the International Swap and Derivatives Association, Inc. are incorporated by reference into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

The Parties hereby agree to enter into the Transaction as a condition precedent to the on-going restructuring of an existing loan facility between CSFB Zurich and a subsidiary of Party B.

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

GENERAL TERMS:

Trade Date: 26 July 1998
Option Style: European
Option Type: Call
Seller: Party B
Buyer: Party A
Shares: ABACAN RESOURCE CORP REGISTERED SHARES
ISIN CODE: CA 002 919 108 1
SECURITY NO: 346 665

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Number of Options: 500,000
Option Entitlement: 1 Share per Option
Strike Price: CAD 0.91
Premium: ZERO
Seller Business Day: Any day on which commercial banks are open for Business (including dealings in foreign exchange and foreign currency deposits) in Toronto.
Currency Business Day: Any day on which commercial banks are open for Business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency.
Exchange: Toronto Stock Exchange, or any successor to such exchange or quotation system. If the exchange ceases to list or otherwise to include the Shares the parties will negotiate in good faith to agree on another exchange or quotation system.
Clearance System: Cedel, or any successor to or transferee of such Clearance System. If the Clearance System ceases to clear the Shares, the parties will negotiate in good faith to agree on another manner of delivery.

PROCEDURE FOR EXERCISE:

Expiration Time: Close of business on the Exchange on the Expiration Date
Expiration Date: 26 July 2000 or, if that date is not an Exchange Business Day, the first following day that is an Exchange Business Day.
Automatic Exercise: Applicable

Seller's Contact Details
for Purpose of Giving Notice: Mr.

Telephone Number:
Fax Number:

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VALUATION:

Valuation Time: At the Close of trading on the Exchange
Valuation Dates: The last 15 Exchange Business Days before and including the Expiration Date
Averaging Dates: Each Valuation Date
Averaging Market Disruption: Modified Postponement

SETTLEMENT TERMS:

Cash Settlement: Applicable
Relevant Price: Bid / Offer / Mid-Market / Last traded price per share as quoted by the Exchange
Cash Settlement Payment Date: Two / Three Currency Business Days after the last Valuation Date

ADJUSTMENTS:

Method of Adjustment: Calculation Agent Adjustment

EXTRAORDINARY EVENTS:

Consequences of Merger Events:

- a. Share-for-Share: Alternative Obligation
- b. Share-for-Other: Cancellation and Payment
- c. Share-for-Combined: Cancellation and Payment

NATIONALIZATION OR INSOLVENCY: Cancellation and Payment

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- 3. Calculation Agent: Party A whose determinations and calculations will be binding and conclusive in the absence of manifest error. The Calculation Agent will have no responsibility for good faith errors or omissions in making any determination as provided herein.
- 4. Account Details: CREDIT SUISSE FIRST BOSTON, TORONTO in favour of CREDIT SUISSE FIRST BOSTON, ZURICH, a/c T1000000.01.CAD.
- 5. Governing Law: English Law

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us marked for the attention of:

CREDIT SUISSE FIRST BOSTON
Attn. Mr. Walter Bachmann / FMLS 32
P.O. Box 900
8070 Zurich
Switzerland

In the case of any queries

- - regarding the transaction, please contact Mr Thomas Patrick phone: 01- 333 76 18,
- - regarding settlement, please contact Mr Heiko Zimmermann phone: 01 - 333 64 95 or
- - regarding documentation, please contact Mr Walter Bachmann phone: 01 - 333 87 77.

It has been a pleasure being of service to you and we thank you for your co-operation.

CREDIT SUISSE FIRST BOSTON

NAME	THOMAS PATRICK
Title	Title

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Confirmed as of the date first above written:

For and on behalf of

ABACAN RESOURCES CORP, TORONTO

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SIGNING SCHEDULE

BORROWERS:

ABACAN RESOURCE CORPORATION,
as a Deed

By: [J. Harvie] Signature: /s/ James Harvie

By [W.G.Cherwayko] Signature: /s/Wade Cherwayko

DAHOMY RESOURCE CORPORATION
As a Deed

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

LIBERTY TECHNICAL SERVICES LIMITED
As a Deed

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

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ORIGINAL GUARANTORS:

ABACAN RESOURCES (BENIN) LIMITED

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

WEST AFRICAN RESOURCE CORPORATION

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

AGBARA RESOURCES LIMITED

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

ABACAN POWER (BENIN) LIMITED

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

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ABACAN-ADDAX BENIN CONSORTIUM S.A.

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

ANGUS INTERNATIONAL RESOURCES LTD.

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

PROFILE INTERNATIONAL LTD.

By: [W.G. Cherwayko] Signature: /s/ Wade Cherwayko

By: [T.B. Folawayo] Signature: /s/ Tunde Folawiyo

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LENDERS:

CREDIT SUISSE FIRST BOSTON
As Lender

By: [T. Patrick] Signature: /s/ Tom Patrick

By: [Alex Gantner] Signature: /s/ Alex Gantner

AGENT AND SECURITY TRUSTEE:

CREDIT SUISSE FIRST BOSTON,
As Agent and Security Trustee

By: [Tom Patrick] Signature: /s/ Tom Patrick

By: [Alex Gantner] Signature:/s/ Alex Gantner

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<SEQUENCE>14

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EXHIBIT 10.9

ABACAN RESOURCE CORPORATION and DAHOMEY RESOURCE CORPORATION and LIBERTY
TECHNICAL SERVICES LTD. and ABACAN RESOURCES (BENIN) LIMITED and WEST AFRICAN
RESOURCE CORPORATION and AGBARA RESOURCES LIMITED and ABACAN POWER (BENIN)
LIMITED and ABACAN-ADDAX BENIN CONSORTIUM S.A. and ABACAN RESOURCES (NIGERIA)
LTD. and ANGUS INTERNATIONAL RESOURCES LTD. and PROFILE INTERNATIONAL LTD.

And

CREDIT SUISSE FIRST BOSTON
(as Agent)

CREDIT SUISSE FIRST BOSTON
(as Security Trustee)

and

THE LENDERS herein referred to

SECURITY TRUST DEED

Dated July 2, 1998

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SECURITY TRUST DEED (the AGREEMENT) made on July 2, 1998

BETWEEN

ABACAN RESOURCE CORPORATION, an Alberta, Canada corporation, whose registered office is at Suite 1600, 407 Second Street S.W., Calgary, Alberta, Canada (sometimes referred to individually herein as AARC); DAHOMEY RESOURCE CORPORATION, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB-11986, Nassau, The Bahamas (sometimes referred to individually herein as ADAHOMEY); LIBERTY TECHNICAL SERVICES LTD., a Bahamas limited company, whose registered office is at 38 Warehouse Road, Apapa, Lagos, Nigeria (sometimes referred to individually herein as ALiberty); ABACAN RESOURCES (BENIN) LIMITED, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, N.P., The Bahamas; WEST AFRICAN RESOURCE CORPORATION, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, N.P., The Bahamas; AGBARA RESOURCES LIMITED, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, N.P., The Bahamas; ABACAN POWER (BENIN) LIMITED, a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB 11986, Nassau, N.P., The Bahamas; ABACAN-ADDAX BENIN CONSORTIUM S.A., a Benin limited company, whose registered office is at Villas de la Francophonie, Fadoul 1 08 B.P. 0428, Cotonou, Benin; ABACAN RESOURCES (NIGERIA) LTD., a Nigerian limited company, whose registered office is at 38 Warehouse Road, Apapa, Lagos, Nigeria; ANGUS INTERNATIONAL RESOURCES LTD., a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB-11986, Nassau, The Bahamas; and PROFILE INTERNATIONAL LTD., a Bahamas limited company, whose registered office is at Chambers, Suite 304, Beaumont House, Bay Street, P.O. Box CB-11986, Nassau, The Bahamas.

(individually and collectively, the OBLIGORS);

CREDIT SUISSE FIRST BOSTON (as AGENT);

CREDIT SUISSE FIRST BOSTON (as SECURITY TRUSTEE);

THE LENDERS listed on the execution pages of this Deed.

WHEREAS:

(A) The Lenders have agreed to make available to the ARC, Liberty and Dahomey as Borrowers the Facility (each as defined in the Facility Agreement) upon the terms and conditions of the Facility Agreement (as defined below).

(B) The Security Trustee has agreed to act as Security Trustee of this Deed and to hold the benefit of the Security Documents (as defined below) and the security thereby created on trust for the Beneficiaries (as defined below).

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(C) Pursuant to the provisions of the Facility Agreement, as a condition precedent to the Facility becoming available, the Obligors are required to execute the Security Documents (as defined below) in favour of the Security Trustee to be held by it on trust for the Beneficiaries (as defined below) in accordance with the terms and conditions of this Deed.

NOW IT IS HEREBY AGREED as follows:-

INTERPRETATION

1.1 DEFINITIONS: In this Deed (including the recitals) words and expressions defined in the Facility Agreement shall bear the same respective meanings when used herein, unless otherwise defined herein or the context otherwise requires. The following words and expressions have, except where the context otherwise requires, the meanings respectively shown opposite them:

BENEFICIARIES means the Agent, the Security Trustee and the Lenders;

THIS DEED means this deed as amended or modified from time to time, including any other deed or instrument expressed to be supplemental hereto;

ENFORCEMENT NOTICE means a notice from the Agent to the Security Trustee stating that the Agent has issued a notice to the Borrowers' Agent pursuant to clause 13.2 of the Facility Agreement;

FACILITY AGREEMENT means the \$30,702,500 Credit Facility Agreement dated of even date herewith between Abacan Resource Corporation, Liberty Technical Services Limited and Dahomey Resource Corporation as the Borrowers, the Guarantors therein referred to, Credit Suisse First Boston as Agent and as Security Trustee and the Lenders therein referred to as the same may be amended from time to time;

PROCEEDS means all moneys and other property held or received by the Security Trustee or any Receiver under any of the Security Documents and the proceeds of realisation of the Secured Property;

RECEIVER means any person or persons appointed (and any additional person or persons appointed or substituted) as receiver, administrative receiver, receiver and manager, manager or similar insolvency officer appointed by the Security Trustee pursuant to any of the Security Documents;

SECURED AMOUNTS means all moneys and liabilities (including without limitation amounts payable under this Deed) whatsoever which may be due, owing or payable by the Obligors to the Beneficiaries in any currency, as principal or as surety, individually or jointly, on any account whatsoever pursuant to the Financing Documents or as a consequence of any breach, non-performance, disclaimer or repudiation by the Obligors of any of their obligations under the Financing Documents and "Secured Amounts" shall have a like meaning with respect to a particular Security Document or Beneficiary;

SECURITY DOCUMENTS means this Deed, the Debentures, the Share Pledges, the MOPU Agreement, the Amni Guarantee, and any other mortgages, charges, assignments or other security interests from time to time granted by the Obligors to the Security Trustee pursuant to the Financing Documents.

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SECURED PROPERTY means the property described in clause 2.1;

1.2 CONSTRUCTION: In this Deed, except where the context otherwise requires:

- (a) Headings and the table of contents are for ease of reference only;
- (b) references to clauses, sub-clauses, paragraphs or the Schedule are, unless otherwise specified, to be construed as references to clauses, sub-clauses and paragraphs of and the Schedule to this Deed;
- (c) a provision of law is a reference to that provision as amended or re-enacted;
- (d) references to documents include any deed (including this Deed), negotiable instrument, certificate, notice or other document of any kind and

references to any document (or a provision thereof) shall be construed as a reference to that document or provision as from time to time amended, supplemented, varied or replaced (in whole or in part);

(e) references to any party hereto or any person include references to any successor or assignee of such party or other person; and

(f) unless the context otherwise requires, words denoting the singular number shall include the plural and vice versa. DECLARATION OF TRUST; GENERAL

2.1 TRUST: The Security Trustee shall stand possessed of and shall hold all the covenants, undertakings, charges, assignments and other security interests made, given or to be made or given under or pursuant to any of the Security Documents, upon trust for the Beneficiaries rateably in proportion to their respective Secured Amounts.

2.2 ADDITIONAL BENEFICIARIES: Upon the delivery to the Security Trustee by the Agent of a supplemental deed substantially in the form of Schedule 1 executed by an Obligor and by any person intended to become a beneficiary hereunder, such person shall thereafter be entitled to the benefit of and subject to the provisions of this Deed as a Beneficiary. Each Obligor party hereto agrees that it will promptly execute such a Deed upon request by the Agent.

2.3 AGENT: Notwithstanding anything to the contrary in the Facility Agreement, the Security Trustee shall be entitled to assume that the interests of each Bank are represented by the Agent. The Security Trustee shall not be obliged or required to act in accordance with the directions of any of the Lenders given otherwise than through the Agent.

2.4 SECURITY TRUSTEE'S NOTIFICATION: The Security Trustee shall promptly advise the Agent of any breach of the provisions of this Deed which comes to the notice of the Security Trustee.

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2.5 JURISDICTION: It is hereby declared and agreed that, in relation to any jurisdiction the courts of which would not recognise or give effect to the trust expressed to be created by this Deed, the relationship of the Beneficiaries to the Security Trustee shall be construed as one of principal and agent but, to the extent permissible under the laws of such jurisdiction, all the other provisions of this Deed shall have full force and effect between the parties hereto.

2.6 EFFECTIVE DATE: This Deed shall take effect on the date hereof.

COVENANTS BY THE OBLIGORS

3.1 COVENANTS: Each Obligor hereby covenant with the Security Trustee that, so long as any of the Secured Amounts remains outstanding, it will:

(a) at all times give to the Security Trustee such information as the Security Trustee may reasonably require for the purpose of the discharge of the trusts, powers, rights, duties, authorities and discretions vested in it hereunder or by operation of law; and

(b) execute and do all such assurances, acts, deeds and things as the Security Trustee may reasonably require for protecting or perfecting the security over the Secured Property and the exercise of all powers, authorities and discretions vested in the Security Trustee or in any receiver of the Secured Property and shall in particular execute all transfers, conveyances, assignments, assurances and registrations of the Secured Property, whether to the Security Trustee or its nominees or purchasers or subpurchasers, and give all notices, orders and discretions which the

Security Trustee may reasonably require as necessary or expedient.

SECURED PROPERTY AND POWERS OF ENFORCEMENT

4.1 SECURITY:

- (a) The security created by the Security Documents shall be held by the Security Trustee as a continuing security for the payment in full of the Secured Amounts notwithstanding any settlement of account or any other act, event or matter whatsoever;
- (b) The security created by the Security Documents shall not be satisfied by any intermediate payment or satisfaction of any amount hereby or thereby secured and the security so created shall be in addition to and shall not be prejudiced by any other security or guarantee now or hereafter held by the Security Trustee or any other person for all or any part of the Secured Amounts hereby and thereby secured or the liability of any person for the whole or any part of the Secured Amounts;
- (c) Every power and remedy given to the Security Trustee herein shall be in addition to and not a limitation of any other power or remedy vested in the Security Trustee under any of the Security Documents, or by statute, rule or law or otherwise and all such powers may be exercised from time to time and as often as the Security Trustee deems expedient.

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- (d) Neither Section 93 nor Section 103 of the Law of Property Act 1925 shall apply to any assignment created hereunder.

4.2 ENFORCEMENT: Upon receipt by the Security Trustee of an Enforcement Notice from the Agent, the security constituted by the Security Documents shall become immediately enforceable. Upon the security constituted by the Security Documents becoming enforceable, the Security Trustee shall, subject to it being indemnified to its satisfaction, be bound without further notice to any party to this Deed to enforce the same and shall incur no responsibility to any such party for so doing.

SUSPENSE ACCOUNT, INVESTMENT AND ACCUMULATIONS

5.1 SUSPENSE ACCOUNT: Pending appropriation and distribution under clause 7, the Security Trustee may place any sum received, recovered or held by it representing or constituting Proceeds at any time after the security constituted by the Security Documents becomes enforceable in a suspense account which it may maintain for as long as it thinks fit until the Secured Amounts have been discharged in full.

5.2 INVESTMENT OF PROCEEDS: The Security Trustee may invest in the name or under the control of the Security Trustee an amount equal to the balance from time to time standing to the credit of any suspense account in any of the investments for the time being authorised by English law for the investment by Security Trustees of trust moneys or in any other investments (whether similar to the aforesaid or not) which may be selected by the Security Trustee as if the Security Trustee were an absolute beneficial owner or by placing the same on deposit in the name or under the control of the Security Trustee and in such currency as the Security Trustee may think fit. The Security Trustee may at any time vary or transfer any of such investments for or into any other such investments or convert any other moneys so deposited into any other currency and shall not be responsible for any loss occasioned thereby (whether by depreciation in value, fluctuation in exchange rates or otherwise) unless such loss is occasioned by the wilful misconduct or fraud of the Security Trustee. The Security Trustee shall not be under any obligation to diversify any investment or investments made by it pursuant to this sub-clause.

5.3 ACCUMULATIONS: The resulting income arising on any investments made pursuant to clause 5.2 above may, at the discretion of the Security Trustee, be accumulated PROVIDED THAT if the Proceeds shall amount to a sum sufficient to pay at least 5 per cent. of the principal amount of the Secured Amounts then outstanding the Security Trustee shall thereupon appropriate and distribute the Proceeds and any such accumulations in the manner and order provided in clause 7.1 BUT SO THAT for the purposes of this proviso (and this proviso alone) the expression Proceeds shall not include any part thereof held on a suspense account pursuant to clause 5.1 above.

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RELEASE OF SECURED PROPERTY, CONTINUATION AND PERPETUITY PERIOD

6.1 RELEASE OF SECURED PROPERTY: On the payment or discharge of the Secured Amounts in full and subject to the Beneficiaries having no actual or contingent liability to the Obligors with respect to obligations under the Facility and at the written direction of the Agent, the Security Trustee will, at the cost and expense of the relevant Obligor, (i) release the security constituted by the Security Documents and reassign to the relevant Obligor or such other person as the relevant Obligor may direct or such other person as may be entitled thereto all of the Secured Property, and (ii) assign to Borrower's Agent any remaining rights in the MOPU Agreement. Further, CSFB agrees and agrees to cause TIL to obtain the Borrowers' Agent's written consent to any amendment, modification or waiver to or under the MOPU Agreement, which consent shall not be unreasonably withheld. The Obligors covenant and agree to comply with the terms of Section 6.3 of the MOPU Agreement.

6.2 CONTINUATION OF TRUSTS: The trusts constituted by the Security Documents shall (subject to clause 6.3) remain in full force and effect for so long as any amounts remain due to the Security Trustee, any Receiver or delegate of the Security Trustee pursuant to the Security Documents and any of the Secured Amounts remain due to any of the Beneficiaries or any Beneficiary has any actual or contingent liability to the Borrowers in respect of the Facility.

6.3 PERPETUITY PERIOD: The perpetuity period applicable hereto under the rule against perpetuities shall be the period of eighty years from the date of these presents and every power, authority or discretion to which the said rule applies which is conferred upon the Security Trustee or any other person by these presents shall only be exercisable during that period.

DISTRIBUTION OF PROCEEDS

7.1 DISTRIBUTION: Subject to clause 5, after the security constituted by the Security Documents shall have become enforceable, the Security Trustee shall appropriate and distribute all Proceeds (subject to the payment of debts which by law have priority) in the following manner and order (but so that in each case only if and to the extent that appropriations and distributions of a higher priority have been made in full):-

- (a) First, in or towards payment of all costs, charges, expenses and liabilities (together with accrued interest thereon as provided in any other Security Document) properly incurred by the Security Trustee or any Receiver, attorney, agent, delegate or other person appointed by the Security Trustee under any of the Security Documents in the exercise or purported exercise of any powers, authorities or discretions vested in it or him pursuant to any of the Security Documents in respect of any security interest created by any Obligor or any Security Document executed by any Obligor;
- (b) Second, in or towards payment of all costs, charges, expenses and liabilities (together with accrued interest thereon as provided in any other Financing Document) properly incurred by the Agent in the exercise or purported exercise of any powers, duties, obligations or discretions vested in it or him pursuant to any of the Financing Documents;

- (c) Third, in or towards payment pro rata of any interest due to the Beneficiaries in respect of the Secured Amounts;

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- (d) Fourth, in or towards payment pro rata of any principal due to the Beneficiaries in respect of the Secured Amounts;

- (e) Fifth, in or towards payment pro rata of all remaining sums or liabilities due or owed to the Beneficiaries in respect of the Secured Amounts; and the surplus (if any) after the payment in full of the Secured Amounts shall be paid to or to the order of the Borrower's Agent or to such other person as the Borrowers' Agent may notify to the Security Trustee, or as otherwise required by any court of competent jurisdiction or applicable law, PROVIDED THAT:

- (i) distributions by the Security Trustee shall be made at such times as the Security Trustee in its absolute discretion determines to be as soon as reasonably practical, having regard to all relevant circumstances;

- (ii) as between the Beneficiaries, a Beneficiary shall be deemed to have received from the Security Trustee any amount which the Security Trustee is at any time required by law to deduct or withhold on account of tax from any distribution received by that Beneficiary under this Deed. However, this shall not prejudice any right which that Beneficiary may have against the Obligors (whether under a grossing-up clause or otherwise) but as between the Beneficiaries, any such indebtedness shall rank after all other sums due and owing in respect of the Secured Amounts;

- (iii) for the purposes of any distribution by the Security Trustee (which shall be made in accordance with clause 7.2), the Security Trustee may fix a date as at which the amount of the Secured Amount is to be calculated. For the purposes of determining the amount of any payment to be made pursuant to paragraphs (c), (d) or (e) above to any Beneficiary, the Security Trustee shall be entitled to call for a certificate from the Agent as to the amount, currency and nature of any Secured Amount owing or incurred to the relevant Beneficiary at the date fixed by the Security Trustee for such purpose and as to such other matters as the Security Trustee may deem necessary or desirable to enable it to make a distribution. The Security Trustee shall be entitled to rely on any such certificate:

- (iv) if, after discharge of the costs, charges, expenses and liabilities (together with accrued interest thereon) referred to in paragraphs (a) and (b) above, the Proceeds remaining are insufficient to discharge in full any of the aggregate amounts referred to in any of paragraphs (c), (d) or (e) above, as the case may be, such remaining Proceeds shall be paid to the Agent to be distributed pari passu and rateably to the Beneficiaries in proportion to the respective portions of the Secured Amounts owing to each Beneficiary;

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- (v) if any Proceeds shall be denominated in a currency (the "relevant currency") other than that in which any Secured Amount is expressed to be payable (the "contractual currency") the Security Trustee shall convert the relevant Proceeds into the contractual currency upon receipt or recovery of the same unless such sums are to be credited to a suspense account and apply the same in accordance with the foregoing provisions, but so that no action taken by the Security Trustee pursuant to this proviso (v) shall in any way prejudice or affect the

rights or claims which any Beneficiary may have pursuant to the terms of the Financing Documents; and

- (vi) any distribution payment or transfer required to be made by the Security Trustee pursuant to this Deed shall only be made subject to any applicable laws and regulations.

7.2 DISTRIBUTIONS AND PAYMENTS: Distributions or payments of or on account of any of the Secured Amounts described in paragraphs (c), (d) and (e) of clause

7.1 shall be made by the Security Trustee to the Agent. An acknowledgment of receipt signed by the Agent or, as the case may be, the Borrowers' Agent or its appointee shall be a good discharge of the Security Trustee.

7.3 UNWINDING: If and to the extent that any appropriation or distribution shall at any time thereafter transpire to have been invalid or any sum so distributed has to be refunded to any person under any law relating to bankruptcy, insolvency or winding up or otherwise, the relevant distribution shall be deemed never to have been made provided that any benefit obtained by the person to whom the relevant distribution was originally made from the use of the amount so distributed shall so long as it is retained (free from liabilities) by such person, be deducted from any interest which becomes payable in accordance herewith on such amount from the date of such distribution to the (date on which it is deemed never to have been made (such resulting amount never however to be a negative amount)).

7.4 REQUIRED PREPAYMENTS: Any amounts received by the Security Trustee pursuant to the terms of either the MOPU Agreement or the Amni Agreement shall be applied by the Agent as a prepayment against the Outstandings; provided any amounts received shall first be applied to reimburse the Agent for (i) reasonable collection costs incurred with respect to the Amni Guaranty and (ii) any payments made by the Agent to Sedco Forex as required pursuant to the terms of MOPU Agreement.

SECURITY TRUSTEE'S RIGHTS, DUTIES AND SUPPLEMENTAL POWERS

8.1 RIGHTS AND DUTIES:

- (a) The Security Trustee shall have only those duties, obligations and responsibilities expressly specified in this Deed or the other Security Documents and shall not have any implied duties, obligations or responsibilities. In performing or carrying out its duties, obligations and responsibilities, the Security Trustee shall be considered to be acting only in a mechanical and administrative capacity (save as expressly provided in this Deed or the other Security Documents) and shall not have or be deemed to have any duty, obligation or responsibility to or relationship of trust or agency with any of the Obligor;

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- (b) The Security Trustee may refrain from taking any (or any further) action or exercising any rights under or in respect of this Deed or any other Security Documents until it has received instructions from the Agent (or other person for the time being entitled to give such instructions) as to whether (and, if it is to be, the way in which) it is to be taken or exercised. In the absence of such instructions, the Security Trustee may act or refrain from acting as it shall see fit. The Security Trustee shall in all cases when acting or refraining from acting as the case may be, be in no way responsible for any loss except in the case of wilful misconduct or where the Security Trustee has failed to show the degree of diligence and care required of it having regard to the provisions of this Deed or the Security Documents;

- (c) The Security Trustee shall not be liable for any action taken or omitted by it under or in connection with the Security Documents in good faith;
- (d) The Security Trustee shall not be liable to bring any proceedings against the Obligors for the recovery of any sum due under any of the Financing Documents or otherwise in connection therewith unless it has been fully indemnified to its satisfaction by each of the Lenders in the proportion which its Outstandings bear to the Total Outstandings (or if no Outstandings, its Commitment bears to the Total Commitments);
- (e) Notwithstanding that the Security Trustee is a Beneficiary, it may take, or refrain from taking, any action which it would be entitled to take in its capacity as a Beneficiary if it was not the Security Trustee and shall not be precluded by virtue of its position as a Beneficiary from exercising any of its discretions, powers and duties as Security Trustee;
- (f) Each of the Lenders shall fully indemnify the Security Trustee rateably in the proportion which its Outstandings bears to the Total Outstandings (or if no Outstandings, its Commitment bears to the Total Commitments), from and against all claims, proceedings, expenses, losses, damages and liabilities of every description (except in respect of any remuneration due to the Security Trustee) which may be incurred by the Security Trustee in such capacity in good faith and which in any way relate to or arise out of the Financing Documents or any related documents or any action taken or omitted by the Security Trustee in enforcing or preserving, or in attempting to enforce or preserve, any of the rights of the Beneficiaries under the Financing Documents or any related documents.

8.2 By way of supplement to the Trustee Act 1925 it is expressly declared as follows:

- (a) RELIANCE ON EXPERTS: The Security Trustee may in relation to the Financing Documents act on the opinion or advice of, or a certificate or any information obtained from, any lawyer, banker, valuer, surveyor, securities company, broker, auctioneer, accountant or other expert in the United Kingdom or elsewhere, whether obtained by the Security Trustee, any Receiver or the Agent, and shall not be responsible for any loss occasioned by so acting.
- (b) CERTIFICATES: Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, telex, facsimile reproduction or in any other form and the Security Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error or shall not be authentic PROVIDED THAT such error or lack of authenticity is not manifest.
- (c) DISCRETION: The Security Trustee shall (save as expressly otherwise provided in any of the Security Documents) as regards all rights, powers, authorities and discretions vested in it by any of the Security Documents, or by operation of law, have complete discretion as to the exercise or non-exercise thereof.
- (d) INVESTMENT BY WAY OF NOMINEES: Any investment made by the Security Trustee pursuant to clause 5 may, at its discretion, be made or retained in the name or names of a nominee or nominees.

- (e) **DOCUMENT PLACEMENT:** The Security Trustee shall be at liberty to place this Deed, any of the other Security Documents and all deeds and other documents relating to this Deed or any of the other Security Documents with any bank or banking company, or lawyer or firm of lawyers believed by it to be of good repute, in any part of the world, and the Security Trustee shall not be responsible for or be required to insure against any loss incurred in connection with any such deposit and the Borrowers' Agent shall pay all sums required to be paid on account of or in respect of any such deposit.
- (f) **AGENTS:** The Security Trustee may, in the conduct of the trust business, instead of acting personally, employ and pay an agent to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Security Trustee (including the receipt and payment of money). The Security Trustee shall not be responsible for any misconduct on the part of any person appointed by it in good faith hereunder or be bound to supervise the proceedings or acts of any such persons.
- (g) **SECURITY TRUSTEE REFRAINING FROM ACTING:** The Security Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive or regulation of any agency of any state or which would or might otherwise render it liable to any person and may do anything which is, in its absolute discretion, necessary to comply with any such law, directive or regulation.
- (h) **DISCLAIMERS AND EXCLUSIONS:**
- (i) The Security Trustee shall not be responsible for recitals or statements, warranties or representations of any party (other than the Security Trustee) contained in any of the Financing Documents and shall not be required to examine or enquire into the title of the Obligor to the Secured Property or any other part of the undertaking, property and assets charged by any of the Security Documents, or the right of the Obligor to exercise the powers and discretions described in the Financing Documents to the intent that the Security Trustee shall not in any way be responsible for its inability to exercise any of the rights conferred herein or in any of the other Security Documents or for any loss or damage thereby occasioned;
- (ii) The Security Trustee shall not be bound to give notice to any person of the execution of the Security Documents nor shall it be liable for any failure, omission or defect in perfecting the security intended to be constituted by the Security Documents including, without prejudice to the generality of the foregoing, (a) failure to obtain any license, consent or other authority for the execution of the same, (b) failure to register the same in accordance with the provisions of any of the documents of title of the Obligor to any of the Secured Property, and (c) failure to effect or procure registration of or otherwise protect any of the Security Documents by registering the same under any registration laws in any territory, or by registering any notice, caution or other entry prescribed by or pursuant to the provisions of the said laws;
- (iii) The Security Trustee shall not be responsible for the genuineness, validity or effectiveness of any of the Security Documents or any obligations or rights created or purported to be created thereby or any security constituted or purported to be constituted by or pursuant to any of the Security Documents, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents, whether arising from statute, law or decision of any court;

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- (iv) The Security Trustee shall not be liable or responsible for any loss, cost, damage, expense or inconvenience which may result from anything done or omitted to be done by it under any of the Security Documents, except such as arise as a result of the wilful misconduct or fraud of the Security Trustee. SUPPLEMENTAL PROVISIONS REGARDING THE SECURITY TRUSTEE

9.1 OBLIGORS' PERFORMANCE: Except as herein otherwise expressly provided, the Security Trustee shall be and is hereby authorised to assume without enquiry, and it is hereby declared to be the intention of the Security Trustee that it shall assume without enquiry, that the Obligors are duly performing and observing all the covenants and provisions contained in the Financing Documents and on their part to be performed and observed and that no Event of Default or Potential Event if Default has occurred. No Beneficiary other than the Agent shall be entitled to require the Security Trustee to take any action or proceedings under any of the Security Documents whatsoever, whether to enforce the performance of any covenant or obligation by the Obligors or otherwise.

9.2 DELEGATION: The Security Trustee may, in the execution of an or any of the trusts, powers, authorities and discretions vested in it by any of the Security Documents, act by responsible officers or a responsible officer for the time being of the Security Trustee. The Security Trustee may also, whenever it thinks expedient in the interests of the Beneficiaries, whether by power of attorney or otherwise, delegate to any person or persons all or any of the trusts, rights, powers, duties, authorities and discretions vested in it by any of the Security Documents. Any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Security Trustee may think fit in the interests of the Beneficiaries and, PROVIDED THAT the Security Trustee shall have exercised reasonable care in the selection of such delegate and, where a power to sub-delegate has been given, has obliged the delegate to exercise reasonable care in the selection of any sub-delegate, the Security Trustee shall not be responsible for any loss incurred by any misconduct or default on the part of such delegate or sub-delegate. The Security Trustee shall give prompt notice to the Borrowers' Agent and the Agent of the appointment of any delegate as aforesaid and shall procure that any delegate shall also give prompt notice of the appointment of any sub-delegate to the Borrowers' Agent and the Agent.

9.3 CONTRACTS: The Security Trustee shall not, and no director or officer of the Security Trustee shall, by reason of the fiduciary position of the Security Trustee, be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Obligors or from accepting the trusteeship of any stock, shares, debenture stock, debentures or securities of the Obligors. Without prejudice to the generality of the foregoing, it is expressly declared that such contracts and transactions include any contract or transaction in relation to the placing, underwriting, purchasing, subscribing for or dealing with or lending money upon or making payments in respect of any stock, shares, debenture stock, debentures or other securities of the Obligors or any contract of banking or insurance with the Obligors. Neither the Security Trustee nor any such director or officer shall be accountable to any Lender or the Obligors for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions. The Security Trustee and any such director or officer shall be at liberty to retain the same for its or his own benefit.

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9.4 ADDITIONAL POWERS: The powers conferred by this Deed and the other Security Documents upon the Security Trustee shall be in addition to any powers which may from time to time be vested in it by applicable law.
SECURITY TRUSTEE'S REMUNERATION AND INDEMNITIES

10.1 REMUNERATION:

- (a) If the Security Trustee finds it expedient or is required to undertake any material duties in the course of its trusteeship under any of the Security Documents (which shall, without limitation, be presumed once the Security Trustee shall have become bound to enforce the security constituted by the Security Documents or when, in the opinion of the Security Trustee acting in good faith, circumstances exist in which such event may occur), the Borrowers shall pay such remuneration as shall be agreed between the Security Trustee and the Borrowers' Agent. If the Security Trustee and the Borrowers' Agent fail to agree the amount of any remuneration as aforesaid, it shall be determined by a chartered accountant selected by the Security Trustee and approved by the Borrowers' Agent or, failing such approval, nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales. The expenses involved in such nomination and the fees of such chartered accountant shall be paid by the Borrowers' Agent. The determination of such chartered accountant (who shall be deemed to be acting as an expert and not as an arbitrator) shall be conclusive and binding upon the Security Trustee and the Borrowers' Agent (absent fraud or manifest error);
- (b) The Borrowers' Agent shall pay to the Security Trustee an amount equal to the amount of any value added tax or similar tax chargeable in respect of its remuneration hereunder.

10.2 EXPENSES AND COSTS: The Borrowers' Agent shall on demand from time to time pay, in each case on the basis of a full indemnity to the Security Trustee:

- (a) all costs and expenses (including legal, printing, publicity and out-of-pocket expenses) reasonably incurred in connection with the negotiation, preparation or completion of the Security Documents;
- (b) all costs, charges and expenses (including travelling expenses) which the Security Trustee may reasonably incur in relation to the exercise of the rights, powers, duties, authorities and discretions or the execution of the trusts vested in it by or pursuant to any of the Security Documents; and
- (c) at such daily and/or hourly rates as the Security Trustee shall from time to time reasonably determine, all costs and expenses (including without limitation, telephone, fax, copying, travel, legal and personnel costs) in connection with the Security Trustee taking such action as it may deem appropriate, in complying with any instructions from the Agent or any request by the Borrowers' Agent in connection with:

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- (i) the granting or proposed granting of any waiver or consent under any of the Security Documents;
- (ii) any amendment or proposed amendment to any of the Security Documents;
- (iii) any breach by any Obligor of any of its obligations under any of the Security Documents or any investigation as to whether any such breach may have occurred;
- (iv) the occurrence of any Event of Default;
- (v) the review, preservation and/or enforcement or the attempted presentation or enforcement of any of the rights of the Security

Trustee, the Agent and the Lenders under the Security Documents;
and

- (vi) the transfer or possible transfer of the role of Security Trustee to another person. Reference in this sub-clause to costs, charges and expenses shall include value added tax or similar tax charged in respect thereof

10.3 GENERAL INDEMNITY: The Obligors shall jointly and severally fully indemnify the Security Trustee and keep it indemnified:

- (a) in respect of all liabilities and expenses properly incurred by it or by any person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by any of the Security Documents, except to the extent that they are sustained or incurred as a result of the wilful misconduct or fraud of the Security Trustee; and
- (b) against all losses, liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to any of the Security Documents, except to the extent that they are sustained or incurred as a result of the wilful misconduct or fraud of the Security Trustee.

10.4 COSTS INDEMNITY: To the extent that the Obligors do not perform its indemnity obligations described in this clause 10 or fails to make any payment which it is obliged to discharge under clause 17, the Agent shall indemnify the Security Trustee and keep it indemnified against any cost, expense or liability (including duties and taxes) sustained or incurred by the Security Trustee:

- (a) in complying with an Enforcement Notice and in enforcing the security constituted by the Security Documents or otherwise under any of the Security Documents, except to the extent that it is sustained or incurred as a result of the wilful misconduct or fraud of the Trustee;
- (b) by any person appointed by it to whom any trust, rights, powers, duties, authorities or discretions may be delegated in the execution or exercise or purported execution or exercise of the trusts, rights, powers, duties, authorities or discretions vested in it by any of the Security Documents; and

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- (c) in respect of any matter or thing done or omitted in any way relating to any of the Security Documents, except to the extent that it is sustained or incurred as a result of the wilful misconduct or fraud of the Security Trustee.

10.5 PAYMENT: All sums payable under sub-clauses 10.2 and 10.3 of this clause shall be payable on demand. All sums payable by the Obligors under this clause shall carry interest at the rate of two per cent (2%) per annum. above the normal lending rate of a leading bank that is available to the Security Trustee in the principal financial centre relevant to the currency in which the same are due for overdraft facilities in that currency from the date of the same being demanded.

10.6 CONTINUATION: Unless otherwise specifically stated in any discharge of these presents, the provisions of this clause 10 shall continue in full force and effect notwithstanding such discharge.

ACTION OF SECURITY TRUSTEES

11.1 MAJORITY DECISIONS: Whenever there shall be more than two Security Trustees hereof the majority of such Security Trustees shall (provided such

majority includes a trust corporation) be competent to execute and exercise all the trusts, rights, powers, duties, authorities and discretions vested by any of the Security Documents in the Security Trustee generally.

11.2 RELIANCE: The Security Trustee shall be entitled to rely upon any directions or any instructions given or purported to be given by the Agent, notwithstanding any error in transmission or that such directions or instructions prove not to be genuine, and such directions or instructions shall be conclusively deemed to be valid directions or instructions from the Agent to the Security Trustee for the purposes of this Deed PROVIDED THAT the Security Trustee may decline to act on any such directions or instructions where in the opinion of the Security Trustee they are insufficient, incomplete, inconsistent or not received by the Security Trustee in sufficient time to act thereon or in accordance therewith.

APPOINTMENT OF NEW OR FURTHER SECURITY TRUSTEES

12.1 POWER TO APPOINT: The power of appointing new Security Trustees shall be vested in the Agent acting on the directions of the Majority Lenders, with the consent of the Borrowers' Agent (not to be unreasonably withheld). The Agent, acting on the instructions of the Majority Lenders, may at any time by notice in writing to the Borrowers' Agent and the Security Trustee remove any Security Trustee or Security Trustees for the time being hereof. The removal of a Security Trustee shall not become effective unless there remains a Security Trustee or Security Trustees in office after such removal. The Security Trustee shall notify the Agent of its removal and/or the proposed appointment of a new Security Trustee.

12.2 CO-SECURITY TRUSTEES: Notwithstanding the provisions of clause 12.1, the Security Trustee may, with the consent of the Borrowers' Agent (not to be unreasonably withheld) and the Agent, appoint any person (whether a trust corporation or not) to act either as a separate Security Trustee or as a co-Security Trustee jointly with the Security Trustee:

- (a) if the Security Trustee considers such appointment to be in the interests of the Beneficiaries, or
- (b) for the purposes of conforming to any legal requirement or restriction.

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Such person shall (subject always to the provisions of the Security Documents) have such trusts, rights, powers, duties, authorities and discretion (not exceeding those conferred on the Security Trustee by the Security Documents) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Security Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Security Trustee may pay to any such person, together with any attributable costs, charges and expenses reasonably incurred by it in performing its function as such separate Security Trustee or co-Security Trustee, shall, to the extent payable if the same had been incurred by the Security Trustee, for the purposes of this Deed, be treated as costs, charges and expenses incurred by the Security Trustee.

RESIGNATION OF SECURITY TRUSTEE

13.1 Any Security Trustee for the time being of these presents may retire at any time without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. In that event, the Agent shall, subject to the prior written consent of the Borrowers' Agent (such consent not to be unreasonably withheld or delayed), appoint a Beneficiary or any other bank or financial institution to act as Security Trustee in its stead or, if no such person is so appointed within 30 days of the Security Trustee tendering its resignation, the Security Trustee may, in consultation with the Borrowers' Agent, appoint a Beneficiary or, with the prior written consent of the

Borrowers' Agent (such consent not to be unreasonably withheld or delayed) any other reputable bank or financial institution so to act. The retirement of a sole Security Trustee shall not take effect until the appointment of a new Security Trustee or two or more new Security Trustees has been effected.

13.2 Upon the retirement of any Security Trustee:

- (a) the retiring Security Trustee shall be discharged from any further obligation under the Financing Documents; and
- (b) the successor Security Trustee and each of the other parties to this Deed shall have the same rights and obligations amongst themselves as they would have had if the successor had been a party to this Deed as Security Trustee for the Beneficiaries.

MODIFICATIONS

14. The Security Trustee may from time to time and at any time with the consent of the Agent and the Borrowers' Agent, concur in making any modification of any Security Document, if in the opinion of the Security Trustee such modification:

- (a) is of a formal, minor or technical nature; or
- (b) is made to correct a manifest error; or
- (c) is not Prejudicial in the opinion of the Security Trustee to the interests of the Beneficiaries, or

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- (d) is made to perfect or give effect to any charge or security created or intended to be created by that Security Document or to facilitate the exercise, or the proposed exercise, of any of the Security Trustee's or any Receiver's powers or the protection, management or realisation of any of the Secured Property.

NOTICES

15.1 NOTICES: Each notice, request, demand, approval, certificate or other communication to be given or made by one person to another under these presents shall be given, made or served by telex, facsimile or letter to its address, telex or facsimile number in the Facility Agreement, or to such other address, telex or facsimile number as such person may have notified to the Security Trustee and the other parties hereto by not less than 15 days notice in writing as the address, telex or facsimile number for the time being of such person. All notices, requests, demands or other communications to or from any Beneficiary under or with respect to these presents shall be made or given through the Agent.

15.2 TIME FOR NOTICE: When any provision is made in these presents for notice of a specified number of days' or Business Days' duration, no account shall be taken, in computing the period of days' or Business Days' notice given, of the day on which such notice is delivered.

15.3 EFFECTIVENESS OF NOTICES: No communication from the Borrowers' Agent shall be effective until received by the Security Trustee. Any other communication to any person shall be deemed to be received by that person (if sent by telex or facsimile) when such communication has been dispatched and the appropriate answerback or confirmation received or (if sent by letter) when left at the appropriate address or (as the case may be) three days after being deposited in the post (first class postage prepaid) in an envelope addressed to such person at that address.

LANGUAGE

16. All documents to be furnished or communications to be given or made pursuant to this Deed shall be made in the English language or, if in another language, shall be accompanied by a translation into English on which translation the Security Trustee shall be entitled to rely.

STAMP DUTIES

17. The Borrowers' Agent will pay all stamp duties, capital duties and other similar duties on or in connection with the execution, maintenance or enforcement of any of the Security Documents. If, in consequence of an Event of Default the Security Trustee (or any Receiver or person delegated by the Security Trustee) shall take any proceedings permitted to be taken by the terms of this Deed to enforce the obligations of the Borrowers' Agent under any of the Security Documents and for the purposes of such proceedings any of the Security Documents are taken into any jurisdiction and stamp duties, capital duties or other similar duties or taxes become payable on any of the Security Documents before or in connection with such proceedings in such jurisdiction, the Borrowers' Agent will forthwith pay (or reimburse the person making payment of) all such stamp duties, capital duties and other similar duties and taxes, including penalties (if any).

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WAIVERS

18.1 **WAIVER OF BREACH:** The Security Trustee may (without prejudice to its rights in respect of any subsequent breach) from time to time and at any time authorise or waive, on such terms and conditions as it may specify, any breach by the Borrowers' Agent of any of the covenants or provisions contained in any of the Security Documents, PROVIDED ALWAYS THAT the Security Trustee shall not exercise any powers conferred on it by this sub-clause unless it has been directed to do so by the Agent. No such direction shall affect any authorisation or waiver previously given or made. Any such waiver or authorisation shall be binding on all of the Beneficiaries.

18.2 **IMPLIED WAIVER:** No course of dealing by the Security Trustee with any person and no failure or delay on the part of the Security Trustee to execute or exercise any trust, right, power, duty, discretion or authority under any of the Security Documents or provided by statute or by law or in equity or otherwise shall impair or operate as a waiver of any such trust, right, power, duty, discretion or authority or be construed as a waiver of any default or as an acquiescence therein. Any single or partial execution or exercise of any such trust, right, power, duty, discretion or authority shall not preclude any other or further execution or exercise thereof or the execution or exercise of any other rights, privileges or remedies. The rights and remedies contained in the Security Documents are cumulative and not exclusive of any other right and remedy which the Beneficiaries or any of them would have for the effective enforcement of the rights accorded in any of the Security Documents.

TAXES

19. Notwithstanding anything herein contained, to the extent required by any applicable law, if the Security Trustee shall be required to deduct or withhold from any distribution or payment made by it hereunder or if the Security Trustee shall otherwise be liable to tax as a consequence of performing its duties hereunder, any amount for which the Security Trustee may be liable, whether as principal or agent, by reason of any assessment or prospective assessment to taxation of whatsoever nature and whensoever made upon the Security Trustee in connection with or arising from any sums received by it or to which it may be entitled under any of the Security Documents (other than in connection with its remuneration specified in clause 10) or any investments from time to time representing the same, including any income or gains arising therefrom or any action of the Security Trustee in or about the administration of the trusts of any of the Security Documents (other than the remuneration specified in clause

10), the Security Trustee shall be entitled to make such deduction or withholding in respect of taxation. If the Security Trustee incurs any loss, cost, liability or expense by reason of any such assessment for which no such deduction or withholding has been made by the Security Trustee or if any such deduction or withholding is insufficient, the Borrowers' Agent will indemnify the Security Trustee therefor and the Security Trustee shall be entitled to reimbursement of such amounts from the Secured Property.

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POWER OF ATTORNEY

20.1 APPOINTMENT: Each Obligor by way of security irrevocably appoints the Security Trustee and every Receiver of the Secured Property, each with full power of substitution and each with full power to act alone, to be its attorney and in its name and on its behalf to execute and as its act and deed or otherwise to do all such assurances, acts or things which the Obligor ought to do under the covenants and provisions contained in the Security Documents, and generally in its name and on its behalf to exercise all or any of the powers, authorities and discretions conferred by or pursuant to the Security Documents on the Security Trustee or any Receiver and (without prejudice to the generality of the foregoing):

- (a) to execute, seal and deliver and otherwise perfect any deed, assignment, transfer, assurance, agreement, instrument or act which may, in the opinion of such attorney, be required or deemed necessary for the purposes of giving effect to the Security Documents and for the purpose of the exercise of any of the powers conferred on such attorney pursuant to this Deed; and
- (b) on and after the Security Trustee becoming bound to enforce the security constituted by the Security Documents in accordance with clause 4, to ask, require, demand, receive, compound, give acquittance for, settle and compromise any and all moneys and claims for moneys due and to become due under or arising out of the Security Documents, to endorse any cheques or other instruments or orders in connection therewith, to file any claim, to take any action or institute any proceedings which the Security Trustee may deem to be necessary or advisable and to execute any documents and do anything necessary or desirable under this Deed or any of the other Security Documents and with full power to delegate any of the rights and powers hereby conferred upon it, PROVIDED THAT the appointment hereby made shall cease to have any force or effect when the provisions for release under clause 6.1 have been satisfied.

20.2 RATIFICATION: Each Obligor hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney as is mentioned in clause 20.1 shall do or purport to do in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to therein.

PARTIAL INVALIDITY

21. If any of the provisions of this Deed becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

COUNTERPARTS

22. This Deed may be executed in any number of copies which taken together shall constitute a single deed.

GOVERNING LAW AND JURISDICTION

23.1 GOVERNING LAW: This Deed shall be governed by, and interpreted and construed in accordance with English law.

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23.2 JURISDICTION:

- (a) All the parties agree that the courts of England are (subject to (b) and (c) below, to have exclusive jurisdiction to settle any disputes (including claims for set-off or counterclaim) which may arise in connection with the validity, effect, interpretation or performance of, or the legal relationships established by, this Deed or otherwise arising in connection with this Deed;
- (b) the agreement contained in paragraph (a) above is included for the benefit of the Security Trustee. Accordingly, notwithstanding the exclusive agreement in (a) above the Security Trustee shall retain the right to bring proceedings in any other court which has jurisdiction by virtue of the Convention on Jurisdiction and the Enforcement of Judgments signed on 27 September 1968 (as from time to time amended and extended) or by virtue of the Convention on jurisdiction and the Enforcement of Judgments signed on 16 September 1988 (as from time to time amended and extended);
- (c) the Security Trustee may in its absolute discretion take proceedings in the courts of any other country which may have jurisdiction, to whose jurisdiction each of the other parties irrevocably submits;
- (d) the Obligors irrevocably waive any objections on the ground of venue or forum non conveniens or any similar grounds; and
- (e) the Obligors irrevocably consent to service of process by mail or in any other manner permitted by the relevant law.

23.3 TRIAL BY JURY: Each of the parties hereby irrevocably waives an the rights to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Security Documents or the actions of the parties in the negotiation, administration, performance or enforcement thereof.

23.4 AGENT FOR SERVICE OF PROCESS: Each of the Obligors shall at all times maintain an agent for service of process and any other documents in proceedings in England or any other proceedings in connection with this Deed. Such agent shall be Law Debenture Corporate Services Limited, the address of which on the date hereof is Princes House, 95 Gresham Street, London EC2V 7LY, England and any writ, judgment or other notice of legal process shall be sufficiently served on the Obligors or any of them if delivered to such agent at its address for the time being. The Obligors each undertakes not to revoke the authority of the above agent and if, for any reason, the Security Trustee requests it to do so it shall promptly appoint another such agent with an address in England and advise the Security Trustee thereof. If, following such a request, any Obligor fails to appoint another agent, the Security Trustee shall be entitled to appoint one on its behalf.

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IN WITNESS WHEREOF this Deed has been executed by the parties hereof as a Deed the day and year first above written.

ABACAN RESOURCE CORPORATION,
as a Deed

By: [J. Harvie]

Signature: /s/ James S. Harvie

By [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

DAHOMY RESOURCE CORPORATION
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

LIBERTY TECHNICAL SERVICES LTD.
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

ABACAN RESOURCES (BENIN) LIMITED
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

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WEST AFRICAN RESOURCE CORPORATION
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

AGBARA RESOURCES LIMITED
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

ABACAN POWER (BENIN) LIMITED
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

ABACAN-ADDAX BENIN CONSORTIUM S.A.
As a Deed

By: [W.G. Cherwayko]

Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo]

Signature: /s/ Tunde Folawiyo

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ANGUS INTERNATIONAL RESOURCES LTD.
As a Deed

By: [W.G. Cherwayko] Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo] Signature: /s/ Tunde Folawiyo

PROFILE INTERNATIONAL LTD.
As a Deed

By: [W.G. Cherwayko] Signature: /s/ Wade G. Cherwayko

By: [T.B. Folawiyo] Signature: /s/ Tunde Folawiyo

CREDIT SUISSE FIRST BOSTON
As Lender, Agent and Security Trustee

By: [T. Patrick] Signature: /s/ T. Patrick

By: [Alex Gantner] Signature: /s/ Alex Gantner

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SCHEDULE 1

SUPPLEMENTAL DEED - NEW PARTICIPANT

SUPPLEMENTAL DEED dated _____ 19__

BETWEEN:

[NAME OF NEW PARTICIPANT] of [principal office] (the NEW BENEFICIARY);

ABACAN RESOURCE CORPORATION, DAHOMEY RESOURCE CORPORATION, LIBERTY TECHNICAL SERVICES LTD., ABACAN RESOURCES (BENIN) LIMITED, WEST AFRICAN RESOURCE CORPORATION, AGBARA RESOURCES LIMITED, ABACAN POWER (BENIN) LIMITED, ABACAN-ADDAX BENIN CONSORTIUM S.A., ABACAN RESOURCES (NIGERIA) LTD., ANGUS INTERNATIONAL RESOURCES LTD., and PROFILE INTERNATIONAL LTD., (individually and collectively, the AObligors@);

CREDIT SUISSE FIRST BOSTON (as AGENT); and

CREDIT SUISSE FIRST BOSTON (as SECURITY TRUSTEE).

WHEREAS:

(A) This Deed is entered into pursuant to clause 2.2 of the Security Trust Deed (the TRUST DEED) dated July 2, 1998 between the Obligors, Credit Suisse First Boston as Agent, the Security Trustee and others.

(B) The New Beneficiary has entered into a Transfer Certificate dated _____ 19__ with [name of Transferor] pursuant to clause 19 of the Facility Agreement.

(C) The New Beneficiary has agreed to accede to the Trust Deed.
NOW THIS DEED WITNESSETH as follows:

1. Words and expressions defined in the Trust Deed bear the same respective meanings in this Deed (including the recitals) unless the context otherwise requires.

2. The New Beneficiary shall with effect from the date hereof be bound by the provisions of the Trust Deed as a Beneficiary and shall have all the rights and obligations set out in the Trust Deed as rights and obligations of a Beneficiary. In particular (without limitation) the Security Trustee agrees that it shall hold the Secured Property in accordance with the provisions of the Security Documents on trust for the New Beneficiary (in addition to the other Beneficiaries) in accordance with the Trust Deed. The New Beneficiary confirms its acceptance of all the provisions of the Trust Deed.

3. The Agent shall be the representative of the New Beneficiary.

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4. The provisions of clause 23 of the Trust Deed shall apply to this Deed as if each reference therein to "this Deed" included a reference to this Deed.

IN WITNESS WHEREOF this Deed has been executed the day and year first above written.

[],
as the New Beneficiary

Signature: _____

ABACAN RESOURCE CORPORATION
as a Deed

By: [] Signature: _____

By: [] Signature: _____

DAHOMY RESOURCE CORPORATION
As a Deed

By: [] Signature: _____

By: [] Signature: _____

LIBERTY TECHNICAL SERVICES LTD.
As a Deed

By: [] Signature: _____

By: [] Signature: _____

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ABACAN RESOURCES (BENIN) LIMITED
As a Deed

By: [] Signature: _____

By: [] Signature: _____

WEST AFRICAN RESOURCE CORPORATION

As a Deed

By: [] Signature: _____

By: [] Signature: _____

AGBARA RESOURCES LIMITED
As a Deed

By: [] Signature: _____

By: [] Signature: _____

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<PAGE>

ABACAN POWER (BENIN) LIMITED
As a Deed

By: [] Signature: _____

By: [] Signature: _____

ABACAN-ADDAX BENIN CONSORTIUM S.A.
As a Deed

By: [] Signature: _____

By: [] Signature: _____

ABACAN RESOURCES (NIGERIA) LTD.
As a Deed

By: [] Signature: _____

By: [] Signature: _____

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ANGUS INTERNATIONAL RESOURCES LTD.
As a Deed

By: [] Signature: _____

By: [] Signature: _____

PROFILE INTERNATIONAL LTD.
As a Deed

By: [] Signature: _____

By: [] Signature: _____

CREDIT SUISSE FIRST BOSTON
As Agent and Security Trustee

By: [] Signature: _____

By: [] Signature: _____

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EXHIBIT 10.10

ROYALTY AGREEMENT
NIGERIAN OIL CONCESSION BLOCK 309

Date effective the 8th day of March, 1992.

BETWEEN:

LIBERTY TECHNICAL SERVICES LTD.
a body corporate, having an office in the City of
Lagos, Nigeria (the "Grantor")

- and -

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.
a body corporate, having an office in the City of
Lagos, Nigeria (the "Royalty Owner")

RECITALS:

1. The Royalty Owner was instrumental in introducing the Grantor to the Nigerian Oil Industry, the Indigenous Nigerian Oil Program and certain indigenous Nigerian oil concession owners;
2. The Royalty Owner was instrumental in assisting the Grantor with obtaining recognition with the Nigerian Ministry of Petroleum Resources, such recognition being a requirement of the Ministry for a company to acquire and maintain a Participating Interest in oil concession properties located in Nigeria;
3. The Grantor and Royalty Owner have agreed that the Royalty Owner shall be entitled to a gross overriding royalty on petroleum substance production by or through the Grantor in Nigeria as follows:

NOW THEREFORE, the Grantor and Royalty Owner agree as follows:

1. The Grantor hereby grants to the Royalty Owner, effective as of the effective date hereof, and subject to the limitations set forth in Paragraph 2 herein, an overriding royalty (the "Overriding Royalty") on any and all oil, natural gas and condensate ("Petroleum Substances") produced from Nigerian oil concession block 309 ("Concession Block 309"). The gross volume of Petroleum Substances comprising the Overriding Royalty shall be one and one half percent (1.5) of the gross monthly production of Petroleum Substances generated from producing wells attributable to the Grantor. For greater certainty, the Royalty Owner shall be entitled to receive 1.650% of all Petroleum Substances produced from Concession Block 309 before payout and 0.840% of all Petroleum Substances produced from Concession Block 309 after payout. The Overriding Royalty shall not be considered to be an interest in land, but rather an interest only in the Petroleum Substances actually produced from Concession Block 309.

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2. The grant of the Overriding Royalty Owner shall not include Petroleum Substances which the Grantor uses and considers to be reasonably necessary for the Grantor's drilling and production operations for Concession Block

309 and shall not include Petroleum Substances which the Grantor unavoidably loses in those drilling and production operations. These drilling and production operations include the use of the Petroleum Substances in batteries, treaters, compressors, separators, satellites and similar equipment serving only royalty wells on Concession Block 309 but shall not include the use of Petroleum Substances for any enhanced recovery operations or fuel stock for any battery or satellite serving wells in addition of royalty wells on Concession Block 309 or for any gas plant or refinery.

3. The proceeds of sale of the Overriding Royalty which the Grantor realizes from the disposition of Petroleum Substances produced from the Royalty Lands shall be subject to the same adjustments for costs and expenses of bringing the Petroleum Substances to the point of sale as the Grantor would be entitled to deduct therefrom if the Overriding Royalty were the lessor royalty accruing to the Nigerian Ministry of Petroleum Resources. Regulations pertaining to prices for the calculation of royalties payable to the Government of Nigeria for Concession Block 309 shall apply to the Petroleum Substances relating the Overriding Royalty in determining the value of the Overriding Royalty.
4. When the Grantor receives any money on account of or as the proceeds of sale of the Petroleum Substances relating to the Overriding Royalty, the Grantor shall receive that money as trustee for the Royalty Owner. The Grantor shall remit to the Royalty Owner all monies accruing to the Royalty Owner on account of the Overriding Royalty on or before the last day of the calendar month next following the calendar month in which such Petroleum Substances were sold. The Grantor shall enclose with that payment a copy of all reports the Grantor is required to submit under any applicable government regulations for the production of such Petroleum Substances and a written statement showing in reasonable detail the manner in which the Grantor calculated that payment.
5. The Grantor shall comply with all terms and conditions of the oil prospecting license or oil mining lease in effect for Concession Block 309, including the payment of rentals, royalties and the performance of all things necessary to maintain the title documents in good standing and in full force and effect, all in accordance with and subject to the provisions of the Joint Venture Agreement between the Grantor and the owner of Concession Block 309. This clause shall not, however, obligate the Grantor to conduct any drilling, geophysical or geological operation on Concession Block 309 or to pay compensatory royalty to maintain a title document, as it pertains to Concession Block 309, in full force and effect where the requirement to conduct such operation or to pay compensatory royalty may be avoided by the surrender of lands subject to the affected title document to the issuer thereof. The Grantor shall comply with all terms and conditions of any encumbrances agreed to be borne by the Grantor.
6. Each Party entitled to information obtained hereunder may use such information for its sole benefit. However, the parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from third persons all such information, except information which the Parties have expressly agreed among themselves to release and information disclosed by a Party:
 - (a) When and to the extent required by any government regulations and securities laws applicable to such Party, provided that such Party shall invoke any confidentiality protection permitted by such government regulations and securities law;
 - (b) to an affiliate, provided that such Party shall be deemed to have required such affiliate to maintain the confidential status of the disclosed information and that such affiliate shall be deemed to have accepted such obligation and that such Party shall be liable for any loss suffered by the Parties, or any of them, because of the failure

of such affiliate to maintain such information confidential;

- (c) to a third party to which such Party has been permitted to assign a portion of its interest hereunder, provided that a binding covenant is obtained from such third person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third person;

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- (d) to the technical, financial or other professional consultants of such Party which requires such information to provide their service to such Party or to a bank or other financial institution from which such Party is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third person or use for any purpose other than advising such Party or providing financing to such Party, as the case may be; and

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

- 7. If any Party is prevented by force majeure from fulfilling any obligation hereunder, the obligations of the Party, insofar only as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Party may reasonably require to commence to fulfil such obligation. A Party prevented from fulfilling any obligation by force majeure shall promptly give the other Parties notice of the force majeure and the affected obligations.
- 8. For the purpose of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Party claiming suspension of an obligation hereunder, which has not been caused by such Party's negligence and which such Party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials or government restraint, action, delay or inaction.
- 9. No waiver by any Party of any breach (whether actual or anticipated) of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that Party unless the same is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other future breach.
- 10. Each Party shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order to perform and carry on the terms of this Royalty Agreement.
- 11. This Royalty Agreement supersedes all other requirements, documents, writing and verbal understandings among the Parties relating to Concession Block 309 and any production facilities, and expresses all of the terms and conditions agreed upon by the Parties with respect to the Concession Block 309.
- 12. This Royalty Agreement shall for all purposes be construed and interpreted

according to the laws of England applicable therein. The courts having jurisdictions with respect to matters relating to this Royalty Agreement shall be the Courts of England.

THIS AGREEMENT EFFECTIVE as of the day and year first above written.

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

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ABACAN INTERNATIONAL RESOURCE
MANAGEMENT INC.

Per: /s/ Wade Cherwayko

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<TYPE>EX-10.11

<SEQUENCE>16

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EXHIBIT 10.11

ROYALTY/REVENUE INTEREST SALE AGREEMENT
NIGERIAN OIL CONCESSION BLOCK 469

THIS AGREEMENT made and entered into this 31st day of March, 1997:

BETWEEN:

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED, a
corporation incorporated pursuant to the laws of Nigeria,
(hereinafter referred to as "YFP")

and

LIBERTY TECHNICAL SERVICES LTD. of 7th Floor, Folawiyo
Plaza, 38 Warehouse Road, Lagos, Nigeria,
(hereinafter referred to as "Liberty")

RECITALS

WHEREAS:

1. By virtue of a Participation Agreement dated February 23, 1994 (the "Participation Agreement"), YFP acquired an overriding royalty (the "Overriding Royalty") consisting an entitlement to receive the proceeds of sale of 0.7500% of all Petroleum Substances produced and sold from Nigerian oil Concession Block OPL 469 ("Concession Block 469") before payout and 0.3817% of all Petroleum Substances produced and sold from Concession Block 469 after payout;

2. Under the terms of the Participation Agreement, in addition to the Overriding Royalty, YFP acquired a revenue interest (the "Revenue Interest") on Concession Block 469 that provides YFP with an entitlement to receive the proceeds of sale of 1.70775% of all Petroleum Substances produced and sold from Concession Block 469 before payout and 0.8694% of all Petroleum Substances produced and sold from Concession Block 469 after payout;
3. YFP has agreed to sell, assign and convey to Liberty, all of its Overriding Royalty and a portion of its Revenue Interest in the percentages set forth herein, in consideration of the payment by Liberty to YFP of U.S.\$3,732,504.95, to be satisfied by the issuance of 477,761 common shares of Abacan Resource Corporation to YFP at a price of 7.8125 per common share;

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

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1. YFP shall and hereby does irrevocably sell, convey, assign and transfer unto Liberty, all of YFP's right, title and interest to and in the Overriding Royalty consisting of an entitlement to receive the proceeds of sale of 0.7500% of all Petroleum Substances produced and sold from Concession Block 469 before payout and 0.3817% of all Petroleum Substances produced and sold from Concession Block 469 after payout (the "Sold Overriding Royalty Interest").
2. YFP shall and hereby does irrevocably sell, convey, assign and transfer unto Liberty, 6.5% of YFP's right title and interest to and in the Revenue Interest consisting of an entitlement to receive the proceeds of sale of 0.11125% of all Petroleum Substances produced and sold from Concession Block 469 before payout and 0.05671% of all Petroleum Substances produced and sold from Concession Block 469 after payout (the "Sold Revenue Interest").
3. Liberty hereby agrees to pay to YFP a purchase price of U.S.\$3,732,504.95 for the Sold Overriding Royalty Interest and the Sold Revenue Interest, which sums shall be satisfied by the delivery of 477,761 common shares of Abacan Resource Corporation (the "Abacan Shares"). YFP agrees to accept the Abacan Shares subject to any and all restrictions on trading imposed by applicable regulatory authorities.
4. YFP and Liberty hereby acknowledge, confirm and agree that upon the fulfilment of the conditions set out in Paragraph 7 herein and the payment of the consideration set out in Paragraph 3 above, the interests and right to the proceeds of sale of the Parties in the Overriding Royalty Interest, expressed as a percentage of all Petroleum Substances produced and sold from Concession Block 469, both before and after payout shall be as follows:

NAME OF PARTY	BEFORE PAYOUT	AFTER PAYOUT
Yinka Folawiyo Petroleum Company Limited	0.0%	0.0%
Liberty Technical Services Ltd.	0.7500%	0.3817%

5. YFP and Liberty hereby acknowledge, confirm and agree that upon the fulfilment of the conditions set out in Paragraph 7 herein and the payment of the consideration set out in Paragraph 3 above, the interests and the right to the proceeds of sale of the Parties in the Revenue Interest,

expressed as a percentage of all Petroleum Substances produced and sold from Concession Block 469, both before and after payout shall be as follows:

NAME OF PARTY	BEFORE PAYOUT	AFTER PAYOUT
Yinka Folawiyo Petroleum Company Limited	1.59650%	0.81269%
Liberty Technical Services Ltd.	0.11125%	0.05671%

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6. YFP represents and warrants to Liberty that the Sold Overriding Royalty Interest and the Sold Revenue Interest are each free and clear of any charges, liens or other encumbrances to any and all third parties and that any and all corporate steps, consents, resolutions or approvals necessary to give effect to the sale and assignment of the Sold Overriding Royalty Interest and Sold Revenue Interest has been duly and fully obtained.
7. The completion of this transaction and the issuance of the Abacan Shares contemplated herein shall be subject to receipt by Abacan Resource Corporation of all necessary and applicable regulatory approvals. This condition is for the sole benefit of Liberty and may be waived by it in writing at its sole discretion.
8. Each Party shall from time to time and at all necessary times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order to perform and carry out the terms of this Royalty/Revenue Interest Sale Agreement.

IN WITNESS WHEREOF the Parties hereto have caused the within presents to be executed by their duly authorized representatives on the day and year first above written.

Liberty Technical Services Ltd.
Limited

Yinka Folawiyo Petroleum Company

Per: /s/ Wade Cherwayko

Per: /s/ T.B. Folawiyo

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<TYPE>EX-10.12

<SEQUENCE>17

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EXHIBIT 10.12

ROYALTY AGREEMENT
NIGERIAN OIL CONCESSION BLOCK 469

Date effective the 19th day of August, 1993.

BETWEEN:

LIBERTY TECHNICAL SERVICES LTD.
a body corporate, having an office in the City of
Lagos, Nigeria (the "Grantor")

- and -

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.
a body corporate, having an office in the City of
Lagos, Nigeria (the "Royalty Owner")

RECITALS:

1. The Royalty Owner was instrumental in introducing the Grantor to the Nigerian Oil Industry, the Indigenous Nigerian Oil Program and certain indigenous Nigerian oil concession owners;
2. The Royalty Owner was instrumental in assisting the Grantor with obtaining recognition with the Nigerian Ministry of Petroleum Resources, such recognition being a requirement of the Ministry for a company to acquire and maintain a Participating Interest in oil concession properties located in Nigeria;
3. The Grantor and Royalty Owner have agreed that the Royalty Owner shall be entitled to a gross overriding royalty on petroleum substance production by or through the Grantor in Nigeria as follows:

NOW THEREFORE, the Grantor and Royalty Owner agree as follows:

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1. The Grantor hereby grants to the Royalty Owner, effective as of the effective date hereof, and subject to the limitations set forth in Paragraph 2 herein, an overriding royalty (the "Overriding Royalty") on any and all oil, natural gas and condensate ("Petroleum Substances") produced from Nigerian oil concession block 469 ("Concession Block 469"). The gross volume of Petroleum Substances comprising the Overriding Royalty shall be one and one half percent (1.5) of the gross monthly production of Petroleum Substances generated from producing wells attributable to the Grantor. For greater certainty, the Royalty Owner shall be entitled to receive 0.825% of all Petroleum Substances produced from Concession Block 469 before payout and 0.420% of all Petroleum Substances produced from Concession Block 469 after payout. The Overriding Royalty shall not be considered to be an interest in land, but rather an interest only in the Petroleum Substances actually produced from Concession Block 469.
2. The grant of the Overriding Royalty Owner shall not include Petroleum Substances which the Grantor uses and considers to be reasonably necessary for the Grantor's drilling and production operations for Concession Block 469 and shall not include Petroleum Substances which the Grantor unavoidably loses in those drilling and production operations. These drilling and production operations include the use of the Petroleum Substances in batteries, treaters, compressors, separators, satellites and similar equipment serving only royalty wells on Concession Block 469 but shall not include the use of Petroleum Substances for any enhanced recovery operations or fuel stock for any battery or satellite serving wells in addition of royalty wells on Concession Block 469 or for any gas plant or refinery.
3. The proceeds of sale of the Overriding Royalty which the Grantor realizes from the disposition of Petroleum Substances produced from the Royalty Lands shall be subject to the same adjustments for costs and expenses of bringing the Petroleum Substances to the point of sale as the Grantor would be entitled to deduct therefrom if the Overriding Royalty were the lessor royalty accruing to the Nigerian Ministry of Petroleum Resources.

Regulations pertaining to prices for the calculation of royalties payable to the Government of Nigeria for Concession Block 469 shall apply to the Petroleum Substances relating the Overriding Royalty in determining the value of the Overriding Royalty.

4. When the Grantor receives any money on account of or as the proceeds of sale of the Petroleum Substances relating to the Overriding Royalty, the Grantor shall receive that money as trustee for the Royalty Owner. The Grantor shall remit to the Royalty Owner all monies accruing to the Royalty Owner on account of the Overriding Royalty on or before the last day of the calendar month next following the calendar month in which such Petroleum Substances were sold. The Grantor shall enclose with that payment a copy of all reports the Grantor is required to submit under any applicable government regulations for the production of such Petroleum Substances and a written statement showing in reasonable detail the manner in which the Grantor calculated that payment.

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5. The Grantor shall comply with all terms and conditions of the oil prospecting license or oil mining lease in effect for Concession Block 469, including the payment of rentals, royalties and the performance of all things necessary to maintain the title documents in good standing and in full force and effect, all in accordance with and subject to the provisions of the Joint Venture Agreement between the Grantor and the owner of Concession Block 469. This clause shall not, however, obligate the Grantor to conduct any drilling, geophysical or geological operation on Concession Block 469 or to pay compensatory royalty to maintain a title document, as it pertains to Concession Block 469, in full force and effect where the requirement to conduct such operation or to pay compensatory royalty may be avoided by the surrender of lands subject to the affected title document to the issuer thereof. The Grantor shall comply with all terms and conditions of any encumbrances agreed to be borne by the Grantor.
6. Each Party entitled to information obtained hereunder may use such information for its sole benefit. However, the parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from third persons all such information, except information which the Parties have expressly agreed among themselves to release and information disclosed by a Party:
 - (a) When and to the extent required by any government regulations and securities laws applicable to such Party, provided that such Party shall invoke any confidentiality protection permitted by such government regulations and securities law;
 - (b) to an affiliate, provided that such Party shall be deemed to have required such affiliate to maintain the confidential status of the disclosed information and that such affiliate shall be deemed to have accepted such obligation and that such Party shall be liable for any loss suffered by the Parties, or any of them, because of the failure of such affiliate to maintain such information confidential;
 - (c) to a third party to which such Party has been permitted to assign a portion of its interest hereunder, provided that a binding covenant is obtained from such third person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third person;
 - (d) to the technical, financial or other professional consultants of such Party which requires such information to provide their service to such Party or to a bank or other financial institution from which such Party is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case

may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third person or use for any purpose other than advising such Party or providing financing to such Party, as the case may be; and

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

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7. If any Party is prevented by force majeure from fulfilling any obligation hereunder, the obligations of the Party, insofar only as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Party may reasonably require to commence to fulfil such obligation. A Party prevented from fulfilling any obligation by force majeure shall promptly give the other Parties notice of the force majeure and the affected obligations.
8. For the purpose of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Party claiming suspension of an obligation hereunder, which has not been caused by such Party's negligence and which such Party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials or government restraint, action, delay or inaction.
9. No waiver by any Party of any breach (whether actual or anticipated) of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that Party unless the same is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other future breach.
10. Each Party shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order to perform and carry on the terms of this Royalty Agreement.
11. This Royalty Agreement supersedes all other requirements, documents, writing and verbal understandings among the Parties relating to Concession Block 469 and any production facilities, and expresses all of the terms and conditions agreed upon by the Parties with respect to the Concession Block 469.
12. This Royalty Agreement shall for all purposes be construed and interpreted according to the laws of England applicable therein. The courts having jurisdictions with respect to matters relating to this Royalty Agreement shall be the Courts of England.

THIS AGREEMENT EFFECTIVE as of the day and year first above written.

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

Per: /s/ Wade Cherwayko

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<TYPE>EX-10.13

<SEQUENCE>18

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EXHIBIT 10.13

ROYALTY/REVENUE INTEREST SALE AGREEMENT
NIGERIAN OIL CONCESSION BLOCK 237

THIS AGREEMENT made and entered into this 31st day of March, 1997:

BETWEEN:

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED, a
corporation incorporated pursuant to the laws of Nigeria,
(hereinafter referred to as "YFP")

and

LIBERTY TECHNICAL SERVICES LTD. of 7th Floor, Folawiyo
Plaza, 38 Warehouse Road, Lagos, Nigeria,
(hereinafter referred to as "Liberty")

RECITALS

WHEREAS:

1. By virtue of a Participation/Royalty Agreement dated effective April 5, 1995, (the "Participation/Royalty Agreement") YFP acquired an overriding royalty (the "Overriding Royalty") consisting an entitlement to receive the proceeds of sale of 0.77379% of all Petroleum Substances produced and sold from Nigerian oil Concession Block OPL 237 ("Concession Block 237") before payout and 0.39393% of all Petroleum Substances produced and sold from Concession Block 237 after payout;
2. Under the terms of the Participation/Royalty Agreement, in addition to the Overriding Royalty, YFP acquired a revenue interest (the "Revenue Interest") on Concession Block 237 that provides YFP with an entitlement to receive the proceeds of sale of 1.707% of all Petroleum Substances produced and sold from Concession Block 237 before payout and 0.869% of all Petroleum Substances produced and sold from Concession Block 237 after payout;
3. YFP has agreed to sell, assign and convey to Liberty, all of its Overriding Royalty and a portion of its Revenue Interest in the percentages set forth herein, in consideration of the payment of U.S.\$3,767,495.05 to be satisfied by the issuance of 482,239 common shares of Abacan Resource Corporation to YFP at a price of \$7.8125 per common share;

NOW THEREFORE in consideration of the mutual covenants herein contained, the

Parties hereto agree as follows:

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1. YFP shall and hereby does irrevocably sell, convey, assign and transfer unto Liberty, all of YFP's right, title and interest to and in the Overriding Royalty consisting of an entitlement to receive the proceeds of sale of 0.7739% of all Petroleum Substances produced and sold from Concession Block 237 before payout and 0.39393% of all Petroleum Substances produced and sold from Concession Block 237 after payout (the "Sold Overriding Royalty Interest").
2. YFP shall and hereby does irrevocably sell, convey, assign and transfer unto Liberty, 5.6% of YFP's right title and interest to and in the Revenue Interest consisting of an entitlement to receive the proceeds of sale of 0.09554% of all Petroleum Substances produced and sold from Concession Block 237 before payout and 0.04863% of all Petroleum Substances produced and sold from Concession Block 237 after payout (the "Sold Revenue Interest").
3. Liberty hereby agrees to pay to YFP a purchase price of U.S.\$3,767,495.05 for the Sold Overriding Royalty Interest and the Sold Revenue Interest, which sums shall be satisfied by the delivery of 482,239 common shares of Abacan Resource Corporation (the "Abacan Shares"). YFP agrees to accept the Abacan Shares subject to any and all restrictions on trading imposed by applicable regulatory authorities.
4. YFP and Liberty hereby acknowledge, confirm and agree that upon the fulfilment of the conditions set out in Paragraph 7 herein and the payment of the consideration set out in Paragraph 3 above, the interests and right to the proceeds of sale of the Parties in the Overriding Royalty Interest, expressed as a percentage of all Petroleum Substances produced and sold from Concession Block 237, both before and after payout shall be as follows:

NAME OF PARTY	BEFORE PAYOUT	AFTER PAYOUT
Yinka Folawiyo Petroleum Company Limited	0.0%	0.0%
Liberty Technical Services Ltd.	0.7739%	0.39393%

5. YFP and Liberty hereby acknowledge, confirm and agree that upon the fulfilment of the conditions set out in Paragraph 7 herein and the payment of the consideration set out in Paragraph 3 above, the interests and the right to the proceeds of sale of the Parties in the Revenue Interest, expressed as a percentage of all Petroleum Substances produced and sold from Concession Block 237, both before and after payout shall be as follows:

NAME OF PARTY	BEFORE PAYOUT	AFTER PAYOUT
Yinka Folawiyo Petroleum Company Limited	1.61146%	0.82037%
Liberty Technical Services Ltd.	0.09554%	0.04863%

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6. YFP represents and warrants to Liberty that the Sold Overriding Royalty

Interest and the Sold Revenue Interest are each free and clear of any charges, liens or other encumbrances to any and all third parties and that any and all corporate steps, consents, resolutions or approvals necessary to give effect to the sale and assignment of the Sold Overriding Royalty Interest and Sold Revenue Interest has been duly and fully obtained.

7. The completion of this transaction and the issuance of the Abacan Shares contemplated herein shall be subject to receipt by Abacan Resource Corporation of all necessary and applicable regulatory approvals. This condition is for the sole benefit of Liberty and may be waived by it in writing at its sole discretion.
8. Each Party shall from time to time and at all necessary times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order to perform and carry out the terms of this Royalty/Revenue Interest Sale Agreement.

IN WITNESS WHEREOF the Parties hereto have caused the within presents to be executed by their duly authorized representatives on the day and year first above written.

Liberty Technical Services Ltd.
Limited

Yinka Folawiyo Petroleum Company

Per: /s/ Wade Cherwayko

Per: /s/ T.B. Folawiyo

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<TYPE>EX-10.14

<SEQUENCE>19

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EXHIBIT 10.14

ROYALTY AGREEMENT

Date effective the 2nd day of December, 1994.

BETWEEN:

LIBERTY TECHNICAL SERVICES LTD.
body corporate, having an office in the City of
Lagos, Nigeria (the "Grantor")

- and -

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.
a body corporate, having an office in the City of
Lagos, Nigeria (the "Royalty Owner")

RECITALS:

1. The Royalty Owner was instrumental in introducing the Grantor to the Nigerian oil industry, the Indigenous Nigerian Oil Program and certain indigenous Nigerian oil concession owners;

2. The Royalty Owner was instrumental in assisting the Grantor with obtaining recognition with the Nigerian Ministry of Petroleum Resources, such recognition being a requirement of the Ministry for a company to acquire and maintain a Participating Interest in oil concession properties located in Nigeria;
3. The Grantor and Royalty Owner have agreed that the Royalty Owner shall be entitled to a gross overriding royalty on petroleum substance production by or through the Grantor in Nigeria.

NOW THEREFORE, the Grantor and Royalty Owner agree as follows:

1. The Grantor hereby grants to the Royalty Owner, effective as of April 5, 1995, and subject to the limitations set forth in Paragraph 2 herein, an overriding royalty (the "Overriding Royalty") on any and all oil, natural gas and condensate ("Petroleum Substances") produced from Nigerian oil concession block OPL 237 ("Concession Block 237"). The gross volume of Petroleum Substances comprising the Overriding Royalty shall be three percent (3%) of the gross monthly production of Petroleum Substances generated from producing wells attributable to the Grantor. For greater certainty, the Royalty Owner shall be entitled to receive 1.501% of all Petroleum Substances produced from Concession Block 237 before payout and 0.764% of all Petroleum Substances produced from Concession Block 237 after payout. The Overriding Royalty shall not be considered to be an interest in land, but rather an interest only in the Petroleum Substances actually produced from Concession Block 237.

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2. The grant of the Overriding Royalty to the Royalty Owner shall not include Petroleum Substances which the Grantor uses and considers to be reasonably necessary for the Grantor's drilling and production operations for Concession Block 237 and shall not include Petroleum Substances which the Grantor unavoidably loses in those drilling and production operations. These drilling and production operations include the use of the Petroleum Substances in batteries, treaters, compressors, separators, satellites and similar equipment serving only royalty wells on Concession Block 237 but shall not include the use of Petroleum Substances for any enhanced recovery operations or fuel stock for any battery or satellite serving wells in addition of royalty wells on Concession Block 237 or for any gas plant or refinery.
3. The proceeds of sale of the Overriding Royalty which the Grantor realizes from the disposition of Petroleum Substances produced from the Royalty Lands shall be subject to the same adjustments for costs and expenses of bringing the Petroleum Substances to the point of sale as the Grantor would be entitled to deduct therefrom if the Overriding Royalty were the lessor royalty accruing to the Nigerian Ministry of Petroleum Resources. Regulations pertaining to prices for the calculation of royalties payable to the Government of Nigeria for Concession Block 237 shall apply to the Petroleum Substances relating the Overriding Royalty in determining the value of the Overriding Royalty.
4. When the Grantor receives any money on account of or as the proceeds of sale of the Petroleum Substances relating to the Overriding Royalty, the Grantor shall receive that money as trustee for the Royalty Owner. The Grantor shall remit to the Royalty Owner all monies accruing to the Royalty Owner on account of the Overriding Royalty on or before the last day of the calendar month next following the calendar month in which such Petroleum Substances were sold. The Grantor shall enclose with that payment a copy of all reports the Grantor is required to submit under any applicable government regulations for the production of such Petroleum Substances and a written statement showing in reasonable detail the manner in which the Grantor calculated that payment.

5. The Grantor shall comply with all terms and conditions of the oil prospecting license or oil mining lease in effect for Concession Block 237, including the payment of rentals, royalties and the performance of all things necessary to maintain the title documents in good standing and in full force and effect, all in accordance with and subject to the provisions of the Joint Venture Agreement between the Grantor and the owner of Concession Block 469. This Clause shall not, however, obligate the Grantor to conduct any drilling, geophysical or geological operation on Concession Block 237 or to pay compensatory royalty to maintain a title document, as it pertains to Concession Block 237, in full force and effect where the requirement to conduct such operation or to pay compensatory royalty may be avoided by the surrender of lands subject to the affected title document to the issuer thereof. The Grantor shall comply with all terms and conditions of any encumbrances agreed to be borne by the Grantor.
6. Each Party entitled to information obtained hereunder may use such information for its sole benefit. However, the parties shall take such measures with respect to operations and internal security as are appropriate in the circumstances to keep confidential from third persons all such information, except information which the Parties have expressly agreed among themselves to release and information disclosed by a Party:
- (a) When and to the extent required by any government regulations and securities laws applicable to such Party, provided that such Party shall invoke any confidentiality protection permitted by such government regulations and securities law;

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- (b) to an affiliate, provided that such Party shall be deemed to have required such affiliate to maintain the confidential status of the disclosed information and that such affiliate shall be deemed to have accepted such obligation and that such Party shall be liable for any loss suffered by the Parties, or any of them, because of the failure of such affiliate to maintain such information confidential;
- (c) to a third person to which such Party has been permitted to assign a portion of its interest hereunder, provided that a binding covenant is obtained from such third person prior to disclosure which provides, inter alia, that none of such information shall be disclosed by it to any other third person;
- (d) to the technical, financial or other professional consultants of such Party which require such information to provide their services to such Party or to a bank or other financial institution from which such Party is attempting to obtain financing, provided that a binding covenant is obtained from such consultant or financier, as the case may be, prior to such disclosure, which provides, inter alia, that none of such information shall be disclosed by it to any other third person or use for any purpose other than advising such Party or providing financing to such Party, as the case may be; and

However, the confidentiality obligation in this Clause shall not extend to information to the extent it is in the public domain, provided that specific items of information shall not be considered to be in the public domain merely because more general information is in the public domain.

7. If any Party is prevented by force majeure from fulfilling any obligation hereunder, the obligations of the Party, insofar only as its obligations are affected by the force majeure, shall be suspended while the force majeure continues to prevent the performance of such obligation and for that time thereafter as that Party may reasonably require to commence to

fulfil such obligation. A Party prevented from fulfilling any obligation by force majeure shall promptly give the other Parties notice of the force majeure and the affected obligations.

For the purpose of this Clause, "force majeure" means an occurrence beyond the reasonable control of the Party claiming suspension of an obligation hereunder, which has not been caused by such Party's negligence and which such Party was unable to prevent or provide against by the exercise of reasonable diligence at a reasonable cost and includes, without limiting the generality of the foregoing, an act of God, war, revolution, insurrection, blockage, riot, strike, a lockout or other industrial disturbance, fire, lightning, unusually severe weather, storms, floods, explosion, accident, shortage of labour or materials or government restraint, action, delay or inaction.

8. No waiver by any Party of any breach (whether actuator anticipated) of any of the covenants, provisos, conditions, restrictions or stipulations herein contained shall take effect or be binding upon that Party unless the same is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other future breach.
9. Each Party shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as may be reasonably required in order to perform and carry on the terms of this Royalty Agreement.

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10. This Royalty Agreement supersedes all other requirements, documents, writing and verbal understandings among the Parties relating to Concession Block 237 and any production facilities, and expresses all of the terms and conditions agreed upon by the Parties with respect to the Concession Block 237.
11. This Royalty Agreement shall enure to the benefit of and shall bind the Parties, their respective successors and assigns and the heirs, executors, administrators and assigns of natural persons who are or become Parties.
12. This Royalty Agreement shall for all purposes be construed and interpreted according to the laws of England applicable therein. The courts having jurisdictions with respect to matters relating to this Royalty Agreement shall be the Courts of England.

THIS AGREEMENT EFFECTIVE as of the day and year first above written.

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.

Per: /s/ Wade Cherwayko

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<SEQUENCE>20
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EXHIBIT 10.15

JOINT VENTURE AGREEMENT

between

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED

and

LIBERTY TECHNICAL SERVICES LTD.

NIGERIAN OIL PROSPECTING LICENCE (OPL) 309

<PAGE>

THIS JOINT VENTURE AGREEMENT is made and entered into as of the 9th day of March, 1992 by and between:

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED, of 15th floor, Unity House, 37 Marina, Lagos, Nigeria, (herein called "Owner/Operator")

- and -

LIBERTY TECHNICAL SERVICES LTD., of Suite 980 McFarlane Tower 700 Fourth Avenue S.W., Calgary, Alberta, Canada, (herein called "Technical Partner")

WHEREAS

- (a) On June 26, 1991, the Government approved the allocation of the Concession to the Owner.
- (b) On February 21, 1992, the Owners and the Technical Partner agreed to enter into a joint venture for the exploration and development of the Concession.

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 The terms defined in the recitals hereof or at other instances herein shall have the meaning attributed to them thereby. In addition, the following words and expressions shall, for the purpose of this Joint Venture Agreement, bear the meanings respectively set opposite them:

"AFFILIATE" means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls a Party. Control means the ownership directly or indirectly of more than fifty percent (50%) of the shares or voting rights in a company, partnership or legal entity;

"AGREEMENT" means this Joint Venture Agreement together with the Exhibits attached to this Joint Venture Agreement;

"CONCESSION" means the instrument concluded between The Ministry of Petroleum

Resources, Federal Government of Nigeria and the Owner and any extension, renewal or amendment thereof agreed to in writing;

"CONCESSION AREA" means the area covered by the Concession as described in Schedule "A" attached hereto;

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"CONTROL" when used in relation to Affiliate, means holding with the power to vote more than fifty percent (50%) of the outstanding voting securities or interest of such Affiliate;

"COMMERCIAL QUANTITIES" means Hydrocarbons in such quantities which, in the opinion of the Parties and the Government, will permit their being developed;

"COST OIL" means forty percent (40%) of the total production of Hydrocarbons which is allocated to the Technical Partner for the recovery of Petroleum Costs;

"EFFECTIVE DATE" means the date first written above;

"GOVERNMENT" means the Federal Government of Nigeria as represented by the Minister of Petroleum Resources;

"HYDROCARBONS" means all substances including liquid and gaseous hydrocarbons which are subject to and covered by this Joint Venture;

"MINIMUM WORK OBLIGATIONS" means those work and/or expenditure obligations specified in the Concession Agreement which must be performed in order to satisfy the obligations as outlined in the concession agreement;

"PARTICIPATING INTEREST" means the undivided percentage interest of each Party in the costs required to carry out the Work Program on the Concession pursuant to this Joint Venture Agreement;

"PARTY" means a party to this Agreement and any successors or assigns, in accordance with the provisions of this Agreement;

"PAYOUT" means that point where accumulated Cost Oil is equal to the total Petroleum Cost, on the said concession;

"PETROLEUM COSTS" means all costs and expenses incurred by the Parties both within and without Nigeria in connection with the exploration, development and operation of the Concession Area;

"PROFIT OIL" means Thirty percent (30%) of the total production of Hydrocarbons, in excess of Cost Oil and Tax Oil, which is allocated to the Parties as herein provided;

"RECOVERY OF PETROLEUM COSTS" means that point in time when Petroleum Costs have been recovered out of Cost Oil as defined in Schedule "C";

"SCHEDULE "C"" means the Operating Agreement attached hereto.

"TAX OIL" means Thirty percent (30%) of the total production of Hydrocarbons which is allocated to the Federal Government of Nigeria as payment of all royalties and taxes;

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"WORK PROGRAM" means the work program and budget attached hereto as Schedule "B" for operations to be carried out on the Concession prepared by the technical partner and approved by the owners and the Government.

1.2 All other terms specifically defined in the Concession and not defined herein shall have the meanings assigned to them in the Concession unless the

context clearly requires otherwise. In addition, where the context requires, the singular shall include the plural and the plural shall include the singular.

ARTICLE II
GOVERNMENT APPROVAL

2.1 Upon execution of this Agreement, the Owner shall obtain the approval of the Government to the terms of this Agreement.

2.2 The Owner will provide the Technical Partners with evidence that it is the holder of the Concession and that the Concession is in good standing with the Government as of the Effective Date. Owner will supply the Technical Partner with a copy of the Concession Agreement and any amendments and correspondence relating thereto together with copies of all geological, geophysical and other technical data which the Owner has in its possession relating to the Concession Area.

2.3 And Owner shall maintain said Concession in good standing throughout the term of this agreement.

ARTICLE III
EXPLORATION PERIOD

3.1 The Owner/Operator will have the right to carry out an exploration program on the Concession Area in accordance with the Work Program which will be sufficient to meet the Minimum Work Obligations under the Concession Agreement.

3.2 All costs incurred in carrying out the Work Program shall be borne by the Technical Partners.

ARTICLE IV
DEVELOPMENT PERIOD

4.1 In the event Hydrocarbons are discovered in Commercial Quantities on the Concession Area, the owners on behalf of the Parties shall apply to the Government for an Oil Mining Lease in accordance with the applicable Government regulations.

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ARTICLE V
PARTICIPATING INTERESTS

5.1 All costs incurred in operating and developing the concession before Payout shall be as follows:

Owners	0%
Technical partner	100%

5.2 All costs incurred in operating and developing the concession after payout, shall be as follows:

Owners	60%
Technical partner	40%

5.3 In the event the Government elects to exercise its right to participate in the development of the Concession Area, the Participating Interests will be amended accordingly.

ARTICLE VI
ALLOCATION OF PRODUCTION

6.1 All Hydrocarbons produced from the Concession Area shall be allocated as follows:

(a) Prior to Payout:

	COST OIL	TAX OIL	PROFIT OIL
	-----	-----	-----
Technical Partner	40%	0%	15%
	-----	-----	-----
Owner	0%	0%	15%
	-----	-----	-----
Government	0%	30%	0%
	-----	-----	-----

(b) After Payout:

	COST OIL	TAX OIL	PROFIT OIL
	-----	-----	-----
Technical Partner	0%	0%	28%
	-----	-----	-----
Owner	0%	0%	42%
	-----	-----	-----
Government	0%	30%	0%
	-----	-----	-----

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ARTICLE VII
ASSIGNMENT

7.1 This Agreement and all the provisions hereof shall be binding upon and enure to the benefit of the respective parties hereto and their respective successors and assigns but neither this Agreement nor any of the rights, interests or obligations hereunder or under the Concession shall be assigned by any Party without the prior written consent of the other Party, and the Nigerian Government if necessary, but may be assigned to Affiliates without such consent subject to the provisions of this Agreement.

ARTICLE VIII
OPERATING AGREEMENT

8.1 All operations on the Concession Area shall be carried out in accordance with the provisions of a Model Form International Operating Agreement 1990, a copy of which is attached hereto as Schedule "C".

8.2 All working interest parties to the said concession will be subject to said Operating Agreement.

ARTICLE IX
APPLICABLE LAW AND DISPUTE RESOLUTION

9.1 This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of the United Kingdom.

9.2 Any dispute arising out of and relating to this Agreement and which the Parties have not settled by themselves, shall finally be decided, to the exclusion of the courts, by arbitration in accordance with the arbitration rules of the International Chamber of Commerce. Three arbitrators shall be appointed,

each Party appointing one arbitrator, and the two arbitrators thus appointed choosing the presiding arbitrator. In reaching a decision, the arbitrators shall act ex aequo et bono and shall be guided primarily by the terms of this Agreement and International practice in similar agreements.

ARTICLE X
TERM

10.1 This Agreement shall remain in force and effect until all materials, equipment and personal property used or obtained hereunder have been disposed of and final settlement of all payments due under the terms of this Agreement have been made among the Parties. Thereafter, this Agreement shall terminate upon the occurrence of the earliest of the events described below:

- (a) It is terminated by unanimous written consent of the Parties;
- (b) The date on which all interests in production become vested in one Party;
- (c) The expiration or termination of the Concession Agreement, including any leases granted therefrom and any extensions thereof;

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- (d) Fifty years from the date hereof.

ARTICLE XI
MISCELLANEOUS

11.1 In the event any provisions of this agreement conflict with the provisions of the Concession or the operating agreement referred to in Article VIII, the Parties shall meet and attempt in good faith to negotiate and document such changes in this Agreement as may be appropriate to make it conform to such other documents.

11.2 This Agreement may be amended only by a written instrument executed by the Parties.

11.3 This Agreement supersedes any and all other agreements, oral or written, among the Parties in respect of the subject matter of this Agreement.

11.4 Each of the Parties shall execute and deliver such other certificates, agreements and other documents and take such other actions as may reasonably be requested by the other Party in order to consummate or implement the transactions contemplated by this Agreement.

11.5 All notices, requests, demands or other communications hereunder shall be delivered by hand or sent by mail as appropriate or by facsimile, telex or telegram to the Parties at the address provided below:

OWNERS:

TECHNICAL PARTNERS:

- - - - -

- - - - -

Yinka Folawiyo Petroleum Limited
Unity House (15th Floor)
37 Marina
P.O. Box 2288
Lagos
Nigeria

Liberty Technical Services Ltd.
Attention: Earl B. Lewis
Suite 980 McFarlane Tower
700 Fourth Avenue S.W.
Calgary, Alberta
T2P 3J4
Ph. (403) 237-8263
Fax (403) 237-6245

ARTICLE XII
PAYMENTS

12.1 Upon written approval from the Federal Government of Nigeria, in order to continue this Agreement, Technical Partner shall make the Owner the following payments:

(a) within 60 days of said approval or May 31, 1992 which ever is the latter, [confidential] (US);

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(b) and within 90 days of said approval or June 30, 1992 which ever is the latter, to pay an additional [confidential] (US);

(c) [confidential] (US) within 30 days of conversion of this OPL to an Oil Mining Lease.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers and representatives as of the day and year first written above.

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED

Per: /s/ Tunde Folawiyo

Per: -----

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

Per: -----

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SCHEDULE "A"
CONCESSION MAP

(Insert map)

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SCHEDULE "B"
WORK PROGRAM - OPL 309

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WORK DESCRIPTION

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ESTIMATED TIMING

<C>

ESTIMATED COSTS

EVALUATION OF EXISTING DATA

JUNE - JULY/92

\$ 200,000

SHOOT NEW SEISMIC

AUGUST - DECEMBER/92

\$ 1,800,000

PROCESS DATA AND RE-MAP	JANUARY - FEBRUARY/93	\$	200,000
	-----	-----	-----
PICK TWO LOCATIONS AND WORK UP LOGISTICS	MARCH - MAY/93	\$	100,000
	-----	-----	-----
DRILL TWO TEST WELLS	JUNE - DECEMBER/93	\$	12,800,000
	-----	-----	-----
DRILL TWO CONFIRMATION WELLS	JANUARY - DECEMBER/94	\$	12,800,000
	-----	-----	-----
DEVELOP FIELD(S):			
- - 18 WELLS	1995 - 1997	\$	100,000,000
- - DESIGN AND INSTALL PRODUCTION FACILITIES	1995 - 1998	\$	24,000,000
	-----	-----	-----
TOTALS	1992 - 1998	\$	151,900,000
	-----	-----	-----

CONTINUE EXPLORATION 1997 -
CYCLE UNTIL BLOCK FULLY
DEVELOPED
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SCHEDULE "B"
INTERNATIONAL JOINT VENTURE OPERATING AGREEMENT

This document is filed as Exhibit 10.16 to the Form 10-KSB dated March 1, 1999.

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EXHIBIT 10.16
INTERNATIONAL JOINT VENTURE OPERATING AGREEMENT

BETWEEN

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED

AGREEMENT COVERING: CONCESSION BLOCK 309

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PROJECT MANAGEMENT AGREEMENT [SIC]

THIS AGREEMENT is made as of the Effective Date among

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED, a
company incorporated in Nigeria

(hereinafter referred to as "Owner");

and

LIBERTY TECHNICAL SERVICES LTD., a company
incorporated in Calgary, Canada

(hereinafter referred to as "Project Manger");

Above may sometimes individually be referred to as "Party" and
collectively as the "Parties".

WITNESSETH

WHEREAS, the Parties have entered into a Project Management Agreement
(hereinafter referred to as "Agreement") covering certain areas located in the
Nigeria Concession 309, referred to as the Concession Area, and more
particularly described in Exhibit "B" to this Agreement; and

WHEREAS, the Parties desire to define their respective rights and obligations
with respect to their operations under the Concession.

NOW THEREFORE, in consideration of the premises and the mutual covenants and
agreements and obligations set out below and to be performed, the Parties agree
as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the following words and terms shall have the meaning
ascribed to them below:

1.1 ACCOUNTING PROCEDURE means the rules, provisions and conditions set
forth and contained in Exhibit A to this Agreement.

1.2 AFE means an authorization for expenditure pursuant to Article 6.6.

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1.3 AFFILIATE means a company, partnership or other legal entity which
controls, or is controlled by, or which is controlled by an entity which
controls a Party. Control means the ownership directly or indirectly of
Check one Alternative

[] ALTERNATIVE NO. 1
more than fifty (50) percent

[X] ALTERNATIVE NO. 2
fifty (50) percent or more
of the shares or voting rights, in a company, partnership or legal
entity.

1.4 AGREED INTEREST RATE means interest compounded on a monthly basis, at
the rate per annum equal to the one (1) month term, LIBOR rate for U.S. Dollar
deposits, as published by The Wall Street Journal or if not published, then by

the Financial Times of London, plus TWO percent (2%), applicable on the first

Business Day prior to the due date of payment and thereafter on the first
Business Day of each succeeding one (1) month term. If the aforesaid rate is
contrary to any applicable usury law, the rate of interest to be charged shall
be the maximum rate permitted by such applicable law.

1.5 AGREEMENT means this agreement, together with the Exhibits attached to this agreement.

1.6 APPRAISAL WELL means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or the volume of Hydrocarbon reserves contained in an existing Discovery.

1.7 BARREL means 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.

1.8 BUSINESS DAY means a day on which the banks in NEW YORK/LONDON are customarily open for business.

1.9 CALENDAR QUARTER means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31 according to the Gregorian Calendar.

1.10 CALENDAR YEAR means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

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1.11 CASH PREMIUM means the payment made pursuant to Article 7.5(B) by a Non-Consenting Party to reinstate its rights to participate in an Exclusive Operation.

1.12 COMMERCIAL DISCOVERY means any discovery of Hydrocarbons which is sufficient to entitle the Parties to apply for authorization from the Government to commence exploitation.

1.13 COMPLETION means an operation intended to complete a well through the Christmas tree as a producer of Hydrocarbons in one or more Zones including, but not limited to, the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. COMPLETE and other derivatives shall be construed accordingly.

1.14 CONSENTING PARTY means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.

1.15 JOINT VENTURE AGREEMENT means the instrument concluded between Yinka Folawiyo Petroleum Limited and the Parties identified in the second paragraph of this Agreement and any extension, renewal or amendment thereof agreed to in writing by the Parties.

1.16 CONCESSION AREA means as of the Effective Date the surface area which is described in Exhibit B to this Agreement. The perimeter or perimeters of the Concession Area shall correspond to that area covered by the Concession, as such area may vary from time to time during the term of validity of the Concession.

1.17 COST OIL means that portion of the total production of Hydrocarbons which is allocated to the Parties under the Concession for the recovery of Petroleum Costs.

1.18 DAY means a calendar day unless otherwise specifically provided.

1.19 DEFAULTING PARTY shall have the meaning ascribed in Article 8.1.

1.20 DEEPENING means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below

the deepest Zone proposed in the associated AFE, whichever is the deeper. DEEPEN and other derivatives shall be construed accordingly.

1.21 DEVELOPMENT PLAN means a plan for the development, of Hydrocarbons from an Exploitation Area covering all or a portion of the Contract Area.

1.22 DEVELOPMENT WELL means any well drilled for the production of Hydrocarbons pursuant to a Development Plan.

1.23 DISCOVERY means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unknown.

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Check if desired.

OPTIONAL LANGUAGE

; provided Hydrocarbons are recovered at the surface in a flow measurable by conventional production test methods.

1.24 EFFECTIVE DATE means the date this Agreement comes into effect as stated in Article II.

1.25 ENTITLEMENT means a quantity of Hydrocarbons of which a Party has the right and obligation to take delivery pursuant to the Contract or, if applicable, an offtake agreement, and shall be derived from that Party's Participating Interest in the Hydrocarbons produced after adjustment for overlifts and underlifts.

1.26 EXCESS COST OIL shall have the meaning ascribed in Article 19.4.

1.27 EXCLUSIVE OPERATION means those operations and activities carried out by Operator, pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties. BUT WILL NOT BE DRILLED WITHIN 25 KM OF EXISTING WELL CAPABLE OF PROD.

1.28 EXCLUSIVE WELL means a well drilled pursuant to an Exclusive Operation.

1.29 EXPLOITATION AREA means that part of the Concession Area which is established pursuant to the Concession or if the Concession does not establish an Exploitation Area, then that part of the Concession Area which is delineated in a Development Plan approved as a Joint Operation or as an Exclusive Operation.

1.30 EXPLOITATION PERIOD means any and all periods of Exploitation during which the production and removal of Hydrocarbons is permitted under the Concession.

1.31 EXPLORATION PERIOD means any and all periods of exploration set out in the Concession.

1.32 EXPLORATION WELL means any well drilled during the course of exploration work other than an Appraisal Well or Development Well.

1.33 G & G DATA means only geological, geophysical and geochemical data and other information that is not obtained through a well bore.

1.34 GOVERNMENT means the government of Federal Government of Nigeria.

1.35 GOVERNMENT OIL COMPANY means Nigeria National Petroleum Corporation.

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1.36 GROSS NEGLIGENCE means any act or failure to act (whether sole, joint or concurrent) by a Party which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such Party knew, or should have known, such act or failure would have had on the safety or property of another person or entity, but shall not include any error of judgment or mistake made by such Party in the exercise in good faith of any function, authority or discretion conferred on the Party employing such under this Agreement.

1.37 HYDROCARBONS means all substances including liquid and gaseous hydrocarbons which are subject to and covered by the Concession.

1.38 IN KIND PREMIUM means the grant of interest in production made pursuant to Article 7.5(C) by a Non-Consenting Party to reinstate its rights under an Exclusive Operation.

1.39 JOINT ACCOUNT means the accounts maintained by Operator in accordance with the provisions of this Agreement and of the Accounting Procedure for Joint Operations.

1.40 JOINT OPERATIONS means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.

1.41 JOINT PROPERTY means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for the Joint Account.

1.42 MINIMUM WORK OBLIGATIONS means those work and/or expenditure obligations specified in the Contract which must be performed in order to satisfy the obligations of the Contract.

1.43 NON-CONSENTING PARTY means a Party who elects not to participate in an Exclusive Operation.

1.44 NON-OPERATOR(S) means the Party or Parties to this Agreement other than Operator.

1.45 OPERATING COMMITTEE means the committee constituted in accordance with Article V.

1.46 OPERATOR means a Party to this Agreement designated as such in accordance with this Agreement.

1.47 PARTICIPATING INTEREST means the undivided percentage interest of each Party in the rights and obligations derived from the Contract and this Agreement.

1.48 PARTY means any of the entities named in the first paragraph to this Agreement and any respective successors or assigns in accordance with the provisions of this Agreement.

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1.49 PETROLEUM COSTS means costs and expenses incurred by the Parties and allowed to be recovered pursuant to the Contract.

1.50 PLUGGING BACK means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. PLUG BACK and other derivatives shall be construed accordingly.

1.51 PROFIT OIL means that portion of the total production of Hydrocarbons, in excess of Cost Oil, which is allocated to the Parties under the terms of the Contract.

1.52 RECOMPLETION means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. RECOMPLETE and other derivatives shall be construed accordingly.

1.53 REWORKING means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. REWORK and other derivatives shall be construed accordingly.

1.54 SENIOR SUPERVISORY PERSONNEL means any supervisory employee of a Party who functions as:

Check one Alternative.

ALTERNATIVE NO. 1 - Field Supervisor Tier

Such Party's designated manager or supervisor who is responsible for, or in charge of onsite drilling, construction or production and related operations, or any other field operations; or

ALTERNATIVE NO. 2 - Facility Manager Tier

Such Party's designated manager or supervisor of an onshore or offshore installation or facility used for operations and activities of such Party, but excluding all managers or supervisors who are responsible for or in charge of onsite drilling, construction or production and related operations or any other field operations; or

ALTERNATIVE NO. 3 - Resident Manager Tier

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Such Party's senior resident manager, who directs all operations and activities of such Party in the country or region in which he is resident, but excluding all managers or supervisors who are responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations.

And, in any of the above alternatives, any employee of such Party who functions at a management level equivalent to or superior to the tier selected, or an officer or a director of such Party.

1.55 SIDETRACKING means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. SIDETRACK and other derivatives shall be construed accordingly.

1.56 TESTING means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. TEST and other derivatives shall be construed accordingly.

1.57 WORK PROGRAM AND BUDGET means a work program for Joint Operations and budget therefor as described and approved in accordance with Article VI.

1.58 ZONE means a stratum of earth containing or thought to contain a common accumulation of Hydrocarbons separately producible from any other common accumulation of Hydrocarbons.

[NOTE: Definitions contained in this Agreement must be compared and considered against definitions under the Contract and under applicable laws and regulations

of the host country.]

ARTICLE II
EFFECTIVE DATE AND TERM

2.1 This Agreement shall have effect from the 1st Day of March, 1992 and shall, subject always to the Parties' continuing obligations under Article XV, continue in effect until the Contract terminates or, otherwise until all materials, equipment and personal property used in connection with the Joint Operations have been removed and disposed of, and final settlement has been made among the Parties.

For the avoidance of doubt, portions of this Agreement as described in (A), (B) and (C) below shall remain in effect until:

(A) all wells have been properly abandoned in accordance with Article X; and

(B) all obligations, claims, arbitrations and lawsuits have been settled or otherwise disposed of in accordance with Article 4.5 and Article XVIII; and

(C) the time relating to the protection of confidential information and proprietary technology has expired in accordance with Article XVI.

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ARTICLE III
PARTICIPATING INTEREST

3.1 Participating Interest

(A) The Participating Interests shall mean working interest as defined in the Joint Venture Agreement of the Parties as of Effective Date are:

<TABLE>

<CAPTION>

<S>	<C>	<C>
OWNER	BPO	APO

_____	15%	42%
Technical Partners	55%	28%
_____	__%	
_____	__%	

</TABLE>

(B) If a Party transfers all or part of its Participating Interest pursuant to the provisions of this Schedule and the JVA, the Participating Interests of the Parties shall be revised accordingly.

3.2 Ownership, Obligations and Liabilities

(A) Unless otherwise provided in this Agreement, all the rights, and interests in and under the Concession, all Joint Property and any Hydrocarbons produced from the Concession Area shall, subject to the terms of the Concession, be owned by the Parties in accordance with their respective Participating Interests.

(B) Unless otherwise provided in this Schedule, the obligations of the Parties under the Joint Venture Agreement and all liabilities and expenses

incurred by Technical Partner in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.

(C) Unless otherwise provided in this Agreement, all liabilities incurred by any Party in connection with Joint Operations shall be borne by the Parties in accordance with their respective Participating Interests.

(D) Each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement.

Check one Alternative if desired.

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OPTIONAL PROVISION

3.3 Government Participation

ALTERNATIVE NO. 1

If Government Oil Company elects to participate in the rights and obligations of Parties pursuant to Article ____ of the Contract, the Parties shall contribute, in proportion to their respective Participating Interests, to the interest to be acquired by Government Oil Company and shall execute such documents as may be necessary to effect such transfer of interests and the joinder of Government Oil Company as a party to this Agreement. All payments received for the transfer of such interests shall be credited to the Parties in proportion to their Participating Interests. UNDER NO CIRCUMSTANCES WILL THE TECHNICAL PARTNERS BE LESS THAN 24%.

ALTERNATIVE NO. 2

If Government Oil Company elects to participate in the rights and obligation of Parties pursuant to Article ____ of the Contract, the Parties shall contribute, in proportion to their respective Participating Interests, to the interest to be acquired by Government Oil Company and shall execute such documents as may be necessary to effect such transfer of interests. The rights and obligations of the Parties with respect to each other shall remain unchanged; however, they shall enter into a separate operating agreement with Government Oil Company with respect to the rights and obligations of Government Oil Company, on the one hand, and the Parties on the other. All payments received for the transfer of such interests shall be credited to the Parties in proportion to their Participating Interests.

ARTICLE IV PROJECT MANAGER

4.1 Designation of Project Manager

ABACAN INTERNATIONAL is designed as Project Manager, and agrees to act as an independent concessionor in accordance with the terms and conditions of the Concession and this Agreement, which terms and conditions shall apply to any successor Project Manager.

4.2 Rights and Duties of Project Manager

(A) Subject to the terms and conditions of this agreement, Project Manager shall have all the rights, functions and duties of Project Manager under the Concession and shall have exclusive charge of and shall conduct all Joint. Project Managers may employ independent contractors and/or operations agents in such Joint Operations.

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(B) In the conduct of Joint Operations, Project Manager shall:

(1) Perform Joint Operations in accordance with the provisions of the concession, this Agreement and the instructions of the Project Management committee;

(2) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the international petroleum industry under similar circumstances;

(3) Subject to Article 4.6, neither gain a profit nor suffer a loss as a result of being the Project Manager in its conduct of Joint Operations;

(4) Perform the duties for the Project Management Committee set out in Article V, and prepare and submit to the Project Management Committee the proposed Work Programs, budgets and AFE's as provided in

(5) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations;

(6) Permit the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure;

(7) Maintain the Contract in full force and effect. Operator shall promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable efforts to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;

(8) Pay to the Government for the Joint Account, within the periods and in the manner prescribed by the Contract and all applicable laws and regulations, all periodic payments, royalties, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties;

(9) Carry out the obligations of Operator pursuant to the Contract, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract;

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(10) Have in accordance with the decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all dealings with the Government with respect to matters arising under the Contract and Joint Operations. Operator shall notify the other Parties as soon as possible of such meetings. Non-Operators shall have the right to attend such meetings but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under this Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties; and

(11) Take all necessary and proper measures for the protection of life, health, the environment and property in the case of an

emergency; provided, however, that Operator shall immediately notify the Parties of the details of such emergency and measures.

Check if desired

OPTIONAL PROVISION: To be included where English law applies.

[]

(12) Include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:

(a) ensure such contractors can only enforce their contracts against Operator;

(b) permit Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from such contractors; and

(c) require such contractors to take insurance required by Article 4.7(F).

4.3 Employees of Operator

Subject to the Contract and this Agreement, Operator shall determine the number of employees, the selection of such employees, the hours of work and the compensation to be paid all such employees in connection with Joint Operations. Operator shall employ only such employees, agents and contractors as are reasonably necessary to conduct Joint Operations.

4.4 Information Supplied by Operator

(A) Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations:

(1) Copies of all electrical logs or surveys;

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(2) Daily drilling progress reports;

(3) Copies of all drill stem tests and core analysis report;

(4) Copies of the plugging reports;

(5) Copies of the final geological and geophysical maps and reports;

(6) Engineering studies, development schedules and annual progress reports on development projects;

(7) Field and well performance reports, including reservoir studies and reserve estimates;

(8) Copies of all reports relating to Joint Operations furnished by Operator to the Government, except magnetic tapes which shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same;

(9) Other reports as frequently as is justified by the activities or as instructed by the Operating Committee; and

(10) Subject to Article 15.3, such additional information for Non-Operators as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such

information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Non-Operators who pay such costs shall receive such additional information.

(B) Operator shall give Non-Operators access at all reasonable times to all other data acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5 Settlement of Claims and Lawsuits

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(A) Operator shall promptly notify the Parties of any and all material claims or suits and such other claims and suits as the Operating Committee may direct which arise out of Joint Operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of U.S. _____ Dollars (U.S.\$100,000.00), exclusive of legal fees. Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defense of such claims or suits.

(B) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party relating to or which may affect the Joint Operations and insofar as such claim relates to or affects the Joint Operations such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee and such costs, expenses and damages as are payable pursuant to such defense or settlement shall be for the Joint Account.

(C) Notwithstanding Article 4.5(A) and Article 4.5(B), each Party shall have the right to participate in any such pursuit, prosecution, defense or settlement conducted in accordance with Article 4.5(A) and Article 4.5(B) at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Operations.

4.6 Liability of Operator

(A) Except as set out in this Article 4.6, the Party designated as Operator shall bear no cost, expense or liability resulting from performing the duties and functions of the Operator. Nothing in this Article shall, however, be deemed to relieve the Party designated as Operator from any cost, expense or liability for its Participating Interest share of Joint Operations.

(B) The Parties shall be liable in proportion to their Participating Interests and shall defend and indemnify Operator and its consultants, agents, employees, officers and directors (the "Indemnitees") from any and all costs, expenses (including reasonable attorneys' fees) and liabilities incident to claims, demands or causes of action of every kind and character brought by or on behalf of any person or entity for damage to or loss of property or the environment, or for injury to, illness or death of any person or entity, which damage, loss, injury, illness or death arises out of or is incident to any act or failure to act by Indemnitees in the conduct of or in connection with Joint Operations regardless of the cause of such damage, loss, injury, illness or death and EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH AFFILIATE); provided that if any Senior

Supervisory Personnel of Operator, engage in Gross Negligence that proximately causes the Parties to incur cost, expense or liability for such damage, loss, injury, illness or death, then:

Check one Alternative.

ALTERNATIVE NO. 1 - No Limitation

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Operator shall bear all such costs, expenses and liabilities.

ALTERNATIVE NO. 2 - Joint Property Limitation

Operator shall bear only the actual cost, expense and liability to repair, replace and/or remove Joint Property so damaged or lost, if any.

ALTERNATIVE NO. 3 - Financial Limitation

Operator shall bear only the first _____ (U.S. \$ _____) of such costs, expenses and liabilities.

ALTERNATIVE NO. 4 - Complete Limitation

Operator shall still bear none of such costs, expenses and liabilities.

(C) Notwithstanding the foregoing under no circumstances shall any Indemnitee (except as a Party to the extent of its Participating Interest) bear any cost, expense or liability for environmental, consequential, punitive or any other similar indirect damages or losses, including but not limited to those arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation.

4.7 Insurance Obtained by Operator

(A) Operator shall procure and maintain or cause to be procured and maintained for the Joint Account all insurance in the types and amounts required by the Contract and applicable laws, rules and regulations.

(B) Operator shall obtain such further insurance, at competitive rates, as the Operating Committee may from time to time require.

(C) Any Party may elect not to participate in the insurance to be procured under Article 4.7(B) provided such Party:

(1) gives prompt written notice to that effect to Operator;

(2) does nothing which may interfere with Operator's negotiations for such insurance for the other Parties; and

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(3) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurance broker shall be sufficient evidence) or other evidence of financial responsibility which fully covers its Participating Interest share of the risks that would be covered by the insurance procured under Article 4.7 (B), and which the Operating Committee may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each cash call including any cash call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement. If such Party obtains other insurance, such insurance

shall contain a waiver of subrogation in favor of all the other Parties and the Operator, but only in respect of their interests under this Agreement.

(D) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests.

(E) Operator shall, in respect of all insurance obtained pursuant to this Article:

(1) promptly inform the participating Parties when such insurance is obtained and supply them with copies of the relevant policies when the same are issued;

(2) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties; and

(3) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

(F) Operator shall use its reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Operating Committee and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on contractor's insurance policies or to obtain from their insurers waivers of all rights or recourse against Operator and Non-Operators.

4.8 Commingling of Funds

Check one Alternative.

ALTERNATIVE NO. 1

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Operator may commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that monies of a Non-Operator have been commingled with Operator's funds, the Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of production under this Agreement. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator.

Check if desired, in relation to Alternative No. 1.

OPTIONAL PROVISION

Notwithstanding Article 4.8, the Operating Committee shall have the right to require Operator to segregate from its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement.

Check if desired, in relation to Alternative No. 1.

OPTIONAL PROVISION

Notwithstanding Article 4.8, the Operating Committee shall have the right to require Operator to segregate from its own funds the monies which

Operator receives from the Parties in connection with operations on each Exploitation Area.

[] ALTERNATIVE NO.2

Operator may not commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement.

4.9 Resignation of Operator

Subject to Article 4.11, Operator may resign as Operator at any time by so notifying the other Parties at least one hundred and twenty (120) Days prior to the effective date of such resignation.

4.10 Removal of Operator

(A) Subject to Article 4.11, Operator shall be removed upon receipt of notice from any Non-Operator if:

(1) An order is made by a court or an effective resolution is passed for the dissolution, liquidation, winding up, or reorganization of Operator;

(2) Operator dissolves, liquidates or terminates its corporate existence;

(3) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors; or

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(4) A receiver is appointed for a substantial part of Operator's assets.

(B) Subject to Article 4.11, Operator may be removed by the decision of the Non-Operators if Operator has committed a material breach of this Agreement which Operator has failed to commence to rectify within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10(B) shall be made by an affirmative vote of _____ (2) or more of the total number of Non-Operators holding a combined Participating Interest of at least _____ percent (65%).

Check if desired.

OPTIONAL PROVISION

[] (C) If Operator together with any Affiliate of Operator is or becomes the holder of a Participating Interest of less than _____ percent (____%), then Operator shall be required to promptly notify the other Parties. The Operating Committee shall then vote within _____ (____) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11.

Check if desired.

OPTIONAL PROVISION

[X] (D) If there is a direct or indirect change in control of Operator (other than a transfer of control to an Affiliate of Operator), Operator shall be required to promptly notify the other Parties. The Operating Committee shall vote within THIRTY (30) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11. For purposes of this Article, control means the ownership directly or indirectly of: 65%

Check the applicable Alternative.

[] ALTERNATIVE NO. 1

more than fifty percent (50%)

[] ALTERNATIVE NO. 2

fifty percent (50%) or more

of the shares or voting rights of Operator.

Check if desired.

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OPTIONAL PROVISION

[] (E) Subject to Article 4.11, Operator may be removed at any time without cause by the affirmative vote of _____ (____) or more of the total number of Non-Operators holding a combined Participating Interest of at least _____ percent (____%).

4.11 Appointment of Successor

When a change of Operator occurs pursuant to Article 4.9 or Article 4.10:

(A) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 5.9. However, no Party may be appointed successor Operator against its will.

(B) If the Operator disputes commission of or failure to rectify a material breach alleged pursuant to Article 4.10(B) and proceedings are initiated pursuant to Article XVIII, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings.

(C) If an Operator is removed, other than in the case of Article 4.10(C) or Article 4.10(D), neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

(D) A resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 4.10(B).

(E) The Operating Committee shall arrange for the taking of an independent inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

(F) The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary governmental approvals.

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(G) Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

ARTICLE V
OPERATING COMMITTEE

5.1 Establishment of Operating Committee

To provide for the overall supervision and direction of Joint Operations, there is established an Operating Committee composed of representatives of each Party holding a Participating Interest. Each Party shall appoint one (1) representative and one (1) alternate representative to serve on the Operating Committee. Each Party shall as soon as possible after the date of this Agreement give notice in writing to the other Parties of the name and address of its representative and alternate representative to serve on the Operating Committee. Each Party shall have the right to change its representative and alternate at any time by giving proper notice to such effect to the other Parties.

5.2 Powers and Duties of Operating Committee

The Operating Committee shall have power and duty to authorize and supervise Joint Operations that are necessary or desirable to fulfill the Contract and properly explore and exploit the Contract Area in accordance with this Agreement and in a manner appropriate in the circumstances.

5.3 Authority to Vote

The representative of a Party, or in his absence his alternate representative, shall be authorized to represent and bind such Party with respect to any matter which is within the powers of the Operating Committee and is properly brought before the Operating Committee. Each such representative shall have a vote equal to the Participating Interest of the Party such person represents. Each alternate representative shall be entitled to attend all Operating Committee meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternate. In addition to the representative and alternate representative, each Party may also bring to any Operating Committee meetings such technical and other advisors as it may deem appropriate.

5.4 Subcommittees

The Operating Committee may establish such subcommittees, including technical subcommittees, as the Operating Committee may deem appropriate. The functions of such subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Parties.

5.5 Notice of Meeting

(A) Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.

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(B) Any Non-Operator may request a meeting of the Operating Committee by giving proper notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.

(C) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 Contents of Meeting Notice

(A) Each notice of a meeting of the Operating Committee as provided by Operator shall contain:

(1) The date, time and location of the meeting; and

(2) An agenda of the matters and proposals to be considered and/or voted upon.

(B) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting.

(C) On the request of a Party, and with the unanimous consent of all Parties, the Operating Committee may consider at a meeting a proposal not contained in such meeting agenda.

5.7 Location of Meetings

All meetings of the Operating Committee shall be held in LONDON , _____ or elsewhere as may be decided by the Operating Committee.

5.8 Operator's Duties for Meetings

(A) With respect to meetings of the Operating Committee and any Subcommittee, Operator's duties shall include, but not be limited to:

- (1) Timely preparation and distribution of the agenda;
- (2) Organization and conduct of the meeting; and
- (3) Preparation of a written record or minutes of each meeting.

(B) Operator shall have the right to appoint the chairman of the Operating Committee and chairman of all subcommittees.

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5.9 Voting Procedure

Except as otherwise expressly provided in this Agreement, all decisions, approvals and other actions of the Operating Committee on all proposals coming before it under this Agreement shall be decided by the affirmative vote of _____ (2) or more Parties, which are not Affiliates, then having collectively at least _____ percent (65%) of the Participating Interests.

5.10 Record of Votes

The chairman of the Operating Committee shall appoint a secretary who shall make a record of each proposal voted on and the results of such voting at each Operating Committee meeting. Each representative shall sign and be provided a copy of such record at the end of such meeting and it shall be considered the final record of the decisions of the Operating Committee.

5.11 Minutes

The secretary shall provide each Party with a copy of the minutes of the Operating Committee meeting within fifteen (15) Days after the end of the meeting. Each Party shall have fifteen (15) Days after receipt of such minutes to give notice of its objections to the minutes to the secretary. A failure to give notice specifying objection to such minutes within said fifteen (15) Day period shall be deemed to be approval of such minutes. In any event, the votes recorded under Article 5.10 shall take precedence over the minutes described above.

5.12 Voting by Notice

(A) In lieu of a meeting, Operator may submit any proposal for a decision of the Operating Committee by giving each representative proper notice describing the proposal so submitted. Each Party shall communicate its vote

by proper notice to Operator and the other Parties within one of the following appropriate time periods after receipt of Operator's notice:

(1) _____ (24) hours in the case of operations which involve the use of a drilling or completion rig that is standing by in the Contract Area.

(2) _____ (7) Days in the case of all other proposals.

Check if AFEs require approval.

OPTIONAL PROVISION

[] (3) _____ (20) Days in the case of an AFE or supplemental AFE if submitted for approval pursuant to Article 6.6(A).

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(B) Except in the case of Article 5.12(A)(1), any Non-Operator may by notice delivered to all Parties within _____ (7) Days of receipt of Operator's notice request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

(C) Except as provided in Article X, any Party failing to communicate its vote in a timely manner shall be deemed to have voted FOR such proposal.

(D) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 Effect of Vote

All decisions taken by the Operating Committee pursuant to this Article, shall be conclusive and binding on all the Parties, except that:

(A) If pursuant to this Article, a Joint Operation, other than an operation to fulfill the Minimum Work Obligations, has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose in accordance with Article VII, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.

(1) For proposals involving the use of a drilling rig that is standing by in the Contract Area, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12(A)(1) has expired.

(2) For proposals to develop a Discovery, such right shall be exercisable for ten (10) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12.

(3) For all other proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12.

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(B) If a Party voted against any proposal which was approved by the Operating Committee and which could be conducted as an Exclusive Operation pursuant to Article VII other than any proposal relating to Minimum Work Obligations, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise

its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by in the Contract Area) following Operating Committee approval of such proposal. The Parties that were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under Article VII. Any Party that gave notice of non-consent shall be a Non-Consenting Party as to such Exclusive Operation.

(C) If the Consenting Parties to an Exclusive Operation under Article 5.13(A) or Article 5.13(B) concur, then the Operating Committee may, at any time, pursuant to this Article, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.

ARTICLE VI WORK PROGRAMS AND BUDGETS

6.1 Exploration and Appraisal

(A) Within _____ (90) Days after the date of execution of this Agreement, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed in the Contract Area for the remainder of the current Calendar Year and, if appropriate, for the following Calendar Year. Within _____ (45) Days of such delivery, the Operating Committee shall meet to consider and to endeavor to agree on a Work Program and Budget.

(B) On or before the 1st of OCTOBER of each Calendar Year, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed in the Contract Area for the following Calendar Year. Within forty-five (45) Days of such delivery, the Operating Committee shall meet to consider and to endeavor to agree on a Work Program and Budget.

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(C) If a Discovery is made, Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the Discovery merits appraisal, Operator within _____ (20) Days, shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within _____ (10) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operating Committee, Operator shall take such steps as may be required under the Contract to secure approval of the appraisal Work Program and Budget by the Government and Government Oil Company. In the event the Government or the Government Oil Company requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.

(D) The Work Program and Budget agreed pursuant to this Article shall include the Minimum Work Obligations, or at least that part of such Minimum Work Obligations required to be carried out during the Calendar Year in question under the terms of the Contract. If within the time periods prescribed in this Article the Operating Committee is unable to agree on such Work Program and Budget, Operator shall take such actions, but only such actions for the Joint Account as are necessary to maintain the Contract in full force and effect, including the commencement of a Work Program and Budget to fulfill the Minimum Work Obligations required for the

given Calendar Year.

(E) Subject to Article 6.7, approval of any such Work Program and Budget, which includes:

(1) an Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for:

Check one Alternative.

ALTERNATIVE NO. 1 - No Casing Point Election

All expenditures necessary for drilling, Testing and Completing such Exploration Well.

ALTERNATIVE NO. 2 - Casing Point Election - (This alternative shall not apply where Minimum Work Obligations require Testing and Completing of a well.)

Only expenditures necessary for drilling and open-hole Testing of such well. When an Exploration Well has reached its authorized depth, all logs, cores and other approved tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties in accordance with Article 5.12(A)(1) an election to participate in an attempt to Complete such well. Operator shall include in such submission Operator's recommendation on such Completion attempt and on AFE for such Completion Costs.

(2) an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for:

Check one Alternative.

ALTERNATIVE NO. 1 - No Casing Point Election

All expenditures necessary for drilling, Testing and Completing such Appraisal Well.

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ALTERNATIVE NO. 2 - Casing Point Election - (This alternative shall not apply where Minimum Work Obligations require Testing and Completing of a well.)

Only expenditures necessary for drilling, Sidetracking and open-hole Testing of such well. When an Appraisal Well has reached its authorized depth, all logs, cores and other approved tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties in accordance with Article 5.12(A)(1) an election to participate in an attempt to Complete such well. Operator shall include in such submission Operator's recommendation an such Completion attempt and on AFE for such Completion Costs.

(F) Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Article 5.12(A)(1) by notifying all other Parties. Any such proposal shall include an AFE for such Completion Costs.

6.2 Development

(A) If the Operating Committee determines that a Discovery may be commercial, the Operator shall, as soon as practicable, deliver to the Parties a Development Plan together with the first annual Work Program and Budget and provisional Work Programs and Budgets for the remainder of the development of the Discovery, which shall contain, inter alia:

(1) Details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis;

- (2) An estimated date for the commencement of production;
- (3) A delineation of the proposed Exploitation Area; and
- (4) Any other information requested by the Operating Committee.

(B) After receipt of the Development Plan, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Program and Budget for the development submitted by Operator. If the Development Plan is approved by the Operating Committee, Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Contract and take such other steps as may be required under the Contract to secure approval of the Development Plan by the Government and Government Oil Company. In the event the Government or Government Oil Company requires changes in the Development Plan, the matter shall be resubmitted to the Operating Committee for further consideration.

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(C) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and Operator shall on or before DEC. 1st of each Calendar Year submit a Work Program and Budget for the Exploitation Area, for the following Calendar Year. Within forty-five (45) Days after such submittal, the Operating Committee shall endeavor to agree to such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.

6.3 Production

On or before the 1st day of DECEMBER each Calendar Year, Operator shall deliver to the Parties a proposed production Work Program and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. Within forty-five (45) Days of such delivery, the Operating Committee shall agree upon a production Work Program and Budget.

6.4 Itemization of Expenditures

(A) During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this Article, Operator shall consult with the Operating Committee regarding the contents of such Work Programs and Budgets and Development Plans.

(B) Each Work Program and Budget and Development Plan submitted by Operator shall contain an itemized estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question.

(C) The Work Program and Budget shall designate the portion or portions of the Contract Area in which Joint Operations itemized in such Work Program and Budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Operating Committee may deem suitable.

6.5 Contract Awards

Operator shall award each contract for approved Joint Operations on the following basis (the amounts stated are in thousands of U.S. Dollars):

<TABLE>

<CAPTION>

<S>	<C> PROCEDURE A	<C> PROCEDURE B	<C> PROCEDURE C
Exploration and Appraisal Operations	\$ 0 to \$	\$ _____ to \$	>\$
Development Operations	\$ 0 to \$	\$ _____ to \$	>\$
Production Operations	\$ 0 to \$	\$ _____ to \$	>\$

</TABLE>

Procedure

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(A) Intentionally deleted.

Procedure

(B) Operator shall:

- (1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;
- (2) Add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;
- (3) Complete the tendering process within a reasonable period of time;
- (4) Inform the Parties of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliates of the Operator which exceed U.S. Dollars _____ (U.S. \$ 100,000.00), Operator shall obtain the approval of the Operating Committee;
- (5) Circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and
- (6) Upon the request of a Party, provide such Party with a copy of the final version of the contract awarded.

Procedure

(C) Operator shall:

- (1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;
- (2) Add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;
- (3) Prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;
- (4) After the expiration of the period allowed for tendering, consider and analyze the details of all bids received;

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- (5) Prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefore, and the technical,

commercial and contractual terms to be agreed upon;

(6) Obtain the approval of the Operating Committee to the recommended bid; and

(7) Upon the request of a Party, provide such Party with a copy of the final version of the contract.

6.6 Authorization for Expenditure ("AFE") Procedure

(A) Prior to incurring any commitment or expenditure, which is estimated to be:

(1) In excess of U.S. Dollars _____ (U.S. \$100,000.00) in an exploration or appraisal Work Program and Budget;

(2) In excess of U.S. Dollars _____ (U.S. \$100,000.00) in a development Work Program and Budget.; and

(3) In excess of U.S. Dollars _____ (U.S. \$100,000.00) in a production Work Program and Budget.

Operator shall send to each Non-Operator an AFE containing Operator's best estimate of the total funds required to carry out such work; the estimated timing of expenditures, and any other necessary supportive information. Notwithstanding the above, the Operator shall not be obliged to furnish an AFE to the Parties before incurring any commitment or expenditures in connection with the workover of the well or wells where such workover is pursuant to an approved production Work Program and Budget.

Check one Alternative.

ALTERNATIVE NO. 1

(B) All AFE's shall be for informational purposes only and, provided the work and the funds to be expended therefor are authorized in the current Work Program and Budget, Operator shall not be required to obtain approval for such AFE prior to commencement of work.

ALTERNATIVE NO. 2

b. Prior to expending any monies or incurring any commitments for work, Operator shall obtain the approval of the Operating Committee to such AFE.

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Check if desired.

OPTIONAL PROVISION

Any Party voting to disapprove an AFE issued in furtherance of an approved Work Program and Budget shall demonstrate that such disapproval is duly justified and shall state the reasons for such disapproval.

(C) The restrictions contained in this Article shall be without prejudice to Operator's rights to make expenditures as set out in Article 4.2(B)(11) and Article 13.5.

6.7 Overexpenditures of Work Programs and Budgets

(A) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without furnishing a supplemental AFE an overexpenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that cumulative

total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total Work Program and Budget in question.

(B) At such time that Operator is certain that the limits of Article 6.7(A) will be exceeded, Operator shall furnish a supplemental AFE for the estimated overexpenditures to the Operating Committee for its approval and shall provide the Parties with full details of such overexpenditures. Operator shall promptly give notice of the amounts of overexpenditures when actually incurred.

ARTICLE VII
OPERATIONS BY LESS THAN ALL PARTIES

7.1 Limitation on Applicability

(A) No operations may be conducted in furtherance of the Contract except as Joint Operations under Article V, or as Exclusive Operations under this Article. No Exclusive Operation shall be conducted which conflicts with a Joint Operation.

(B) Operations which are required to fulfill the Minimum Work Obligations must be proposed and conducted as Joint Operations under Article V, and may not be proposed or conducted as Exclusive Operations under this Article.

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Check if desired.

OPTIONAL PROVISION

[X] Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well drilled to fulfill the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations for the then current Contract period are fulfilled.

(C) No Party may propose or conduct an Exclusive Operation under this Article, unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to Article 5.13, or is entitled to conduct an Exclusive Operation pursuant to Article X.

(D) Subject to this Article, any operation that may be proposed and conducted as a Joint Operation, other than operations pursuant to an approved Development Plan, may be proposed and conducted as an Exclusive Operation.

7.2 Procedure to Propose Exclusive Operations

(A) Subject to Article 7.1, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Parties who have relinquished their Participating Interest in the Exploitation Area in which the proposed operation is to be conducted. Such notice shall specify that such operation is proposed as an Exclusive Operation, the work to be performed, the location, the objectives, and estimated cost of such operation.

(B) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

(1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Contract Area, any such Party wishing to exercise such right must so notify Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.

(2) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Exclusive Operation.

(3) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation;

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(C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.

(D) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. The Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

(E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:

Check one Alternative.

ALTERNATIVE NO. 1

(1) The Party proposing the Exclusive Operation, together with any other Consenting Parties, shall have the right exercisable for the applicable notice period set out in Article 7.2(B), to instruct Operator (subject to Article 7.9(G)) to conduct the Exclusive Operation.

(2) If the Exclusive Operation is conducted, the Consenting Parties shall bear the sole liability and expense of such Exclusive Operation in a fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.1(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.1(A), or in such other proportion totaling one hundred percent (100%) of such liability and expense as the Consenting Parties may agree.

(3) If such Exclusive Operation has not been commenced within _____ (180) Days (excluding any extension specifically agreed by all Parties or allowed by the force majeure provisions of Article XVI), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, written notice proposing such operation must be resubmitted to the Parties in accordance with Article V, as if no proposal to conduct an Exclusive Operation had been previously made.

ALTERNATIVE NO. 2

(1) Immediately after the expiration of the applicable notice period set out in Article 7.2(B), the Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.

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(2) Concurrently, Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.

(3) Within twenty-four (24) hours after receipt of such notice, each Consenting Party shall respond to the Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to:

(a) Only its Participating Interest as stated in Article 3.1(A);

(b) A fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.1(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.1(A); or

(c) The total of its Participating Interest as contemplated by Article 7.2(E)(3)(b) plus all or any part of the difference between one hundred percent (100%) and the total of the Participating Interests subscribed by the other Consenting Parties.

(4) Any Consenting Party failing to advise Operator within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in Article 7.2(E)(3)(b) as to the Exclusive Operation.

(5) If, within the response period set out above, the Consenting Parties subscribe less than one hundred percent (100%) of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty-four (24) hours of the expiry of the response period set out in Article 7.2(E)(3), the proposing Party notifies the other Consenting Parties that the proposing Party shall bear the unsubscribed Participating Interest.

(6) If one hundred percent (100%) subscription to the proposed Exclusive Operation is obtained, Operator shall promptly notify the Consenting Parties of their Participating Interests in the Exclusive Operation.

(7) As soon as any Exclusive Operation is fully subscribed pursuant to Article 7.2(E)(6) Operator (subject to Article 7.9(G)), shall commence such Exclusive Operation as promptly as practicable and conduct it with due diligence in accordance with this Agreement.

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(8) If such Exclusive Operation has not been commenced within _____ (180) Days (excluding any extension specifically agreed by all Parties or allowed by the force majeure provisions of Article XVI), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, written notice proposing such operation must be resubmitted to the Parties in accordance with Article V, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3 Responsibility for Exclusive Operations

(A) The Consenting Parties shall bear in accordance with the Participating Interests agreed under Article 7.2(E) the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (included but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits,

pollution control and environmental amelioration or rehabilitation) and shall keep the Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.

(B) Notwithstanding Article 7.3(A), each Party shall continue to bear its Participating Interest share of the cost and liability incident to the operations in which it participated, including but not limited to plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Exclusive Operation.

7.4 Consequences of Exclusive Operations

(A) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option to re-instate the rights it relinquished under Article 7.4(B) below, such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties, to all data and other information relating to such Exclusive Operation, other than G & G Data obtained in an Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Article 3.1(A) of the cost incurred in obtaining such G & G Data.

(B) With regard to any Exclusive Operation and subject to Article 7.4(C) (and Article 7.8, if selected) below, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in the Exclusive Operation:

(1) All of each such Non-Consenting Party's right to participate in further operations on any Discovery made in the course of such Exclusive Operation; and

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(2) All of each such Non-Consenting Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved:

(a) From the well in which such Exclusive Operation was conducted, and

(b) From any wells drilled to appraise or develop a Discovery.

(C) A Non-Consenting Party shall have the following and only the following options to reinstate the rights it relinquished pursuant to Article 7.4(B):

(1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such appraisal program is standing by in the Contract Area) from receipt of such appraisal program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such appraisal program. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Article 7.5(A) and to pay:

Check one Alternative.

[] ALTERNATIVE NO. 1

The Cash Premium as set out in Article 7.5(B);

ALTERNATIVE NO. 2

The In Kind Premium as set out in Article 7.5(C);

ALTERNATIVE NO. 3

At the choice of the Non-Consenting Party exercising such option, either the Cash Premium as set out in Article 7.5(B) or the In Kind Premium as set out in Article 7.5(C).

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(2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Government under the Contract. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Article 7.5(A) and to pay:

Check one Alternative.

ALTERNATIVE NO. 1

The Cash Premium as set out in Article 7.5(B);

ALTERNATIVE NO. 2

The In Kind Premium as set out in Article 7.5(C);

ALTERNATIVE NO. 3

At the choice of the Non-Consenting Party exercising such option, either the Cash Premium as set out in Article 7.5(B) or the In Kind Premium as set out in Article 7.5(C).

(3) If the Consenting Parties decide to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such operation is standing by in the Contract Area) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 7.5(A) and to pay:

Check one Alternative.

ALTERNATIVE NO. 1

The Cash Premium as set out in Article 7.5(B);

[] ALTERNATIVE NO. 2

The In Kind Premium as set out in Article 7.5(C);

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[] ALTERNATIVE NO. 3

At the choice of the Non-Consenting Party exercising such option, either the Cash Premium as set out in Article 7.5(B) or the In Kind Premium as set out in Article 7.5(C).

(D) If a Non-Consenting Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance with Article 7.5, all lump sum amounts and Cash Premiums, if any, due to the Consenting Parties, such Non-Consenting Party shall have forfeited the options as set out in Article 7.4(C) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded.

(E) A Non-Consenting Party shall become a Consenting Party with regard to an Exclusive Operation at such time as the Non-Consenting Party gives proper notice pursuant to Article 7.4(C); provided that such Non-Consenting Party shall in no way be deemed to be entitled to any lump sum amount Cash Premium or In Kind Premium paid incident to such Exclusive Operation. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Article 3.1(A). The Consenting Party shall contribute in proportion to their respective Participating Interests in such Exclusive Operation, the Participating Interest of the Non-Consenting Party. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article V.

(F) If after the expiry of the period in which a Non-Consenting Party may exercise its option to participate in a Development Plan the Consenting Parties desire to proceed, the Party chosen by the Consenting Parties proposing to act as Operator for such development, shall give notice to the Government under the appropriate provision of the Contract requesting a meeting to advise the Government that the Consenting Parties consider the Discovery to be a Commercial Discovery. Following such meeting such Operator for such development shall apply for an Exploitation Area (if applicable in the Contract). Unless the Development Plan is materially modified or expanded prior to the commencement of operations under such plan, each Non-Consenting Party to such Development Plan shall:

(1) If the Contract so allows, elect not to apply for an Exploitation Area covering such development and forfeit all interest in such Exploitation Area, or

(2) If the Contract does not so allow, be deemed to have:

(a) Elected not to apply for an Exploitation Area covering such development;

(b) Forfeited all economic interest in such Exploitation Area;

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(c) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

In either case such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded subsequent to the commencement of

operations under such Development Plan.

7.5 Premium to Participate in Exclusive Operations

(A) Within thirty (30) Days of the exercise of its option under Article 7.4(C), each such Non-Consenting Party shall pay in immediately available funds to the Consenting Parties who took the risk of such Exclusive Operations in proportion to their respective Participating Interests in such Exclusive Operations a lump sum amount payable in the currency designated by such Consenting Parties. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in every Exclusive Operations relating to the Discovery, or well, as the case may be, in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party.

(B) In addition to Article 7.5(A), if a Cash Premium is due, then within thirty (30) Days of the exercise of its option under Article 7.4(C) each such Non-Consenting Party shall pay in immediately available funds, in the currency designated by the Consenting Parties who took the risk of such Exclusive Operations, to such Consenting Parties in proportion to their respective Participating Interests a Cash Premium equal to the total of:

(1) _____ percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus

(2) _____ percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party; plus

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(3) _____ percent (500 %) of the Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party.

(C) In addition to Article 7.5(A), if an In-Kind Premium is due, each Non-Consenting Party exercising its option under Article 7.4(C), shall be deemed to grant to the Consenting Parties, and the Consenting Parties, in proportion to their Participating Interests, shall be deemed to accept an In Kind Premium, until such time as the In Kind Premium has been fully satisfied. The In Kind Premium shall be the right to own, take in kind and separately dispose of Hydrocarbons produced out of one hundred percent (100%) of the Non-Consenting Party's Entitlement to future production (including Cost Oil, Profit Oil and, where applicable under the Contract, gas) from the Exploitation Area for the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B)(2)(a) and (b) (or if applicable, from only the

well in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B)(2)(a)). The value in U.S. Dollars of the In Kind Premium shall equal a total of:

(1) _____ percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus

(2) _____ percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party; plus

(3) _____ percent (500%) of the Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party; plus

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(D) The In Kind Premium shall be deemed fully satisfied when the aggregate value (determined in U.S. Dollars in accordance with Article 7.5(F)) of the Hydrocarbons received by the Consenting Parties as In Kind Premium equals the sum of the amounts calculated in U.S. Dollars pursuant to Article 7.5(C)). After such satisfaction the Consenting Parties' right to such In Kind Premium shall terminate, and such Non-Consenting Party shall own, take and dispose of its Entitlement from such Exploitation Area. Production from other fields in the Contract Area, outside such Exploitation Area (whether Cost Oil or Profit Oil) shall not be used to satisfy the In Kind Premium. Any obligation of the Non-Consenting Party to satisfy the In Kind Premium shall terminate with the cessation of production from the Exploitation Area (or well, as the case may be) which the In Kind Premium encumbers, and in such event, no cash payment, in lieu of production, shall be due from the Non-Consenting Party for the unsatisfied balance of the In Kind Premium.

(E) Within ninety (90) Days after the Completion of any Exclusive Operation, the Operator shall furnish to each Non-Consenting Party that has granted an In Kind Premium in respect of such Exclusive Operation an inventory of the equipment in and connected to the well, and an itemized statement of the cost of such Exclusive Operation, including equipping the well for production. Each Calendar Quarter during the period of satisfying an In Kind Premium, Operator shall furnish to the Non-Consenting Parties that have granted such In Kind Premium an itemized statement of all costs and liabilities incurred in the Exclusive Operation(s), establishing the value of such In Kind Premium together with a statement of the quantity of Hydrocarbons produced to satisfy such In Kind Premium and the amount of proceeds realized from the sale of such production during the preceding Calendar Quarter.

(F) For the purpose of determining satisfaction of the In Kind Premium, the value of the Hydrocarbons received by a Consenting Party as In Kind Premium shall be the weighted average price per Barrel (f.o.b. the point of

delivery of the Cost Oil and Profit Oil to the Consenting Parties) which such Consenting Party receives from the sale of such Hydrocarbons to non-affiliated purchasers, in arms length transactions. For sales to Affiliates, the price so used shall be the price at which Hydrocarbons of a similar grade, gravity and quality (adjusted for differentials in accordance with regularly established practice) were sold generally on world markets, during the particular period of sale, in free and fair arms length transactions, with due adjustments being made for differing geographical locations. Notwithstanding the fact that royalty or any other payment obligation to the Government is based on an "official" or "Government" stated price, the price used for calculation of the satisfaction of the In Kind Premium shall be the price determined in accordance with this Article.

(G) In determining the quantity of Hydrocarbons produced for purposes of the In Kind Premium, the Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests.

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(H) During the period of time Consenting Parties are entitled to an In Kind Premium, such Consenting Parties shall be responsible for the payment of all royalties, charges, taxes, and all other burdens established by the Contract directly related to such In Kind Premium.

(I) Any amount realized from the sale or other disposition of equipment, which was acquired in connection with an Exclusive Operation, shall be credited against the satisfaction of the In Kind Premium.

(J) On satisfaction of the In Kind Premium, the right of such Non-Consenting Party to own, take in kind and separately dispose of its Entitlement granted under Article 7.5(C), shall be reinstated automatically as of 7:00 a.m. on the Day following the Day on which such satisfaction occurs.

7.6 Order of Preference of Operations

(A) Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days, or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area, from receipt of the proposal for the Exclusive Operation, to deliver to all Parties entitled to participate in the proposed operation such Party's alternative proposal. Such alternative proposal shall contain the information required under Article 7.2(A).

(B) Each Party receiving such proposals shall elect by delivery of notice to Operator within the appropriate response period set out in Article 7.2(B) to participate in one of the competing proposals. Any Party not notifying Operator within the response period shall be deemed not to have voted.

(C) The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days of the end of the response period, or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area.

(D) Each Party shall then have two (2) Days (or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area) from receipt of such notice to elect by delivery of notice to Operator whether

such Party will participate in such Exclusive Operation, or will relinquish its interest pursuant to Article 7.4(B). Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

Check if desired.

OPTIONAL PROVISION

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[] (E) Notwithstanding the provisions of Article 7.4(B), if for reasons other than the encountering of granite or other practically impenetrable substance or any other condition in the hole rendering further operations impracticable, a well drilled as an Exclusive Operation fails to reach the deepest objective Zone described in the notice proposing such well, Operator shall give notice of such failure to each Non-Consenting Party who submitted or voted for an alternative proposal under this Article to drill such well to a shallower Zone than the deepest objective Zone proposed in the notice under which such well was drilled. Each such Non-Consenting Party shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate in the initial proposed Completion of such well. Each such Non-Consenting Party may exercise such option by notifying the Operator that it wishes to participate in such Completion and by paying its share of the cost of drilling such well to its actual depth, calculated in the manner provided in Article 7.8(B)(1). If any such Non-Consenting Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of Article 7.4(B) shall continue to apply to such Non-Consenting Party's interest.

7.7 Stand By Costs

(A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Article 7.6 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

(B) If a further operation is proposed while the drilling rig to be utilized is on location, any Party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in Article 7.2(B) within which to respond by notifying Operator that such Party agrees to bear all stand by costs and other costs incurred during such extended response period. Operator may require such Party to pay the estimated stand by time in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand by costs shall be allocated between such Parties on a Day-to-Day basis in proportion to their Participating Interests.

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[] OPTIONAL PROVISION

7.8 Special Considerations Regarding Deepening and Sidetracking

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(A) An Exclusive Well shall not be Deepened or Sidetracked without first

affording the Non-Consenting Parties in accordance with this Article the opportunity to participate in such operation.

(B) In the event any Consenting Party desires to Deepen or Sidetrack an Exclusive Well, such Party shall initiate the procedure contemplated by Article 7.2. If a Deepening or Sidetracking operation is approved pursuant to such provisions, and if any Non-Consenting Party to the Exclusive Well elects to participate in such Deepening or Sidetracking operation, the payment, if any, pursuant to Article 7.5 of such Non-Consenting Party shall be calculated based on the following liabilities and expenses:

(1) If the proposal is to Deepen or Sidetrack and is made prior to the Completion of such well as a Commercial Discovery, then payment shall be based on such Non-Consenting Party's Participating Interest share of the liabilities and expenses incurred in connection with drilling the Exclusive Well from the surface to the depth previously drilled which such Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate in such Exclusive Well, plus the Non-Consenting Party's Participating Interest share of the liabilities and expenses of Deepening or Sidetracking and of participating in any further operations on such Exclusive Well in accordance with the other provisions of this Agreement; provided, however, all liabilities and expenses for Testing and Completing or attempting Completion of the well incurred by Consenting Parties prior to the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of Consenting Parties in the proportion their Participating Interest bears to the aggregate of their Participating Interests.

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(2) If the proposal is to Deepen or Sidetrack and is made for an Exclusive Well that has been previously Completed as a Commercial Discovery, but is no longer producing, then payment shall be based on the Non-Consenting Party's Participating Interest share of all costs of drilling and Completing said well from the surface to the depth previously drilled, calculated in the manner provided in Article 7.8(B)(1), less those costs recouped by the Consenting Parties from the sale of production from such Exclusive Well, plus the Non-Consenting Party's Participating Interest share of all costs of re-entering said well, plus the Non-Consenting Party's proportionate part (based on the percentage of the Exclusive Well such Non-Consenting Party would have owned had it previously participated in such Exclusive Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with the Accounting Procedure. If at the time such Deepening or Sidetracking operation is conducted the Consenting Parties have recouped from the Exclusive Well the amount calculated pursuant to Article 7.5, then a Non-Consenting Party may participate in the Deepening or Sidetracking of the Exclusive Well with no payment for liabilities and expenses incurred prior to re-entering the well for Deepening or Sidetracking.

7.9 Miscellaneous

(A) Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operating Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject

to the terms and conditions of the Contract.

(B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.

(C) Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such operations.

(D) Operator, if it is not a Consenting Party and it is conducting an Exclusive Operation for the Consenting Parties, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Operator in respect of any Exclusive Operations conducted by it.

(E) Should the submission of a Development Plan be approved in accordance with Article 5.9, or should any Party propose a development in accordance with Article VII, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right to future reimbursement of costs or to any Premium, pursuant to Article 7.5. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party proposing to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Consenting Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.

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(F) In the case of any Exclusive Operation for Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Rework, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, that is not needed for Joint Operations, but the ownership of all such equipment shall remain unchanged. On abandonment of a well after such Exclusive Operation, the Consenting Parties shall account for all such equipment to the Parties who shall receive their respective Participating Interest shares, in value, less cost of salvage.

(G) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then subject to obtaining any necessary Government approval the Operator may resign, but in any event shall resign on the request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery and the Consenting Parties shall select a Party to serve as Operator.

ARTICLE 8 DEFAULT

8.1 Default and Notice

Any Party that fails to pay when due its Participating Interest share of Joint Account expenses including cash advances and interest, accrued pursuant to this Agreement (a "Defaulting Party") shall be in default under this Agreement. Operator, or any other Party in the case of the default of Operator, shall promptly give written notice of such default to such Party and each of the non-defaulting Parties. The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full. Interest will be calculated using the Agreed Interest Rate.

8.2 Operating Committee Meetings and Data

After any default has continued for five (5) Business Days from the date of written notice of default under Article 8.1, and for as long thereafter as the Defaulting Party remains in default on any payment due under this Agreement, the Defaulting Party shall not be entitled to attend Operating Committee meetings or to vote on any matter coming before the Operating Committee during the period such default continues. Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party shall be in the proportion which its Participating Interest bears to the total of the Participating Interests of all the non-defaulting Parties. Any matters requiring unanimous vote of the Parties shall be deemed to exclude the Defaulting Party. After the said five (5) Business Days and while the Defaulting Party remains in default as aforesaid, the Defaulting Party shall not have access to any data or information relating to Joint Operations, and non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent and the Defaulting Party shall have no right to any data received on such trade unless and until its default is remedied in full. Notwithstanding the foregoing, the Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking any action to maintain and preserve the Contract.

8.3 Allocation of Defaulted Accounts

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(A) Operator shall, either at the time of giving notice of default as provided in Article 8.1, or by separate notice, notify each non-defaulting Party the sum of money it is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties) of such amount in default. Each non-defaulting Party shall, if such default continues, pay Operator, within five (5) Business Days after receipt of such notice, its share of the amount which the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share of the amount in default as aforesaid, such non-defaulting Party shall thereupon be in default and shall be a Defaulting Party subject to the provisions of this Article. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective share of the principal and interest payable by such Defaulting Party pursuant to Article 8.1.

(B) The total of all amounts paid by the non-defaulting Parties for the Defaulting Party, together with interest accrued on such amounts shall constitute a debt due and owing by the Defaulting Party to the non-defaulting Parties in proportion to such amounts paid. In addition the non-defaulting Parties may in the manner contemplated by this Article, satisfy such debt (together with interest) and may accrue an amount equal to the Defaulting Party's Participating Interest share of the estimated cost to abandon any Joint Property.

(C) A Defaulting Party may remedy its default by paying to Operator the total amount due, together with interest calculated as provided in Article 8.1, at any time prior to transfer of its interest pursuant to Article 8.4, and upon receipt of such payment Operator shall remit to each non-defaulting Party its proportionate share of such amount.

(D) The rights granted to each non-defaulting Party pursuant to this Article, shall be in addition to, and not in substitution for any other rights or remedies which each non-defaulting Party may have at law or equity or pursuant to the other provisions of this Agreement.

8.4 Transfer of Interest

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(A) For thirty (30) Days after each failure by the Defaulting Party to

remedy its default by the thirtieth (30th) Day following notice of default without prejudice to any other rights of the non-defaulting Parties to recover the amounts paid for the Defaulting Party, together with interest accrued on such amount, each non-defaulting Party shall have the option to give notice to the Defaulting Party requiring the Defaulting Party to transfer its interest to the non-defaulting Parties. To that end if any of the non-defaulting Parties so elect, the Defaulting Party shall be deemed to have transferred and to have empowered the electing non-defaulting Parties to execute on said Defaulting Party's behalf any documents required to effect a transfer, of all of its right, title and beneficial interest in and under this Agreement and the Contract, and in all wells and Joint Property to the electing non-defaulting Parties. If requested, each Party shall execute a Power of Attorney in the form prescribed by the Operating Committee. The Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, the obtaining of all governmental consents and approvals, and shall execute any and all documents and take such other actions as may be necessary in order to effect prompt and valid transfer of the interests described above, free of all liens and encumbrances. In the event all Government approvals are not timely obtained, the Defaulting Party shall hold its Participating Interests in trust for such non-defaulting Parties who elected to assume such Defaulting Party's Participating Interest.

(B) In the absence of an agreement among the non-defaulting Parties to the contrary, any such transfer to the non-defaulting Parties shall be in the proportion that the non-defaulting Parties have paid the amounts due from the Defaulting Party.

(C) Subject to Article 12.1(C), on the effective date of such transfer the Defaulting Party shall forthwith cease to be a Party to this Agreement to the extent of the Participating Interest so transferred. The acceptance or non-acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall be without prejudice to any rights or remedies such non-defaulting Parties have to recover the outstanding debts (including interest) owed by the Defaulting Party.

8.5 Continuation of Interest

If within thirty (30) Days after each failure by the Defaulting Party to remedy its default by the thirtieth (30th) Day following notice of default the non-defaulting Parties elect to not acquire the Defaulting Party's Participating Interest as provided in Article 8.4 and to continue to bear the Defaulting Party's Participating Interest share of liabilities and expenses, then the non-defaulting Parties shall accumulate all such liabilities and expenses as a debt pursuant to Article VIII, but the Defaulting Party shall continue to be a Party subject to Article 8.2 and Article 8.7. If Operator disposes of any Joint Property or any other credit or adjustment is made to the Joint Account, or if Operator sells any of the Defaulting Party's Participating Interest share of Hydrocarbons, then, in respect of the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment or sale, Operator shall be entitled to retain and to set off the same against all amounts, together with interest accrued on such amount, due and owing from the Defaulting Party plus an accrued amount equal to the Defaulting Party's Participating Interest share of the estimated cost to abandon any Joint Property. Any surplus remaining after setting off the same as aforesaid shall be paid promptly to the Defaulting Party.

8.6 Abandonment

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If, within thirty (30) Days after the failure by the Defaulting Party to remedy its default by the thirtieth (30th) Day as aforesaid, no non-defaulting Party

elects to acquire the Defaulting Party's Participating Interest as provided in Article 8.4, or to bear the Defaulting Party's Participating Interest share of liabilities and expenses as provided in Article 8.5, then no transfer shall be made and Joint Operations shall be abandoned subject to any necessary consents and notices being given, and each Party, including the Defaulting Party shall pay its Participating Interest share of all costs of abandoning and relinquishing the Contract. If abandonment occurs as aforesaid, all monies paid by the non-defaulting Parties for the Defaulting Party pursuant to Article 8.3, together with interest accrued on such amount, shall remain a debt due and owing by the Defaulting Party.

8.7 Sale of Hydrocarbons

If a Party defaults after the commencement of commercial production and has not remedied the default by the thirtieth (30th) Day as aforesaid, then, during the continuance of such default, the Defaulting Party shall not be entitled to its Participating Interest share of Hydrocarbons which shall vest in and be the property of the non-defaulting Parties, and Operator shall be authorized to sell such Hydrocarbons at the best price obtainable under the circumstances and, after deducting all costs, charges and expenses incurred by Operator in connection with such sale, pay the proceeds proportionately to the non-defaulting Parties which proceeds shall be credited against all monies advanced pursuant to Article 8.3, together with interest accrued thereon. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. Notwithstanding any such sales by Operator the provisions of Article 8.4 shall continue to apply.

8.8 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article, such Party shall not raise by way of set off or invoke as a defense, whether in law or equity, any failure to pay amounts due and owing under this Agreement or any alleged or unliquidated claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Such Party further undertakes not to raise by way of defense, whether in law or in equity, that the nature or the amount of the remedies granted to the non-defaulting Parties is unreasonable or excessive.

ARTICLE IX DISPOSITION OF PRODUCTION

9.1 Right and Obligation to Take In Kind

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Except as otherwise provided in this Article, each Party shall have the right and obligation to own, take in kind and separately dispose of its Participating Interest share of total production available to the Parties pursuant to the Contract from any Exploitation Area in such quantities and in accordance with such procedures as may be set forth in the offtake agreement referred to in Article 9.2 or in the special arrangements for natural gas referred to in Article 9.3. If Government Oil Company is party to the offtake agreement, then the Parties shall endeavour to obtain its agreement to the principles set forth in this Article.

9.2 Offtake Agreement for Crude Oil

If crude oil is to be produced from an Exploitation Area, the Parties shall in good faith, and not less than three (3) months prior to first delivery of crude

oil, negotiate and conclude the terms of an agreement to cover the offtake of crude oil produced under the Contract. The Government Oil Company may, if necessary and practicable, also be party to the offtake agreement. This offtake agreement shall, to the extent consistent with the Contract, make provision for:

(A) The delivery point, at which title and risk of loss of Participating Interest shares of crude oil shall pass to the Parties interested (or as the Parties may otherwise agree);

(B) Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, Participating Interest shares and grades of crude oil, for as far ahead as is necessary for Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of crude oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts;

(C) Nomination by the Parties to Operator of acceptance of their Participating Interest share of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire Participating Interest share arising during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the Parties may otherwise agree;

(D) Elimination of overlifts and underlifts;

(E) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

(F) Distribution to the Parties of Entitlements to ensure, to the extent Parties take delivery of their Entitlements in proportion to the accrual of such Entitlements, that each Party shall receive currently Entitlements of grades, gravities and qualities of Hydrocarbons similar to Hydrocarbons received by each other Party;

(G) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments; and

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(H) The option and the right of the other Parties to sell an Entitlement which a Party fails to nominate for acceptance pursuant to (C) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments. Sales to non-affiliated third parties shall be for the realized price f.o.b. the delivery point. Sales to any of the Parties or their Affiliates shall be at current market value f.o.b. the delivery point. The Party arranging the sale shall pay to the Party whose Entitlement is involved the above price after deduction of all costs, including storage costs, incurred in respect of such sale and a marketing fee of an agreed percentage of the applicable price less deductions, reflecting actual costs of disposal at immediate notice. Current market value shall be the value of the Entitlement in international markets (unless the Entitlement was required to be delivered into the Government's domestic market, in which case it shall be the value therein) between a

willing buyer and a willing seller and shall be agreed between the two Parties concerned, or failing agreement, determined by an expert to be appointed in accordance with procedures set forth in the offtake agreement.

9.3 Separate Agreement for Natural Gas

The Parties recognize that if natural gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Contract.

ARTICLE X ABANDONMENT OF WELLS

10.1 Abandonment of Wells Drilled as Joint Operations

(A) Any well which has been drilled as a Joint Operation and which is proposed to be plugged and abandoned shall not be plugged and abandoned without the consent of all Parties.

(B) Should any such Party fail to reply within the period prescribed in Article 5.12(A)(1) or Article 5.12(A)(2), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment. If all the Parties consent to abandonment, such well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.

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(C) If all Parties do not agree to the abandonment of such well, those wishing to continue operations shall assume financial responsibility over the well and shall be deemed to be Consenting Parties conducting an Exclusive Operation pursuant to Article VII. In the case of a producing well, the Consenting Parties shall be entitled to continue producing only from the Zone open to production at the time they assumed responsibility for the well.

(D) Consenting Parties taking over a well as provided above shall tender to each of the Non-Consenting Parties such Non-Consenting Parties' Participating Interest share of the value of the well's salvable material and equipment, determined in accordance with the Accounting Procedure, less the estimated cost of salvaging and the estimated cost of plugging and abandoning as of the date the Consenting Party assumed responsibility for the well; provided, however, that in the event the estimated plugging and abandoning and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning Parties shall continue to be liable pursuant to Article 7.3(B) for their respective Participating Interest shares of the estimated excess cost.

(E) Each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with Article 7.4(B), insofar and only insofar as such interest covers the right to obtain production from that wellbore in the Zone then open to production.

(F) Subject to Article 7.9(G), Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

10.2 Abandonment of Exclusive Operations

This Article shall apply mutatis mutandis to the abandonment of an Exclusive

Well or any well in which an Exclusive Operation has been conducted; provided that no well shall be permanently plugged and abandoned unless and until all Parties having the right to conduct further operations in such well have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article X.

ARTICLE XI
SURRENDER, EXTENSIONS AND RENEWALS

11.1 Surrender

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(A) If the Contract requires the Parties to surrender any portion of the Contract Area, Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to Article V, the size and shape of the surrendered area, consistent with the requirements of the Contract. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests shall be adopted. If no proposal attains the support of a simple majority of the Participating Interests, then the proposal receiving the largest aggregate Participating Interest vote shall be adopted. In the event of a tie, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Hydrocarbons are subsequently discovered under the surrendered area.

(B) A surrender of all or any part of the Contract Area which is not required by the Contract shall require the unanimous consent of the Parties.

11.2 Extension of the Term

(A) A proposal by any Party to extend the term of the Exploration or Exploitation Period or any phase of the Contract, a proposal to enter into a new phase of the Exploration Period, and a proposal to extend the term of the Contract shall be brought before the Operating Committee pursuant to Article V.

(B) Any Party shall have the right to extend the term of the Exploration or Exploitation Period or any phase of the Contract to enter into a new phase of the Exploration Period or extend the term of the Contract. Any Party not wishing to extend, shall have a right to withdraw, subject to the requirements of Article XIII.

ARTICLE XII
TRANSFER OF INTEREST OR RIGHTS

12.1 Obligation

(A) Subject always to the requirements of the Contract, the transfer of all or part of a Party's Participating Interest shall be effective only if it satisfies the terms and conditions of this Article.

(B) Except in the case of a Party transferring all of its Participating Interest, no transfer shall be made by any Party which results in the

transferor or the transferee holding a Participating Interest of less than _____ percent (5%) or holding any interest other than a Participating Interest in the Contract, the Contract Area and this Agreement.

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(C) The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the provision of the Contract or this Agreement prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Operating Committee, prior to the transferring Party notifying the other Parties of its proposed transfer.

(D) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless and until it obtains the necessary Government's approval and expressly undertakes in writing to perform the obligations of the transferor under the Contract and this Agreement in respect of the Participating Interest being transferred, to the satisfaction of the Parties and furnishes any guarantees required by the Government or the Contract.

(E) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless each Party has consented in writing to such transfer, which consent shall be denied only if such transferee fails to establish to the reasonable satisfaction of each Party its financial or technical capability to perform its obligations under the Contract and this Agreement.

(F) Nothing contained in this Article shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the Contract Area and in and under this Agreement for the purpose of security relating to finance provided that:

(1) such Party shall remain liable for all obligations relating to such interest;

(2) the encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement; and

(3) such Party shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

Check one Optional Alternative if desired.

OPTIONAL ALTERNATIVE NO. 1 - Preferential Rights

(G) Any transfer of all or a portion of Participating Interest whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an Affiliate, shall be subject to the following procedure:

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(1) Once the transferor Party and a proposed transferee (a third party or a Party) have fully negotiated the final terms and conditions of a transfer, such final terms and conditions shall be disclosed in detail to all Parties in a written notification from the transferor. Each Party shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within thirty (30) Days of transferor's written notification, such Party delivers to all other Parties a

counter-notification that it accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If no Party delivers such counter-notification, the transfer to the proposed transferee may be made, subject to the other provisions of this Article 12, under terms and conditions no more favorable to the transferee than those set forth in the notice to the Parties, provided that the transfer shall be concluded within one hundred eighty (180) Days from the date of the notice plus such reasonable additional period as may be required to secure governmental approvals.

(2) If more than one Party counter-notifies that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree; and

(3) In the event that a Party's proposed transfer of part or all of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction (package deal) then the consideration payable for the Participating Interest exclusively shall be allocated a reasonable and justifiable cash value by the transferor in any notification to the other Parties. Such other Parties may satisfy the requirements of this Article by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

[] OPTIONAL ALTERNATIVE NO. 2 - Right of First Negotiation

(G) Any transfer of all or a portion of a Party's Participating interest whether directly or indirectly by assignment, merger, consolidation, sale of stock, or other conveyance, other than with or to an Affiliate shall be subject to the following procedure:

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(1) In the event that a Party wishes to transfer any part or all of its Participating Interest, it shall send all other Parties written notification of its intention and invite them to submit offers therefor. The other Parties shall have thirty (30) Days from the date of such notification to deliver a counter-notification with a binding offer in accordance with Article 12.1(G)(3). If the prospective transferor Party accepts the offer, the prospective transferor and the offering Party shall have the next sixty (60) Days in which to negotiate in good faith and execute the terms and conditions of a mutually acceptable transfer agreement. If the prospective transferor does not find any Party's offer acceptable, or if sixty (60) Days elapse and it is evident to the prospective transferor that a fully negotiated agreement with an offering Party is not imminent, the prospective transferor shall be entitled for a period of one hundred eighty (180) Days, plus such reasonable additional period as may be necessary to secure governmental approvals, to transfer its Participating Interest to a third party subject to the obligations set forth in this Article, so long as terms and conditions of the transfer to a third party are more favorable to the prospective transferor than the best terms and conditions offered by any Party;

(2) If more than one Party counter-notifies the prospective transferor that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree;

(3) All Parties giving such counter-notice shall meet to formulate a joint offer. Each such Party shall make known to the other Parties the highest price or value in which it is willing to offer to the prospective transferor. The proposal with the highest price or value shall be offered to the prospective transferor as the joint proposal of the Parties still willing to participate in such offer under the provisions of (1) and (2) above;

(4) In the event that a Party's proposed transfer of part or all of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction (package deal), then the consideration payable for the Participating Interest exclusively shall be allocated a reasonable and justifiable cash value by the prospective transferor in any notification to the other Parties. Such other Parties may satisfy the requirements of this Article by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

12.2 Rights

(A) Each Party shall have the right, subject to the provisions of Article 12.1, to freely transfer its Participating Interest.

Check if desired.

OPTIONAL PROVISION

(B) If the transfer of all or a portion of a Party's Participating Interest whether directly or indirectly by, assignment, merger, consolidation, sale of stock, or other conveyance is part of a wider transaction (package deal) involving such assets, such transfer shall be subject to Article 12.1(G), only if such prospective transferor's Participating Interest represents _____ percent (35%) or more of the value of such wider transaction.

ARTICLE XIII WITHDRAWAL FROM AGREEMENT

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13.1 Right of Withdrawal

(A) Subject to the provisions of this Article, any Party may withdraw from this Agreement and the Contract by giving notice to all other Parties stating its decision to withdraw and specifying a proposed effective date of withdrawal which shall be at least sixty (60) Days, but not more than one hundred eighty (180) Days after the date of such notice. Such notice shall be unconditional and irrevocable when given.

(B) Notwithstanding Article 13.1(A) a Party shall not have the right to withdraw from this Agreement and the Contract until the Minimum Work Obligation set forth in the Contract has been fulfilled. However, if the Operating Committee or any Party decides to accept new Minimum Work Obligations by voluntarily extending the current or entering into a new exploration period under the Contract, a Party that voted against such decision shall not be prevented from withdrawing; provided that such Party delivers notice of its withdrawal to all Parties within thirty (30) Days of such vote pursuant to Article 11.2 and fully satisfies its outstanding Minimum Work Obligation, if any.

(C) Subject to Articles 13.1(A) and (B) and Article 13.5, the effective date of withdrawal for a withdrawing Party shall be the later of:

(1) The date proposed in the notice of withdrawal; or

(2) The date that the withdrawing Party has fulfilled its obligations

under this Article.

13.2 Partial or Complete Withdrawal

(A) Within thirty (30) Days of receipt each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Contract. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Contract and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Contract and this Agreement on the earliest possible date and execute and deliver all necessary instruments, and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 13.6.

(B) If any part of the withdrawing Party's Participating Interest remains unclaimed after sixty (60) Days from the date of the first notice of withdrawal, the Parties shall be deemed to have decided to withdraw from the Contract and this Agreement, unless at least one Party agrees to accept the unclaimed Participating Interest.

(C) Any Party withdrawing under Article 11.2 or under this Article shall:
(1)

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Check one Alternative.

ALTERNATIVE NO. 1

Withdraw from the entirety of the Contract Area, including all Exploitation Areas and all Discoveries made prior to such withdrawal, and thus abandon to the other Parties not joining in its withdrawal all its rights to Cost Oil and Profit Oil generated by Operations after such withdrawal and all rights in such associated Joint Property.

ALTERNATIVE NO. 2

Withdraw from all exploration activities under the Contract, but not from any Exploitation Area, Commercial Discovery, or Discovery whether appraised or not, made prior to such withdrawal. Such withdrawing Party shall retain its rights in the Joint Property but only insofar as they relate to any Exploitation Area, Commercial Discovery or Discovery whether appraised or not, and shall abandon all other rights in the Joint Property.

13.3 Voting

After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4 Obligations and Liabilities

(A) A withdrawing Party, prior to its withdrawal, shall satisfy all obligations and liabilities it has incurred or attributable to it prior to its withdrawal, including, without limitation, any expenditures budgeted and/or approved by the Operating Committee prior to its written notification of withdrawal (development projects included), and any liability for acts, occurrences or circumstances taking place or existing prior to its withdrawal. Furthermore, any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities

attributable to the withdrawing Party which are not identified or identifiable at the time of withdrawal.

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(B) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Contract Area) of the Operating Committee vote approving such operation or expenditure, nor shall such Party be liable for any operations or expenditures approved by the Operating Committee, excluding those approved pursuant to Article 13.5, after notice has been given pursuant to Article 13.1.

13.5 Emergency

A Party's notification of withdrawal shall not become effective if prior to the proposed date of withdrawal a well goes out of control or a fire, blowout, sabotage or other emergency occurs. The notification of withdrawal shall become effective only after the emergency has been contained and the withdrawing Party has paid, or has provided, security satisfactory to the Parties for its Participating Interest share of the costs of such emergency.

13.6 Assignment

A withdrawing Party shall assign its Participating Interest to each of the non-withdrawing Parties which shall be allocated to them in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Party.

13.7 Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments, and any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

Check one Alternative.

13.8 Abandonment Security

ALTERNATIVE NO. 1 - Short Form Abandonment Security

(A) A withdrawing Party shall provide Security satisfactory to the other Parties to satisfy any such obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, Security to cover the costs of an abandonment, if applicable.

ALTERNATIVE NO. 2 - Long Form Abandonment Security

If under the terms of the Contract or applicable law, the Parties are or become obliged to pay or contribute to the cost of abandonment, then the following provisions shall apply:

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(A) During preparation of a Development Plan, the Parties shall negotiate and agree a security agreement, which shall be completed and executed by all Parties participating in such Development Plan prior to application for

an Exploitation Area. The security agreement shall incorporate the following principles:

(1) Security shall be provided by each such Party for each Calendar Year commencing with the Calendar Year in which the Discounted Net Value equals one hundred twenty-five percent (125%) of the Discounted Net Cost.

(2) The amount of Security required to be provided by each such Party in any Calendar Year (including security previously provided which will still be current throughout such Calendar Year) shall be equal to the amount by which one hundred twenty-five percent (125%) of the Discounted Net Cost exceeds the Discounted Net Value.

"Discounted Net Cost" means that portion of each Party's anticipated before tax cost of abandoning a development in accordance with applicable law which remains after deduction of salvage value. Such portion should be calculated at the anticipated time of abandonment and discounted at the Discount Rate to December 31, of the Calendar Year in question.

"Discounted Net Value" means the value of each Party's estimated Entitlement which remains after payment of estimated liabilities and expenses required to win, save and transport such production to the delivery point and after deduction of estimated applicable taxes, royalties, imposts and levies on such production. Such Entitlement shall be calculated using estimated market prices and including taxes on income, discounted at the Discount Rate to December 31, of the Calendar Year in question. No account shall be taken of tax allowances expected to be available in respect of the costs of abandonment.

"Discount Rate" means the rate per annum equal to the one (1) month term, LIBOR rate for U.S. Dollar deposits as published by The Wall Street Journal or if not published then by the Financial Times of London effective as of thirty (30) Business Days prior to the start of a Calendar Year.

(B) Failure to provide Security shall constitute default under this Agreement.

(C) "Security" means a standby letter of credit issued by a bank or an on demand bond issued by a corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances, or, failing the provision of either of those, cash contributed to a secure fund administered by independent trustees and invested in _____.

13.9 Withdrawal or Abandonment by all Parties

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In the event all Parties decide to withdraw or are required to do so pursuant to this Article, the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of applicable law or to facilitate the sale, disposition or abandonment of property or interests held by the Joint Account.

ARTICLE XIV RELATIONSHIP OF PARTIES AND TAX

14.1 Relationship of Parties

The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to

create mining or other partnership, joint venture, association or trust, or as authorizing any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

14.2 Tax

Each Party shall be responsible for reporting and discharging its own tax measured by the income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from a failure or refusal to report and discharge such taxes or satisfy such obligations.

Check if desired.

[] OPTIONAL PROVISION

14.3 United States Tax Election

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(A) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership (and if the Parties have not agreed to form a tax partnership) each "U.S. Party" (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986 (the "Code") as permitted and authorized by Section 761 of the Code and the regulations promulgated under the Code. _____, to the extent required by Section 6231(a)(7) of the Code, is designated as the tax matters party, and is authorized and directed to execute for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Section 1.761 and 1.6031-1 d) (2). Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

(B) No such U.S. Party shall give any notice or take any other action inconsistent with the election made above. If any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each U.S. Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

(C) For the purposes of this Article, "U.S. Party" shall mean any Party which is subject to the income tax law of the United States of America in respect of operations under this Agreement.

(D) No activity shall be conducted under this Agreement that would cause any non U.S. Party to be deemed to be engaged in a trade or business within the United States of America under applicable tax laws and regulations.

(E) A Party which is not a U.S. Party shall not be required to do any act or execute any instrument which might subject them to the taxation jurisdiction of the United States of America.

ARTICLE XV
CONFIDENTIAL INFORMATION - PROPRIETARY TECHNOLOGY

15.1 Confidential Information

(A) Subject to the provisions of the Contract, the Parties agree that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract and for a period of _____ (2) years after expiration of the Contract to any person or entity not a Party to this Agreement, except:

(1) To an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article;

(2) To a governmental agency or other entity when required by the Contract;

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(3) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;

(4) Subject to Article 15.1(B), to potential contractors, contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such contractor's, consultant's or attorney's work;

(5) Subject to Article 15.1(B), to a bona fide prospective transferee of a Party's Participating Interest (including an entity with whom a Party is conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);

(6) Subject to Article 15.1(B), to a bank or other financial institution to the extent appropriate to a Party arranging for funding for its obligations under this Agreement;

(7) To the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Article 20.2;

(8) To its respective employees for the purposes of Joint Operations, subject to each Party taking customary precautions to ensure such data and information is kept confidential;

(9) Where any data or information which, through no fault of a Party, becomes a part of the public domain.

(B) Disclosure as pursuant to Article 15.1(A)(4), (5), and (6) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

15.2 Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality and any disputes shall be resolved in accordance with Article XVIII.

15.3 Proprietary Technology

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Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Parties; provided that where the cost of development of proprietary technology has been charged to the Joint Account, such proprietary technology shall be disclosed to all Parties bearing a portion of such cost and may be used by such Party, or its Affiliates, in other operations.

15.4 Trades

Notwithstanding the foregoing provisions of this Article, Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data, the cost of which has been charged to the Joint Account, so obtained to be furnished to all Parties. In such event, Operator must enter into an undertaking with any third party to such trade to keep such information confidential.

ARTICLE XVI FORCE MAJEURE

16.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure situation within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of said Force Majeure, and also estimate the period of time which said Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner, but shall not be obligated to settle any labor dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

16.2 Definition of Force Majeure

Check one Alternative.

ALTERNATIVE NO. 1

For the purposes of this Agreement, "Force Majeure" shall mean circumstances which were irresistible or beyond the reasonable control of the Party concerned.

ALTERNATIVE NO. 2

For the purposes of this Agreement, "Force Majeure" shall have the same meaning as is set out in the Contract.

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ARTICLE XVII NOTICES

Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement, shall be in

writing, in English and delivered in person or by registered mail or by courier service or by any electronic means of transmitting written communications which provides confirmation of complete transmission, and addressed to such Parties as designated below. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. "Received" for purposes of this Article with respect to written notice delivered pursuant to this Agreement shall be actual delivery of the notice to the address of the Party to be notified specified in accordance with this Article. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

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ARTICLE XVIII
APPLICABLE LAW AND DISPUTE RESOLUTION

18.1 Applicable Law

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This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England, excluding any choice of law rules which would refer the matter to the laws of another jurisdiction.

18.2 Dispute Resolution

Check one Alternative.

ALTERNATIVE NO. 1 - Courts

Each Party submit to the exclusive jurisdiction of the courts of England (or if jurisdiction is not granted by such court by another court having jurisdiction) for the purpose of finally resolving any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the validity, interpretation, enforceability or breach of this Agreement. Each Party irrevocably designates, appoints and empowers the agent specified below to receive on its behalf service of any and all process in any legal action or proceeding which may be instituted in the courts of _____, _____ in connection with any such dispute, controversy or claim:

A Party's submission to the jurisdiction of the courts of _____, _____ in accordance with the foregoing shall not limit the right of such Party to institute any legal action or proceeding for the enforcement of any order or judgment of such courts in any other court having jurisdiction.

ALTERNATIVE NO. 2 - Arbitration

(A) Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration, and any Party may submit such a dispute, controversy or claim to arbitration.

Check one Alternative.

ALTERNATIVE NO. 1

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(B) A single arbitrator shall be appointed by unanimous consent of the Parties. If the Parties, however, cannot reach agreement on an arbitrator within _____ (___) Days of the submission of a notice of arbitration, the appointing authority for the implementation of such procedure shall be the _____, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. If _____ refuses or fails to act as the appointing authority within ninety (90) Days after being requested to do so, then the appointing authority shall be _____, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim.

ALTERNATIVE NO. 2

(B) The arbitration shall be heard and determined by three (3) arbitrators.

Each side shall appoint an arbitrator of its choice within ____ (___) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within _____ (___) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party refuses to appoint its Party-appointed arbitrator within said _____ (___) Day period, the appointing authority for the implementation of such procedure shall be the INT. ARBIT. BOARD, Paris who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. If _____ refuses or fails to act as the appointing authority within ninety (90) Days after being requested to do so, then the appointing authority shall be _____, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

(C) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

- (1) The arbitration proceedings shall be held in London, England;
- (2) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;
- (3) The arbitrator(s) shall be and remain at all times wholly independent and impartial;
- (4) The arbitration proceedings shall be conducted in accordance with the Arbitration Rules of Paris,

Check one Alternative.

ALTERNATIVE NO. 1

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in effect on the Effective Date.

ALTERNATIVE NO. 2

as amended from time to time.

(5) Any procedural issues not determined under the arbitral rules selected pursuant to Article 18.2(C)(4) shall be determined by the law of the place of arbitration, other than those laws which would refer the matter to another jurisdiction;

(6) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrator(s);

(7) The decision of the sole arbitrator or a majority of the arbitrators, as the case may be, shall be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrator; made and promptly paid in U.S. Dollars free of any deduction or offset; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law, be charged against the Party resisting such enforcement;

(8) Consequential, punitive or other similar damages shall not be allowed; provided, however, the award may include appropriate punitive damages where a Party has engaged in delaying and dilatory actions;

(9) The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate;

(10) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be; and

(11) Whenever the Parties are of more than one nationality, the single arbitrator or the presiding arbitrator, as the case may be, shall not be of the same nationality as any of the Parties or their ultimate parent entities.

ARTICLE XIX
ALLOCATION OF COST RECOVERY RIGHTS

19.1 Allocation of Total Production

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For the purposes of recovery of Petroleum Costs, the total quantity of Hydrocarbons which are produced and saved from all Exploitation Areas in a Calendar Quarter and to which the Parties are entitled under the Contract shall be designated as either Cost Oil or Profit Oil. Such Cost Oil and Profit Oil shall be allocated among the Exploitation Areas in proportion to each Exploitation Area's total quantity of Hydrocarbons produced and saved in such Calendar Quarter with adjustments in quantities to reflect the differences in value if different qualities of Hydrocarbons are produced, segregated and sold separately.

19.2 Allocation of Cost Oil

Cost Oil allocated to each Exploitation Area pursuant to Article 19.1 shall be allocated to the Parties in proportion to their respective Participating Interests in each such Exploitation Area to the extent required to recover in the sequence incurred all Petroleum Costs which are specifically attributable to each such Exploitation Area and which are recoverable in such Calendar Quarter.

19.3 Allocation of Profit Oil

Profit Oil allocated to each Exploitation Area pursuant to Article 19.1, if any, shall be allocated among the Parties in proportion to their respective Participating Interests in each such Exploitation Area.

19.4 Allocation of Excess Cost Oil

Subject to the Contract, to the extent that the value, determined in accordance with Article 9.2(H), of the Cost Oil allocated to each Exploitation Area pursuant to Article 19.1 exceeds the Petroleum Costs which were specifically attributable to each such Exploitation Area and which were recovered pursuant to Article 19.2, the excess ("Excess Cost Oil") shall be allocated as follows:

(A) First, a percentage (equal to the percentage of Profit Oil, if any, to which the Parties would have been entitled during such Calendar Quarter if the Contract applied separately to each such Exploitation Area) of the Excess Cost Oil shall be allocated among the Parties in proportion to their respective Participating Interests in each such Exploitation Area;

(B) Second, the Excess Cost Oil that is not allocated pursuant to Article 19.4(A) shall be allocated among the Parties in proportion to their respective Participating Interests as set out in Article 3.1(A) in order to

recover in the sequence incurred any Petroleum Costs which were incurred in the conduct of Joint Operations and which are recoverable in such Calendar Quarter; and

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(C) Third, the Excess Cost Oil that is not allocated pursuant to Article 19.4(A) or Article 19.4(B) shall be allocated among the Parties in proportion to their respective Participating Interests in each Exclusive Operation in order to recover in the sequence incurred any Petroleum Costs which were incurred in the conduct of Exclusive Operations and which are recoverable in such Calendar Quarter.

ARTICLE XX
GENERAL PROVISIONS

20.1 Conflicts of Interest

(A) Each Party undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.

(B) The provisions of the preceding paragraph shall not apply to:

(1) A Party's performance which is in accordance with the local preference laws or policies of the host government; or

(2) A Party's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with rules and procedures established by the Operating Committee.

20.2 Public Announcements

(A) Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations; provided that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two (2) non-affiliated Parties holding fifty percent (50%), or more, of the Participating Interests has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

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(B) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless prior to its release, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) non-affiliated Parties holding fifty percent (50%) or more of the Participating Interests; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party as set forth in Articles 15.1(A)(3) and (7).

20.3 Successors and Assigns

Subject to the limitations on transfer contained in Article XII, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

20.4 Waiver

No waiver by any Party of any one or more defaults by another Party in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Agreement no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

20.5 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

20.6 Modifications

Except as is provided in Article 20.5, there shall be no modification of this Agreement except by written consent of all Parties.

20.7 Headings

The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be bound in any particular Article.

20.8 Singular and Plural

Reference to the singular includes a reference to the plural and vice versa.

20.9 Gender

Reference to any gender includes a reference to all other genders.

20.10 Counterpart Execution

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This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided no Party shall be bound to this Agreement unless and until all Parties have executed a counterpart. For purposes of assembling all counterparts into one document, Operator is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

20.11 Entirety

This Agreement is the entire agreement of the Parties and supersedes all prior understandings and negotiations of the Parties. WITH THE EXCEPTION OF AGREEMENT # MARCH 8, 1992 AND AMENDED ON FEBRUARY 25/93.

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IN WITNESS of their agreement each Party has caused its duly authorized

representative to sign this instrument on the date indicated below such representative's signature.

YINKA FOLAWIYO PETROLEUM COMPANY LIMITED

(Company Name)

By: /S/ Tunde Folawiyo

T.B. Folawiyo

(Print or Type name)

Title: Executive Director

Date: March 13, 1992

LIBERTY TECHNICAL SERVICES LIMITED

(Company Name)

By: /s/ Wade Cherwayko

W.G. Cherwayko

(Print or Type name)

Title: President

Date: March 13, 1992

(Company Name)

By:

(Print or Type name)

Title:

Date:

(Company Name)

By:

(Print or Type name)

Title:

Date:

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<SEQUENCE>22

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EXHIBIT 10.17

PROJECT MANAGER AGREEMENT

THIS AGREEMENT is made and entered into effective the 8th day of March, 1992 by and between:

YINKA FOLAWIYO PETROLEUM CO. LTD.
(hereinafter referred to as "Owner/Operator")

AND

LIBERTY TECHNICAL SERVICES LTD.
(hereinafter referred to as "Technical Partner")

and

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.
(hereinafter referred to as "Abacan")

WHEREAS Technical Partner and Yinka Folawiyo Petroleum Company Limited ("Owner") are parties to that certain Joint Venture Agreement dated March 8, 1992 ("Joint Venture Agreement") and the Joint Operating Agreement and Accounting Procedure attached thereto as Schedule "B" ("JOA") relating to the exploration, development and production sharing of Oil Prospecting Licence No. 309 in the Benin Basin, Nigeria ("Concession");

WHEREAS Owner is designated as Operator under the JOA;

WHEREAS Owner and Technical Partner entered into an agreement dated March 8, 1992 wherein Technical Partner agreed to provide Owner certain administrative and technical assistance in carrying out its duties and responsibilities as Operator under the JOA ("Technical Assistance Agreement");

WHEREAS Technical Partner wishes to contract the services of Abacan who has the necessary qualified administrative, technical, and professional personnel to carry out the duties of Project Manager pursuant to the JOA and the Technical Assistance Agreement;

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

1. Abacan is designated Project Manager as outlined in the Technical Assistance Agreement for the Concession and Abacan agrees to perform the responsibilities and duties set out in the JOA in accordance with the terms of this Agreement, the Technical Assistance Agreement and the JOA.

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2. As Project Manager, Abacan will have the general responsibility of carrying out the duties and responsibilities as Operator of the Concession under the terms of the JOA and without restricting the generality of the foregoing, Project Manager will:

- (i) establish an Operating Committee comprised of representatives from Owner, Technical Partner and Abacan;
- (ii) prepare Work Programs, Budgets and Authorizations for Expenditures for approval by the Operating Committee;
- (iii) prepare and issue Cash Calls for operations approved by the Operating Committee;
- (iv) carry out operations on the Concession in accordance with the Work Programs and Authorizations for Expenditures approved the Operating Committee;

- (v) prepare and issue statements, billing and adjustments relating to operations carried out on the Concession.
3. Abacan will be compensated for its duties hereunder in accordance with the provisions of the Accounting Procedure attached as an Exhibit to the JOA and the management agreement attached hereto.
4. The terms of this Agreement will be in effect for a period of five (5) years from the date hereof and may be renewed for a further period of five (5) years with the approval of the parties hereto. These periods are however subject to earlier termination if in the opinion of the Joint Operating Committee the Owner/Operator is deemed technically capable of performing its function as Operator.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed in duplicate by their authorized representatives effective as of the day and year first above written.

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

ABACAN INTERNATIONAL RESOURCE MANAGEMENT INC.

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Per: /s/ Wade Cherwayko

YINKA FOLAWIYO PETROLEUM COMPANY LTD.

Per: /s/ Tunde Folawiyo

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EXHIBIT 10.18

TECHNICAL ASSISTANCE AGREEMENT

THIS AGREEMENT is made and entered into effective the 8th day of March, 1992, by and between YINKA FOLAWIYO PETROLEUM COMPANY LIMITED (hereinafter referred to as OPERATOR), and LIBERTY TECHNICAL SERVICES LTD., (hereafter referred to as "TECHNICAL Adviser"), both companies (hereinafter collectively referred to as "the Parties") being incorporated and existing under the laws of the Federal Republic of Nigeria, (hereinafter referred to as "NIGERIA").

WHEREAS YINKA FOLAWIYO PETROLEUM COMPANY LIMITED and LIBERTY TECHNICAL SERVICES LTD. are Parties to that certain Joint Operating Agreement of even date herewith, covering petroleum operations on block 309, Nigeria (hereinafter referred to as "JOA"). wherein YINKA FOLAWIYO PETROLEUM COMPANY LIMITED is

designated as the Operator and LIBERTY TECHNICAL SERVICES LTD. is designated as the Technical Adviser, and

WHEREAS, YINKA FOLAWIYO PETROLEUM COMPANY LIMITED requires certain administrative and technical assistance in carrying out its duties and responsibilities as Operator under the JOA; and

WHEREAS, LIBERTY TECHNICAL and its affiliated companies have the necessary qualified, administrative technical and professional personnel to assist YINKA FOLAWIYO PETROLEUM COMPANY LIMITED in carrying out its duties and responsibilities as Operator.

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

1. DEFINITIONS

Except as otherwise defined herein, the terms used herein shall have the same meaning as set forth in the JOA.

11. TECHNICAL Adviser AND ASSISTANCE

2.1 Designation: In accordance with JOA, the Parties designate LIBERTY TECHNICAL SERVICES Technical Adviser for OPL 309 and LIBERTY TECHNICAL SERVICES agrees to accept and perform the responsibilities and duties associated therewith.

2.2 Duties and Responsibilities: The Technical Adviser has to general responsibility of assisting YINKA FOLAWIYO PETROLEUM COMPANY LIMITED in carrying out its responsibilities as Operator for OPL 309 and, in so doing, to further assist in establishing itself as a fully competent petroleum company holding international recognition to fulfill its responsibilities, the Technical Adviser shall:

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- a) In accordance with the JOA establish a Technical Transfer Plan in conduction with YINKA FOLAWIYO PETROLEUM COMPANY LIMITED.
- b) carry out the duties and responsibilities assigned to the Technical Adviser in the JOA subject to the laws of Nigeria, and
- c) in accordance with the JOA hereof, provide YINKA FOLAWIYO PETROLEUM COMPANY LIMITED with assistance and guidance in the development and execution of training plans and programs in order to develop competent Nigerian personnel, and

2.3 Working Relationship:

- a) In the conduct of the Joint Operations contemplated in the JOA, the technical Adviser and YINKA FOLAWIYO PETROLEUM COMPANY LIMITED shall fully consult with each other on a regular basis, in a harmonious manner and as frequently as may be required, for the purpose of reviewing and scheduling the activities being carried out under this Agreement.
- b) Nothing contained herein shall be construed as representing any assignment by YINKA FOLAWIYO PETROLEUM COMPANY LIMITED of its responsibility as Operator of OPL 309. LIBERTY TECHNICAL SERVICES LTD. shall always fulfill its responsibilities and perform the duties described herein under the general direction of the Operator.

2.4 Training:

1. In providing the training assistance, the Technical Adviser shall, in accordance with training plans and programs approved by the Operating

committee, do all that can be reasonable required to result in each Nigerian employee of the Operator, reaching the highest possible level of qualification. Without limiting the generality of the foregoing, it is contemplated that the Technical Adviser shall:

- a) assist YINKA FOLAWIYO PETROLEUM COMPANY LIMITED in the development of training programs, both for separate individuals and groups of trainees.
- 2b. such Technical Assistance and Training Committee shall operate in Advisery capacity only and any decision or advice taken or given respectively shall be subject to the approval of the Operating Committee.

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111. ESTABLISHMENT OF PRESENCE IN NIGERIA

- 3.1 Offices and Employment: YINKA FOLAWIYO PETROLEUM COMPANY LIMITED acknowledges and recognizes that the services to be provided by the Technical Adviser will require the Technical Adviser to establish separate offices of its own in Nigeria, the number of employees required to perform such services will be at the sole discretion of the Technical Adviser; however, the Technical Adviser warrants that it will employ no more than the number of employees with may reasonable be required to carry out such services.
- 3.2 Personnel: Any of LIBERTY TECHNICAL SERVICES LTD. or its affiliates= personnel performing services under this Agreement shall remain at all times the employees of LIBERTY TECHNICAL SERVICES LTD. or its affiliates and shall not, for any purposes, be regarded as employees of YINKA FOLAWIYO PETROLEUM COMPANY LIMITED. LIBERTY TECHNICAL SERVICES LTD. or its affiliates shall remain solely responsible for the payment of their salaries and benefits. LIBERTY TECHNICAL SERVICES LTD. may, at any time, transfer and replace any such personnel.
- 3.3 Visas and Work Permits: In those cases where the Technical Adviser determines it is necessary to fill a vacant position in its organization with an expatriate employee, YINKA FOLAWIYO PETROLEUM COMPANY LIMITED pledges, if necessary, to use its good offices to assist in obtaining any visas, work permits or other like permits which may be required by the Government.

V - CONFIDENTIALITY

- 5.1 confidential data and Information: Each Party undertakes that, without the prior written consent of all the other Parties, it will treat as confidential and prevent disclosure to any third parties of all data and information relating to the License area or operations undertaken pursuant to this agreement. This obligation shall continue throughout the term of this Agreement or for five (5) years following termination of the License, whichever is the later. Consent is hereby given for each Party such information and data to its Affiliate and to persons and contractors engaged by the Operator and/or the Technical Adviser to the extent required for efficiently carrying out Joint Operations, to counsellors of any party including legal counsel, lending organizations and external professional consultants used by any Party to secure financing auditors, and prospective third party assignees provided that such Affiliates and such other parties accept a strict obligation to maintain the confidential nature of the date of information disclosed and not to divulge such data or information to other parties without prior written consent. With respect to all parties other than affiliates, acceptance of the confidentiality obligation set forth in the the previous sentence shall be in writing. The provisions of this Article shall not apply to data or information which, through no fault of the disclosing Party, has become a part of the public domain. The provisions of this Article have no application to any disclosure required

by the applicable laws and regulations. however, prior to any such disclosure, the disclosing Party shall inform the other Parties with as much notice as possible so that they may have the opportunity to contest the government's right to require such disclosure.

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5.2 Trading Rights: The Operator and/or the Technical Adviser nay, only with the prior written approval of the Operating Committee and on such terms and conditions as it may determine, exchange any such data and information for other similar data and information and the Operator and/or the Technical Adviser shall promptly provide the Parties with a conformed copy of the agreement relating to such exchange and all such data and information.

VI - ASSIGNMENTS

6.1 Limitations on Assignments: PARTIES may assign this Agreement to any of their parents affiliates or subsidiaries, and may subcontract any other services to be provided hereunder to a parent, affiliate, subsidiary o third party. Provided that the consent of the other party is sought and obtained prior to any such assignment.

ASSIGNMENT

6.1a) LIBERTY TECHNICAL SERVICES LTD hereby assigns its obligations and duties rights as outlined in this agreement and the Joint Venture Agreement along with its attached operating and accounting procedures to ABACAN International Resource Management Inc., and its affiliated companies in Nigeria.

VII - TERM

7.1 Term: Unless otherwise mutually agreed by the Parties hereto, this Agreement shall continue enforce until such time as Liberty Technical Services limited divests itself o fall its rights, title and interest in OPL 309 or the Oil mining Lease covering OPL:309 upon its termination or for a period of ten years, whichever occurs first.

VIII - ARBITRATION

8.1 Any dispute arising out or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the Rules of the London court or international Arbitration, with Rules are deemed to be Incorporated by reference into this clause;

The governing law of the Agreement shall be the substantive law of NIGERIA.

The tribunal shall consist of a three/member tribunal and two of them shall be nominated by the parties on the two respective sides.

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The place of arbitration shall be London, England. the language of the arbitration shall be English.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in duplicate by their authorized representatives effective as to the day and year first above written.

By: /s/ T.B. Folawiyo

T.B. Folawiyo
Executive Director
YINKA FOLAWIYO PETROLEUM COMPANY LIMITED

By: /s/ Wade G. Cherwayko

Wade G. Cherwayko
President
LIBERTY TECHNICAL SERVICES LTD

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Exhibit 10.19

JOINT VENTURE AGREEMENT

BETWEEN

OPTIMUM PETROLEUM DEVELOPMENT LIMITED

AND

AGBARA RESOURCES LIMITED

NIGERIAN OIL PROSPECTING LICENCE 310

Ince & Co.
Knollys House
11 Byward Street
London EC3R 5EN

Tel: 0171 623 2011
Fax: 0171 623 3225
Ref: OW/JL/KAG/79/60/440

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THIS JOINT VENTURE AGREEMENT is executed at Lagos, Nigeria on November 27, 1996 and made effective as of November 27, 1996 by and between:

OPTIMUM PETROLEUM DEVELOPMENT LIMITED, of 18E, Gerrard Road, Ikoyi, Nigeria (hereinafter referred to as the "Owner/Operator")

and

AGBARA RESOURCES LIMITED, of 7th Floor, Folawiyo Plaza, 38 Warehouse Road, Apapa, Lagos, Nigeria, (hereinafter referred to as "Technical Partner")

WHEREAS:

- (a) The Minister approved the allocation of Oil Prospecting Licence No. 310 ("OPL 310") to the Owner/Operator by a letter of allocation dated February 3, 1992 and referenced as PI.BAL/3750/V.3/49.
- (b) In accordance with the letter of allocation referred to above, the Minister issued OPL 310 to the Owner/Operator on July 27, 1993.
- (c) OPL 310 has a term of five years commencing February 3, 1992 and grants to the Owner/Operator the right inter alia, to prospect for Petroleum in and under the area identified as being subject to the terms of the OPL 310.
- (d) The letter of allocation and applicable Government legislation and policy stipulates that the Owner/Operator is entitled to transfer a Participating Interest in OPL 310 and the Owner/Operator has agreed to transfer such a Participating Interest to the Technical Partner with full title guarantee, free from liens, charges, equities and/or other encumbrances.
- (e) It is an express term of this Agreement that in view of the remaining term of the current OPL 310, the Owner/Operator is required to obtain an extension or renewal OPL for Concession Block 310.
- (f) The Owner/Operator and the Technical Partner have agreed to establish a joint venture for the purposes of joint exploration, development, production, sale, disposal and export of Petroleum won and saved pursuant to OPL 310 and any extension, or renewals thereof, from that area hereinafter defined as Concession Block 310, subject to and in accordance with the terms hereof.

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, the Parties hereby agree as follows:

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ARTICLE I - DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, and the recitals and schedules attached hereto, the following words and expressions shall have the meanings respectively set opposite them:

"ACCOUNTING PROCEDURE" means the accounting procedure attached to and forming part of the Joint Operating Agreement in effect from time to time.

"AFFILIATE" means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls a Party,

and for the purpose hereof, "CONTROL" means the ownership directly or indirectly of more than seventy-five (75%) percent of the shares or voting rights or privileges in a company, partnership or legal entity.

"AGREEMENT" "hereof", "herein", "hereto" and similar expressions means this Joint Venture Agreement together with the schedules attached hereto and any amendment or amendments made between the Parties in writing from time to time.

"COMMERCIAL QUANTITIES" means Petroleum in such quantities which, in the opinion of the Technical Partner merits, and/or under the terms of prevailing Government legislation or policy permits the Parties to make a joint application to the Minister for an Oil Mining Lease, said OML to be issued if possible in the joint names of both Parties as set forth in Article V herein.

"CONCESSION BLOCK 310" means the surface area to which the rights for Petroleum prospecting, exploration, development, production, sale, disposal and export conferred by OPL 310 are applicable, and which area is identified in red upon a survey plan attached to the formal Oil Prospecting Licence document issued by the Ministry, or elsewhere within the records of the Ministry and which term shall throughout this Agreement include any and all extensions or renewals to the term of OPL 310 that may be granted by the Ministry, any extension or renewal oil prospecting licence effecting the same or a similar geographic area issued by the Ministry or any oil mining leases arising therefrom.

"COST OIL" means forty (40%) percent of the total production of Petroleum from Concession Block 310 which is allocated to the Technical Partner for the recovery of Petroleum Costs.

"EFFECTIVE DATE" means the 27 day of November, 1996;

"GOVERNMENT" means the national government of the Federal Republic of Nigeria as represented by the Minister and/or the Ministry of Petroleum Resources.

"JOINT ACCOUNT" means that account or accounts established and maintained by the Technical Partner in accordance with the provisions of this Agreement and the Joint Operating Agreement, the costs of which are chargeable to the Parties in accordance with their Participating Interest of Petroleum Costs.

"JOINT OPERATING AGREEMENT" OR "JOA" means the Development Phase Joint Operating Agreement, the Exploration and Production Phase Joint Operating Agreement, and/or the Decommissioning Phase Joint Operating Agreement, as the case may be to be entered into between the Parties during the term of OPL 310 and/or OML 310 as appropriate, in compliance with the provisions of Article X hereof, and which agreement shall govern all present and future Joint Operations performed on Concession Block 310.

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"JOINT OPERATIONS" means such field development and decommissioning activities involving without limitation, acquisition, seismic operations, exploration, development, exploitation, production, sale, disposal and export of Petroleum won and saved from Concession Block 310, all decommissioning activities performed thereon, together with any other activity which is desirable in the reasonable opinion of the Technical Partner, and/or necessary to comply with good oil field practice. All Petroleum Costs incurred in respect of Joint Operations shall be for the Joint Account of the Parties hereto pro rata with their respective Participating Interest of Petroleum Costs.

"JOINT PROPERTY" means, at any particular time, all wells, reservoirs (whether discovered or not), facilities, equipment, materials, information, funds and other property held for the Joint Account and owned by the Parties pro rata their respective Participating Interest of Production.

"MINIMUM WORK OBLIGATIONS" means those work and/or expenditure obligations

which must be performed or completed as part of the Work Program in order to satisfy the minimum work and expenditure obligations specified and established by the Ministry in OPL 310 or any extensions or renewals thereof, and which obligations are set out in Schedule "B" hereto.

"MINISTER" means the Honourable Minister of the Ministry of Petroleum Resources of the Government.

"MINISTRY" means the Ministry of Petroleum Resources of the Government. "OIL MINING LEASE 310" OR "OML 310" means the oil mining lease issued or issuable in the joint names of the Owner/Operator and the Technical Partner by the Ministry following the submission of a joint application to the Ministry as set out in Article V herein. The application for OML 310 shall occur following the Technical Partner's determination that Commercial Quantities exist and/or have been satisfied and/or satisfaction of the Minimum Work Obligations, and which OML allows for continued long term exploration, development, production, sale, disposal and export of Petroleum won and saved from Concession Block 310 in direct continuation of those rights previously granted to the Owner/Operator under OPL 310 or any extensions or renewals thereof, all in accordance with applicable Government legislation and administrative policy.

"OIL PROSPECTING LICENCE NO. 310" OR "OPL 310" means Oil Prospecting Licence No. 310 issued by the Minister to the Owner/Operator in accordance with the provisions of applicable Government legislation on February 3, 1992, having a term of 5 years from the date thereof and when used herein shall include (a) all rights, title and interest granted by the Ministry therein, (b) any extension or renewal of the existing oil prospecting licence and any new or replacement oil prospecting licence issued by the Ministry to the Owner/Operator following the expiry of the term of the current oil prospecting licence effecting the same or substantially the same geographic area or any part thereof, and (c) all schedules and plans attached thereto or referred to therein pursuant to which the Owner/Operator (and the Technical Partner by virtue of this Agreement) have acquired an interest in all Petroleum found and produced within the geographic area defined and described in the oil prospecting licence and any extensions or renewals thereof including specifically the right to prospect for, save and remove, export and dispose by way of sale, any such Petroleum discovered.

"OWNER/OPERATOR" means Optimum Petroleum Development Limited of Lagos, Nigeria.

"OPERATING COMMITTEE" means the that committee designated as the Operating Committee in accordance with the provisions of the JOA and which is established in accordance with the terms of Article X.

"PARTICIPATING INTEREST" means the undivided interest of each Party, expressed as a percentage, in the rights, benefits and obligations established by this Agreement, as set forth and described in Article VI and Article VII hereof.

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"PARTICIPATING INTEREST OF PETROLEUM COSTS" means the undivided interest of each Party, expressed as a percentage, in the right, benefits and obligations established by this Agreement, as more particularly set forth and described in Article VI hereof.

"PARTICIPATING INTEREST OF PRODUCTION" means the undivided interest of each Party, expressed as a percentage, in the rights and benefits and obligations established by this Agreement, as more particularly set forth and described in Article VII hereof.

"PARTY" means any one party to this Agreement and any permitted successors or assigns in accordance with the provisions of this Agreement.

"PARTIES" mean collectively the Owner/Operator and Technical Partner.

"PAYOUT" means that point in time when gross revenues from the sale of Cost Oil is equal to the Petroleum Costs in respect of Concession Block 310.

"PETROLEUM" means all mineral oil (or any related hydrocarbons), natural gas as it exists in its natural strata (including condensate, sulphur and any and all other liquid and gaseous hydrocarbons) and does not include coal or bituminous states or other stratified deposits from which oil can be extracted by destructive distillation.

"PETROLEUM COSTS" means all obligations, liabilities, costs, claims and expenses of whatever nature incurred by the Technical Partner, both within and outside of Nigeria, whether incurred before, during or after the commencement of the Minimum Work Obligations and/or commencement of Joint Operations on Concession Block 310 or any extension thereof, and any and all operations thereon, or in respect thereof. All such costs incurred shall be allocated to the Joint Account whether those costs were incurred before or after the Effective Date hereof. For the avoidance of doubt, any and all costs associated with decommissioning of field operations of whatever nature on Concession Block 310 are included within this definition of Petroleum Costs.

"PROFIT OIL" means that percentage of the total production of Petroleum from Concession Block 310, in excess of Cost Oil and Tax Oil (being 30% before payout), which is allocated to the Parties in accordance with the provisions of Article VII hereof.

"TAX OIL" means thirty percent (30%) of the total production of Petroleum from Concession Block 310 which is allocated to the Government as full payment of any and all royalties, taxes and petroleum profits taxes or other similar assessments and includes any oil which the Government elects, in its sole discretion, to take in kind.

"TECHNICAL ASSISTANCE AGREEMENT" means the Technical Assistance Agreement between the Technical Partner and Owner/Operator setting forth the terms of the technical and operational support to be provided by the Technical Partner to the Owner/Operator, and which agreement is appended hereto as Schedule "C".

"TECHNICAL PARTNER" means Agbara Resources Limited with an office in Lagos, Nigeria.

"WORK PROGRAM" means the general work program and Joint Operations to be conducted on Concession Block 310, to be prepared by the Technical Partner and approved by the Ministry.

1.2 Appended hereto are the following schedules:

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- Schedule "A" - OPL 310 and related correspondence and documentation from the Ministry issued as of the Effective Date hereof
- Schedule "B" - Minimum Work Obligations
- Schedule "C" - Technical Assistance Agreement

All schedules referred to above are incorporated into and form part of this Agreement.

1.3 Wherever any provision of any schedule to this Agreement conflicts with any provision in the body of this Agreement, the provisions of the body of this Agreement shall prevail. Reference herein to a schedule shall mean a reference to a schedule to this Agreement. References in any schedule to the Joint Venture Agreement shall mean a reference to this Agreement.

1.4 Time shall be of the essence hereof.

1.5 The division of this Agreement into headings, sections, subsections,

clauses, subclauses, and paragraphs and the provision of headings herein is for convenience of reference only and shall not affect the interpretation of this Agreement.

1.6 In this Agreement, where the context requires, the singular shall include the plural and the plural shall include the singular.

1.7 All references to currency, unless otherwise specified, are to lawful money of the United States of America.

ARTICLE II - SCOPE

2.1 The Parties hereby undertake and agree subject to and in accordance with the terms of this Agreement, to associate and participate together in a joint venture for the conduct of Joint Operations on Concession Block 310. In particular, the Parties agree that they shall at all times, use their best endeavours to facilitate joint exploration, field development, exploitation, production, sale and disposal, export of Petroleum won and saved and all decommissioning activities relating thereto, together with other activities necessary in the reasonable opinion of the Technical Partner to facilitate exploration and development of Concession Block 310.

2.2 During the continuance of this Agreement, both the Owner/Operator and the Technical Partner shall, in respect of any and all Joint Operations or other operations performed on or under Concession Block 310, use their best endeavours to ensure that such operations are conducted at all times in compliance with good oil field practice. Each of the Parties shall continue to act at all times in the manner which shall (a) ensure the continued good standing of OPL 310 or any extensions or renewals thereof and/or OML 310 as appropriate, (b) maintain the integrity of any Petroleum reservoirs contained within Concession Block 310, and (c) ensure compliance with the terms of all contracts entered into in respect of Concession Block 310 which are necessary for the conduct of Joint Operations thereon.

ARTICLE III - GOVERNMENT APPROVAL

3.1 The Owner/Operator will forthwith provide the Technical Partner with satisfactory evidence that the Owner/Operator is the lawful and legal licensee of OPL 310, that OPL 310 is valid and subsisting, that the Owner/Operator is not in default thereof and that all terms imposed by the Minister and Ministry in respect of OPL 310 are at any particular time including the Effective Date, in good standing.

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3.2 The Owner/Operator will supply the Technical Partner with a copy of any and all documentation confirming the Owner/Operator's legal and beneficial ownership interest of OPL 310 and any extensions or renewals thereof. In particular the Owner/Operator accepts that it is required to demonstrate to the satisfaction of the Technical Partner that it has full title guarantee, free from any liens, charges, equities or other encumbrances in respect of OPL 310 and/or OML 310 as applicable.

3.3 The Owner/Operator shall also provide the Technical Partner with any amendments and correspondence relating to its ownership interest in OPL 310, including any and all applications for extensions or renewals thereof together with copies of all geological, geophysical and any other technical data which the Owner/Operator has in its possession relating to Concession Block 310 or immediately surrounding concession blocks.

3.4 The Owner/Operator agrees with the Technical Partner that it shall promptly provide the Technical Partner with true copies of all correspondence concerning OPL 310 and, when applicable, OML 310 that are issued by the Owner/Operator and/or the Ministry.

3.5 The Owner/Operator acknowledges to the Technical Partner that it shall continuously maintain OPL 310 and/or OML 310 as applicable, in good standing with the Government without interruption, and shall upon request by the Technical Partner provide the Technical Partner with satisfactory evidence of compliance with the provisions contained herein. The Technical Partner shall be entitled to receive notice of and attend at any and all meetings effecting OPL 310 and any renewals or extensions thereof and OML 310 as applicable, between the Owner/Operator and the Ministry.

ARTICLE IV - EXPLORATION PROGRAM

4.1 The Parties shall carry out an exploration program upon Concession Block 310 in accordance with the Work Program and which Work Program will, upon completion be sufficient to meet the Minimum Work Obligations imposed by the Ministry in respect of OPL 310, and any renewals or extensions thereof, and which Minimum Work Obligations shall be sufficient to secure each of the Parties with a Participating Interest of Production produced from Concession Block 310.

4.2 The conduct of the Work Program and all Joint Operations on Concession Block 310 shall be in accordance with the terms of the JOA and in accordance with prevailing good oil field practice.

ARTICLE V - APPLICATION FOR OIL MINING LEASE

5.1 In the event that Petroleum is discovered in Commercial Quantities on Concession Block 310 and/or the Parties have complied with the Minimum Work Obligations set forth in OPL 310 or any renewals or extensions thereof, the Owner/Operator together with the Technical Partner shall collectively make a joint application on behalf of both Parties to the Ministry for OML 310 at the earliest possible date. The application shall specifically request that the OML be jointly issued in the names of both the Owner/Operator and the Technical Partner.

ARTICLE VI - PARTICIPATING INTEREST OF PETROLEUM COSTS

6.1 All Petroleum Costs incurred in respect of Joint Operations whether incurred before or after the Effective Date carried out in respect of Concession Block 310, before Payout, shall be allocated as follows:

Owner/Operator	0%
Technical Partner	100%

6.2 All Petroleum Costs incurred in respect of Joint Operations carried out in respect of Concession Block 310, after Payout, shall be shared and allocated as follows:

Owner/Operator	60%
Technical Partner	40%

6.3 All Petroleum (subject to Tax Oil), Joint Property and any and all other equipment, material or property of whatsoever nature related to the

conduct of any Joint Operations on Concession Block 310 (other than equipment or property that is leased from third parties) and any other assets acquired by the Parties pursuant to the terms of this Agreement from time to time shall be owned by the Parties in accordance with their respective Participating Interest of Petroleum Costs.

6.4 Unless otherwise provided in this Agreement, the obligations of the Parties herein and all liabilities and expenses incurred by the Technical Partner in connection with the Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, all in accordance with their respective Participating Interest of Petroleum Costs.

6.5 Each of the Parties hereby covenants to contribute and/or pay the Petroleum Costs which shall include the Technical Partner's assessment of decommissioning costs (such costs to be assessed in accordance with good oil field practice), in an amount equal to its respective Participating Interest of Petroleum Costs from time to time, and to bear all Petroleum Costs paid or incurred pursuant to this Agreement on behalf of such Party or Parties in portions equal to their Participating Interest of Petroleum Costs.

6.6 Any tax credits, royalty credits or reduction in Tax Oil or any other benefits generated by or resulting from or arising in connection with Joint Operations carried out on Concession Block 310 shall be shared and allocated equally between the Parties.

ARTICLE VII - PARTICIPATING INTEREST OF PRODUCTION

7.1 The Owner/Operator hereby acknowledges and confirms that the Technical Partner is entitled to its Participating Interest of Production for Concession Block 310 as set forth in Paragraph 7.2 below.

7.2 All benefits, revenues and receipts of whatsoever nature as same relate to the sale of Petroleum produced from Concession Block 310 shall be shared and allocated as follows:

(a) Before Payout:

	Cost Oil -----	Tax Oil -----	Profit Oil -----
Technical Partner	40%	0%	20%
Owner/Operator	0%	0%	10%
Government	0%	30%	0%

(b) After Payout:

	Cost Oil -----	Tax Oil -----	Profit Oil -----
Technical Partner	0%	0%	30%
Owner/Operator	0%	0%	40%
Government	0%	30%	0%

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7.3 In the event the Government elects to exercise its right to participate in the development of Concession Block 310 such rights to include the benefits and obligations associated with such participation, the Participating Interest of Production of the Parties will be amended accordingly, on a pro rata basis, based upon the level of Government participation provided however that the Participating Interest of Production of the Technical Partner shall in no event be reduced to less than 24%. The Parties agree to execute such documents as may be necessary to reflect any such transfer of interest and joinder of the Government as a party to the terms of this Agreement.

7.4 Subject to Article 7.3, the Owner/Operator agrees with the Technical Partner that in the event that Tax Oil payable to the Government exceeds 30%, that there will be no reduction to the Technical Partner's Participating Interest of Production to less than 24%.

7.5 In the event of Government participation, the rights and obligations of the Parties as set forth herein shall remain unchanged as they relate to one another. However, at the request of the Technical Partner, the Parties shall enter into separate JOA and other agreements with the Government with respect to the rights, obligations and benefits of the Parties on the one hand and the Government on the other. Any payments received from the Government arising out of such participation shall be credited to the Joint Account and applied pro-rata to the Parties Participating Interest of Production.

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ARTICLE VIII - DECOMMISSIONING

8.1 The Parties to this Agreement expressly acknowledge that they may be liable to undertake decommissioning operations and consequently to make payments in respect of future decommissioning expenditure either by Government law and/or regulation or by operation of international law which the Parties agree shall be based upon the level of the Participating Interest of Production attributable to them during the term of this Agreement.

8.2 Accordingly, the Parties have agreed that the Technical Partner should consult with technical taxation and such other specialists, as necessary, operating in the area of decommissioning to obtain an estimate of the level of decommissioning expenditures and to prepare a model for decommissioning operations including a payments schedule.

8.3 In the event that both Parties decide to withdraw from operations or are required to do so pursuant to this Article, the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of applicable law or to facilitate the sale, disposition or decommissioning of property (whether Joint Property or otherwise) or interests held by the Joint Account.

8.4 Nothing herein shall eliminate the obligations of the Parties for any and all decommissioning liabilities or costs and the Parties agree to make payment of their full decommissioning liability upon demand by the other Party based upon their Participating Interest of Petroleum Costs at the time decommissioning commences.

ARTICLE IX -

ASSIGNMENT OF PARTICIPATING

INTEREST AND RESTRICTIONS OF SHARE TRANSFER

9.1 Subject always to the requirements of this Agreement, including, the obligation of the Owner/Operator to maintain OPL 310 and/or OML 310, as applicable, in good standing with the Government at all times, the transfer of all or part of a Party's Participating Interest shall be effective only if the transferring Party satisfies the terms and conditions set forth herein.

9.2 The Owner/Operator shall not permit any transfer or issuance of its shares or those of its Affiliates that will result in:

- (a) those shareholders of the Owner/Operator or its Affiliates on the Effective Date holding less than 75% of the shares of the Owner/Operator or its Affiliates following the share sale transaction; and
- (b) any of the shares of the Owner/Operator being held by any person, corporation or other entity that is or is regarded as being a foreign entity under the terms of letter of allocation from the Ministry to the Owner/Operator dated February 3, 1992 or under any other Government legislation or policy.

9.3 Notwithstanding Article 9.2(a) above, the Owner/Operator including its Affiliates who have or may acquire a Participating Interest in OPL 310 and/or OML 310 as appropriate, expressly agrees that it shall be prohibited from undertaking any share issuance or transfer, including the pledge of its shares as security or otherwise, where such dealings may have the effect of constituting a breach of any of the terms of OPL 310 and/or OML 310, as appropriate, the letter of allocation, the OPL 310 deed document, or any applicable Government legislation or policy. Such a restriction shall also apply to the Technical Partner subsequent to its name appearing on the OPL 310 and/or OML 310, as appropriate.

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9.4 The Owner/Operator shall not transfer, assign, farmout, pledge, charge or otherwise encumber its Participating Interest in OPL 310 or OML 310, as applicable, with any third party without the express written consent of the Government, such consent to specifically state that following the transfer, assignment, farmout, pledge, charge or encumbering that OPL 310 and/or OML 310, as appropriate, continues to be in all respects valid and in good standing. Such a restriction shall also apply to the Technical Partner subsequent to its name appearing on the OPL 310 and/or OML 310, as appropriate.

9.5 The Owner/Operator expressly accepts that the foregoing restrictions on its dealings with its shares and Participating Interest is essential in order to maintain OPL 310 and/or OML 310 as appropriate, in good standing for continued benefit of both Parties to this Agreement.

9.6 Subject always to receipt of the requisite consents and Government approvals to any transfer of interest as set forth in this Article IX, if a Party transfers all or part of its Participating Interest herein, the Parties shall amend this Agreement to reflect the revised Participating Interests of the Parties.

ARTICLE X
JOINT OPERATING AGREEMENT AND TECHNICAL ASSISTANCE AGREEMENT

10.1 The Parties hereto agree that the Joint Operations on Concession Block 310 shall be conducted in accordance with the provisions of a Joint Operating Agreement and Technical Assistance Agreement, and which JOA shall establish an Operating Committee in accordance with the terms hereof.

10.2 The Parties hereby adopt, approve and agree to abide and be bound by the terms of the Technical Assistance Agreement in the form attached hereto as Schedule "C";

10.3 With reference to Article 10.1 above, the Parties agree that within 120 days of the date of execution of this Agreement, the Parties shall enter into a Development Phase JOA to be prepared by the Technical Partner (the Development Phase JOA) in a format to be agreed between the Parties which format shall (without limitation) deal with the following matters:

- (a) the role of the Operator;
- (b) establishment and role of the Operating Committee in keeping with the powers and obligations referred to throughout this Agreement;
- (c) role of the Technical Partner vis-a-vis the Operator and the Operating Committee;
- (d) the role/function of the Technical Assistance Agreement;
- (e) issues of liability;
- (f) the Parties' relationships;
- (g) Joint Operations including;
 - Programs
 - Budgets
 - Authorizations For Expenditure
 - Audits
 - Contract procurement and approval
- (h) Sole Risk Operations;
- (i) Non consent;
- (j) Default;
- (k) Offtake and access to the reservoir;
- (l) Minimum shareholding restriction on the Owner/Operator consistent with the provisions herein;
- (m) Assignment and withdrawal;
- (n) Unit operating agreements;
- (o) Decommissioning;
 - Framework
 - Joint and several liability
 - Policy
 - Establishment of a fund or other payment device
 - Formula
 - Nature of security

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- Timing of security
- Failure to provide security
- Default

10.4 The Parties acknowledge that for the duration of the term of the Technical Assistance Agreement, the Operating Committee established under the JOA shall be comprised of three representatives of the Technical Partner and two representatives of the Owner/Operator and that thereafter, the Operating Committee shall be comprised of three representatives of the Owner/Operator and two representatives of the Technical Partner. The Operator (as defined in the JOA) shall at all times be subject to the inherent supervision and direction of the Operating Committee.

10.5 In addition, when Commercial Quantities are proven and/or the Minimum Work Obligations are satisfied and the Parties have successfully applied for and have been jointly issued OML 310 by the Ministry, the Parties shall review the provisions of the existing Development Phase JOA to be entered into in compliance with Article 10.3 above. If in the opinion of the Technical Partner acting reasonably and in compliance with good oil field practice, a new or revised JOA governing Joint Operations relating to the conduct of ongoing production activities on Concession Block 310 is regarded as being necessary,

the Parties shall enter into a Production Phase JOA (the "Production Phase JOA") to be prepared by the Technical Partner within 120 days of the date of the Technical Partners' written request for execution of such an agreement. However, failure to enter into such an agreement within 120 days of the date of request by the Technical Partner shall mean that then prevailing JOA shall continue to apply to Joint Operations upon Concession Block 310.

10.6 A further review of the terms of the then current JOA shall be undertaken by the Parties, upon the decision by the Operator following the advice of the Technical Partner that it is necessary to commence decommissioning operations in respect of Concession Block 310. If a new or revised JOA governing Joint Operations relating to decommissioning activities on Concession Block 310 is necessary in the opinion of the Technical Partner acting reasonably and in compliance with good oil field practice, the Technical Partner shall make a written request that the Parties enter into a Decommissioning Phase JOA (the "Decommissioning JOA") to be prepared by the Technical Partner within 120 days of the date of written request by the Technical Partner.

10.7 All Joint Operations upon Concession Block 310, including formation of an Operating Committee to govern Joint Operations upon Concession Block 310, shall be carried out in accordance with the provisions of the then current Joint Operating Agreement and Accounting Procedure.

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ARTICLE XI - DISPUTE RESOLUTION

11.1 This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England and Wales.

11.2 For the benefit of each Party, each Party agrees and hereby submits themselves to the exclusive jurisdiction of the High Court of Justice in England for resolution of all disputes arising out of or relating to this Agreement between them, without recourse to arbitration, and accordingly submits to the jurisdiction of the English courts.

ARTICLE XII - ENTIRE AGREEMENT

12.1 This Agreement constitutes the entire agreement between the Parties in connection with the subject matter and supersedes and cancels all previous negotiations, commitments or writings with respect to the subject matter referenced herein and the Parties acknowledge that neither Party has entered into this Agreement in reliance upon any representation, warranty and/or undertaking which is not set out or referred to in this Agreement.

ARTICLE XIII - EFFECTIVE DATE AND TERM

13.1 This Agreement shall have effect from the Effective Date and shall, subject always to the Parties' continuing obligations under Articles V, VIII and XV herein, continue in full force and effect until:

- (a) all wells have been properly abandoned in accordance with Article 8;
- (b) all obligations, claims, arbitrations and lawsuits (if any) have been settled or otherwise disposed of in accordance with the terms of the applicable JOA;
- (c) the time relating to the protection of confidential information and for proprietary technology has expired in accordance with Article 15;

and

- (d) in the opinion of the Technical Partner acting reasonably, it has been determined that Commercial Quantities have not or cannot be established or are economically unrecoverable.

ARTICLE XIV - FINANCIAL YEAR

14.1 The financial year end of the joint venture shall be December 31 or such other date as agreed in writing by the Parties hereto.

14.2 The financial books and records of the joint venture shall be kept in accordance with generally accepted accounting principles and procedures of such jurisdiction as the Operating Committee may determine based upon the recommendation of the Technical Partner.

14.3 Subject to the terms of the Joint Operating Agreement to be entered into in compliance with Article X above within 120 days hereof, an annual audit of the joint venture's balance sheet, profit and loss statement and other related financial records shall be made by a recognized public accounting or chartered accounting firm, which is mutually agreeable to the Parties hereto. The Parties shall be entitled to have members of its internal audit staff inspect the records and books of the joint venture at any time and at its own expense. In addition, either Party may, at its sole expense, engage an independent public accounting or chartered accounting firm to audit the financial records of the joint venture from time to time.

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ARTICLE XV - FIDUCIARY RELATIONSHIP

15.1 The Parties covenant and agree that they are entering into a joint venture relationship and owe each other the highest level of fiduciary responsibility and, subject to Article 15.2 herein, will not, while Parties to this Agreement or for a period of five years following the expiry of this Agreement, disclose to any other person, firm, corporation or entity, any proprietary or confidential information obtained in the course hereof, or as result of the Joint Operations contemplated in this Agreement. Any information not generally available to the public shall be construed as proprietary or confidential for the purposes of this Agreement including, without limitation, all agreements between the Parties, information relating to Joint Operations, seismic and other data, drilling techniques and results, technology, suppliers of equipment, and names of customers, information relating to sales, markets, target markets, strategies, advertisements, business procedures and all financial information.

15.2 The obligation of the Parties as set forth in Article 15.1 hereof to maintain confidentiality shall not apply to such knowledge, information, material or business data obtained pursuant to this Agreement or relating to any material to the joint venture which:

- (a) was demonstrably known to a Party prior to the Effective Date of this Agreement;
- (b) is available to the public in the form of written publication issued by a third party;
- (c) shall have become available to the Parties in good faith from a third party who has a bona fide right to disclose same;
- (d) is required to be disclosed to any federal, provincial, state or local

government or governmental branch, board, agency or instrumental mentality in order to comply with applicable laws, or is required to be disclosed to regulatory authorities including stock exchanges having jurisdiction in respect of securities of either parties.

(e) is required to be disclosed by a Party pursuant to public disclosure requirements imposed under applicable securities legislation.

(f) is required or desired to be disclosed to a Party's financial advisors, banks, other financial institutions, contractors or potential investors in the project.

15.3 Except as expressly provided in this Agreement, each Party shall have the right to independently engage in and receive full benefits from other business activities, whether or not competitively with the joint venture hereby created, without consulting the other Party, and no Party shall have any obligation to the other Party with respect to any opportunity to acquire any assets at any time outside the terms of the joint venture hereby constituted.

15.4 Disclosure pursuant to Article 15.2(f) shall not be made unless prior to such disclosure, the disclosing Party has obtained a written undertaking from the recipient to keep the data and information strictly confidential and not to use or to disclose the data or information except for the express purpose for which the disclosure is to be made.

15.5 Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of this Article XV and any disputes shall be resolved in accordance with Article XI hereof.

15.6 Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Party; provided that where the cost of development of proprietary technology has been charged to the Joint Account, such proprietary technology shall be disclosed to all Parties bearing a portion of such costs and may be used by such Party or its affiliates in other operations.

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15.7 Notwithstanding the foregoing provisions of this Article, the Technical Partner with the approval of the Operating Committee, may make well trades and data trades for the benefit of the Parties, with another company or body to secure data, the cost of which shall be charged to the Joint Account. Data obtained shall be furnished to all Parties. In such a situation, Technical Partner must enter into an undertaking with any third party to such trade to keep such information confidential.

ARTICLE XVI - AMENDMENT AND WAIVER

16.1 Neither this Agreement nor any of its provisions may be changed, waived, discharged or terminated orally or by any course of conduct but only by an instrument in writing signed on behalf of each Party.

16.2 No failure to exercise or delay in exercising any right, power or privilege under this Agreement or the part of any of the Parties shall act as a waiver. No singular or partial exercise of any such right, power or privilege shall preclude any other or any further exercise or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement are cumulative and not exclusive of any other right or remedies otherwise by provided by law unless expressly stated.

ARTICLE XVII - COVENANTS

17.1 The Owner/Operator covenants with the Technical Partner as follows:

- (a) the Owner/Operator is a company duly incorporated, validly existing and in good standing under the laws of the Federal Republic of Nigeria and that it has all necessary corporate powers to enter into this Agreement and to carry on business herein contemplated;
- (b) the Owner/Operator is the lawful licensee of OPL 310 and the geographic area contained within Concession Block 310, and the Owner/Operator has not transferred, conveyed, sold, farmed out, granted royalties to third parties or in any way encumbered its legal or beneficial interest as licensee of OPL 310 and confirms that it has full title guarantee free from any liens, charges, equities and/or encumbrances with respect to OPL 310 and/or OML 310 as appropriate;
- (c) the Owner/Operator has the right and authority to execute this Agreement and has the lawful authority under the terms of OPL 310 and otherwise, to transfer and assign an unencumbered Participating Interest with full title guarantee, free from any liens, charges, equities and/or encumbrances, to the Technical Partner all in accordance with the provisions set forth herein;
- (d) the form of oil prospecting licence identified as OPL 310 is, to the best of the knowledge and belief of the Owner/Operator, the present and subsisting oil prospecting licence for the geographic area contained in Concession Block 310, and OPL 310 is valid and in good standing with the Government and all other regulatory agencies and authorities;
- (e) the Owner/Operator shall assist in the promotion and successful conduct of the joint venture including obtaining and providing the Technical Partner with (1) all necessary Government and other approvals required to perform the Joint Operations, (2) a copy of the oil prospecting licence deed document, (3) any correspondence or other documentation (including geological, geophysical and other technical data) which the Owner/Operator now has in its possession relating to Concession Block 310, and (4) any and all future correspondence between the Owner/Operator and the Ministry in connection with OPL 310 and any extensions or renewals thereof;

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- (f) the Owner/Operator shall, upon execution of this Agreement, forthwith make application to the Ministry for such extension, renewal or replacement of OPL 310 as is necessary to enable the performance of the Minimum Work Program within two years of the date hereof. The Owner/Operator acknowledges that the obtaining of an extension, renewal or replacement of OPL 310 is a strict condition of this Agreement in favour of the Technical Partner and that the Technical Partner shall not be required to initiate work on OPL 310 or make any additional payments to the Owner/Operator herein until it is satisfied that the Owner/Operator has obtained or will obtain an extension, renewal or replacement of OPL 310, all to the satisfaction of the Technical Partner;
- (g) The Owner/Operator and the Technical Partner shall work together to meet the Minimum Work Obligations and/or to demonstrate that Commercial Quantities of Petroleum exist within Concession Block 310 and upon meeting either, or both of these criteria, the Owner/Operator and the Technical Partner shall make a joint application for a OML to be issued in the joint names of both Parties to this Agreement in compliance with Articles 5.1 and 5.2 above, and the Owner/Operator

covenants that upon establishment of Commercial Quantities, it will use its best endeavours to secure the issue of OML 310 in respect of Concession Block 310 in the joint names of both Parties to this Agreement in compliance with Articles 5.1 and 5.2;

- (h) The Owner/Operator expressly acknowledges that it is bound by the restrictions on transfer set out in Article IX herein in order to maintain OPL 310 and/or OML 310 as appropriate in good standing with the Ministry.

17.2 The Technical Partner covenants as follows:

- (a) the Technical Partner is a corporation duly incorporated, validly existing and in good standing under the laws of the Bahamas and has all necessary corporate powers to enter into this Agreement and to conduct and to carry on business as herein contemplated.
- (b) it shall fulfil its financial obligations to the Owner/Operator as set forth in Article 16 hereof.
- (c) the Technical Partner shall provide all necessary financial, technical and operational support for the conduct of the Joint Operations as required from time to time pursuant to the terms of this Agreement and the Technical Assistance Agreement, and shall conduct its activities in accordance with good oilfield practice.

17.3 For the avoidance of doubt, the entire provisions of this Article XVII are cumulative, and the Parties must ensure that these covenants continue to remain valid at all times during the term of this Agreement. At any time during the continuance of this Agreement, either Party may ask the other for evidence that it is continuing to comply with these covenants in a format satisfactory to it.

ARTICLE XVIII - MISCELLANEOUS

18.1 Each of the Parties shall execute and deliver such other certificates, agreements and other documents and take such other actions as may reasonably be required by the other Party in order to consummate or implement the transactions contemplated by this Agreement.

18.2 The liability and obligation of the Parties hereto shall be several and not joint or collective and each Party shall be responsible only for its obligations as herein set forth, provided however that both Parties shall be liable to each other for the decommissioning obligations set forth in Article XIII herein. It is expressly declared that it is not the purpose of this Agreement to create any partnership or syndicate and neither this Agreement nor the operations hereunder shall be construed or considered as creating any partnership or syndicate.

18.3 All notices, requests, demands or other communications hereunder shall be delivered by hand or sent by mail as appropriate or by facsimile, telex or telegram to the Parties at the address provided below:

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Owner/Operator:

Optimum Petroleum Development Ltd.
18E Gerrard Road
Ikoyi, Nigeria

Fax: 00-234-1-684-398

Attention: The Managing Director

Technical Partner:

Agbara Resources Limited
7th Floor, Folawiyo Plaza
38 Warehouse Road
Apapa, Lagos, Nigeria

Fax: 00-234-1-545-0301

Attention: Wade G. Cherwayko
President

Any Party may from time to time change its address for service hereunder upon written notice to the other Party. Any notice may be served by personal delivery or by mailing the same by registered post, in a properly addressed envelope addressed to the Party to whom such notice is to be given at its address for service hereunder and shall be deemed to be given and received forty-eight (48) hours after the delivery thereof. Any notice may be served by prepaid telegram, telex or telecopy addressed to the Party to whom such notice is to be given and any such notice so served shall be deemed to be given and received by the addressee eighteen (18) hours after the time of delivery.

18.4 If at anytime, one or more of the provisions of this Agreement is or becomes invalid, illegal or unenforceable for any reason in respect of or under any law or regulation, the validity, legality and enforceability of the remaining provisions of this Agreement shall not, as a result be effected or impaired in any way.

18.5 Each Party shall, when required to do so by the other Party to this Agreement now or at any future time, do, or so far as each is able to do, procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the other Party as required.

18.6 This Agreement may be executed in one or more counterparts and evidenced by facsimile copy thereof and all such counterparts or facsimile copies together shall constitute one and the same agreement.

18.7 Each Party shall be responsible for payment of its own legal, accounting and other costs in respect of the negotiation, completion, execution and implementation of this Agreement.

18.8 The Owner/Operator expressly acknowledges that the Technical Partner shall be under no obligation to initiate Joint Operations or incur Petroleum Costs until an extension or renewal OPL for Concession Block 310 has been granted by the Government in a form satisfactory to the Technical Partner.

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SCHEDULE A

TO THE JOINT VENTURE AGREEMENT
DATED NOVEMBER 27, 1996 BETWEEN
OPTIMUM PETROLEUM DEVELOPMENT LIMITED
AND AGBARA RESOURCES LIMITED

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SCHEDULE B

TO THE JOINT VENTURE AGREEMENT
DATED NOVEMBER, 1996 BETWEEN
OPTIMUM PETROLEUM DEVELOPMENT LIMITED

AND AGBARA RESOURCES LIMITED

MINIMUM WORK OBLIGATIONS
(to be completed prior to the expiry of OPL 310)

1. Seismic operations and the drilling of 3 wells, all as approved by the Ministry; or
2. The establishment of Commercial Quantities (as defined in the Joint Venture Agreement) that permit the Owner/Operator and the Technical Partner to jointly apply to the Government for the conversion of OPL 310 into OML 310.

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SCHEDULE C

TO THE JOINT VENTURE AGREEMENT
DATED NOVEMBER, 1996 BETWEEN
OPTIMUM PETROLEUM DEVELOPMENT LIMITED
AND AGBARA RESOURCES LIMITED

TECHNICAL ASSISTANCE AGREEMENT

[This document is filed as Exhibit 10.20 to the Form 10-KSB dated effective March 1, 1999]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers and representatives as of the day and year first written above.

OPTIMUM PETROLEUM DEVELOPMENT LIMITED

Per: /s/ Alhaji Ubrahim Bunu

Title: Chairman

AGBARA RESOURCES LIMITED

Per: /s/ Wade Cherwayko

Title: President

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TECHNICAL ASSISTANCE AGREEMENT

BETWEEN

OPTIMUM PETROLEUM DEVELOPMENT LIMITED

AND

AGBARA RESOURCES LIMITED

NIGERIAN OIL PROSPECTING LICENCE 310

Ince & Co.
Knollys House
11 Byward Street
London EC3R 5EN

Tel: 0171 623 2011
Fax: 0171 623 3225
Ref: OW/JL/KAG/79/60/440

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THIS TECHNICAL ASSISTANCE AGREEMENT is made effective as of the effective date of the Joint Venture Agreement, and between:

(1) OPTIMUM PETROLEUM DEVELOPMENT LIMITED, of 18E, Gerrard Road Ikoyi, Nigeria (hereinafter referred to as the "Owner/Operator"); and

(2) AGBARA RESOURCES LIMITED, of 7th Floor, Folawiyo Plaza, 38 Warehouse Road, Apapa, Lagos, Nigeria, (hereinafter referred to as "Technical Partner")

WHEREAS:

(a) The Owner/Operator and the Technical Partner are parties to a Joint Venture Agreement ("JVA") in respect of Concession Block 310 and associated Oil Prospecting Licence 310 ("OPL 310") together with any renewal or extension OPL for Concession Block 310 and/or Oil Mining Lease 310 ("OML 310") as appropriate;

(b) In accordance with the terms of the JVA, the parties have agreed to enter into a Development Phase Joint Operating Agreement ("JOA") within 120 days of the date of the JVA to be prepared by the Technical Partner for the purpose

of governing present and future Joint Operations on Concession Block 310;

(c) The Owner/Operator requires certain administrative and technical assistance in performing its duties and responsibilities as Owner/Operator pursuant to the JOA;

(d) The Technical Partner has qualified administrative, technical and professional personnel necessary to assist Owner/Operator in performing its duties and responsibilities as Owner/Operator under the JOA to be entered into and has agreed to do so in accordance with the provisions of this Agreement, the JVA and the JOA;

(e) The Owner/Operator expressly acknowledges and accepts that the Technical Partner may wish to out source and/or subcontract any or all aspects of Joint Operations to Abacan Technical Services Limited or any other affiliated company whilst continuing to act as Technical Partner.

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

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ARTICLE I
DEFINITIONS

1.1 Except as otherwise defined herein, the terms used herein shall have the same meaning as set forth in the JVA.

1.2 The following words and expressions shall have the meanings respectively set opposite to them:

"JOINT VENTURE AGREEMENT" OR "JVA" means the Joint Venture Agreement between the Owner/Operator and the Technical Partner in respect of Concession Block 310.

"JOINT OPERATING AGREEMENT" OR "JOA" means the Development Phase Joint Operating Agreement, the Exploration and Production Phase Joint Operating Agreement and/or the Decommissioning Phase Joint Operating Agreement, as the case may be to be entered into between the Parties during the term of OPL 310 and/or OML 310 as appropriate including any renewal or extension thereof, in compliance with provisions of Article X of the JVA and which agreement shall govern all present and future Joint Operations performed on Concession Block 310.

"PARTIES" means the Owner/Operator and the Technical Partner.

"TECHNICAL ASSISTANCE AGREEMENT" OR "AGREEMENT" means this Technical Assistance Agreement which is attached as a schedule to the Joint Venture Agreement.

1.3 Wherever any provision of any schedule to this Agreement conflicts with any provision in the body of this Agreement, the provisions of the body of this Agreement shall prevail. Reference herein to a schedule shall mean a reference to a schedule to this Agreement. References in any schedule to the JVA shall mean a reference to that Agreement.

1.4 Time shall be of the essence hereof.

1.5 The division of this Agreement into headings, sections, subsections, clauses, subclauses, and paragraphs and the provision of headings herein is for convenience of reference only and shall not affect the interpretation of this Agreement.

1.6 In this Agreement, where the context requires, the singular shall include the plural and the plural shall include the singular.

1.7 All references to currency, unless otherwise specified, are to lawful money of the United States of America.

ARTICLE II
TECHNICAL PARTNER AND ASSISTANCE

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2.1 Designation

In accordance with the terms contained in the JVA and the terms of the JOA to be entered into, the Parties jointly designate the Technical Partner as a technical advisor and project manager for purposes of procuring, contracting, conducting and/or co-ordinating Joint Operations to be performed on Concession Block 310 either by the Technical Partner or a third party appointed by the Technical Partner.

2.2 Duties and Responsibilities

In accordance with the JVA, the JOA to be entered into and this Agreement, the Technical Partner shall provide assistance to the Owner/Operator in performing its responsibilities as Owner/Operator for Concession Block OPL 310 and, in so doing, shall assist the Owner/Operator to establish itself as a competent operator of international petroleum operations. Pursuant to the terms of the JOA and this Agreement, the Technical Partner shall (without limitation) perform the following specific duties:

- (i) Perform Joint Operations in accordance with the provisions of OPL 310 (including any renewal or extension thereof) and/or OML 310 as appropriate, the JVA, the JOA to be entered into, this Agreement and the instructions of the Operating Committee;
- (ii) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practice and conservation principles generally followed by the international petroleum industry under similar circumstances;
- (iii) Prepare and provide the Owner/Operator and Operating Committee with all reports, data, surveys and information required to be provided by the Owner/Operator under the JOA;
- (iv) Prepare and submit to the Operating Committee the proposed Work Programs, budgets and AFE's as provided in the JOA;
- (v) Prepare and submit to the Owner/Operator and Operating Committee a report and budget in respect of Decommissioning Operations as provided for in Article VIII in the JVA and the JOA to be entered into.
- (vi) Permit the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits of the Joint Account and otherwise as provided in the Accounting Procedure which forms part of the JOA;
- (vii) Promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable efforts to keep and maintain the Joint Property free from any and all liens, charges equities and/or encumbrances arising out of Joint Operations;

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- (viii) When required pay to the Government from the Joint Account, within the periods and in the manner prescribed by OPL 310 and/or OML 310 as appropriate and all applicable laws and regulations, all periodic payments, royalties, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties;
- (ix) Assist Owner/Operator in carrying out the obligations of operator pursuant to OPL 310 and/or OML 310 as appropriate including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract on behalf of and in the name of the Owner/Operator;
- (x) Take all necessary and proper measures for the protection of life, health, the environment and property in the case of an emergency; provided, however, that Technical Partner shall immediately notify the Owner/Operator and the Operating Committee of the details of such emergency and measures to combat same;
- (xi) Provide Owner/Operator with assistance and guidance in the development and execution of training plans and programs in order to develop competent Nigerian personnel; and
- (xii) Take such further actions as are essential or expedient in order to perform the above mentioned specific duties or any duties ancillary thereto.

2.3 Duties and Responsibilities of the Owner/Operator

2.3.1 Pursuant to the terms of the JVA, the JOA to be entered into and this Agreement, the Owner/Operator shall perform the following specific duties:

- (i) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations in a timely fashion from the Government;
- (ii) Maintain OPL 310 and/or OML 310 as appropriate in full force and effect throughout the duration of this Agreement, the JOA to be entered into and the JVA;
- (iii) Make application to the Ministry upon execution of the JVA for such renewal or extension of OPL 310 as is necessary to enable the performance of the Minimum Work Programme within two years of the date of the JVA. The Owner/Operator acknowledges that the obtaining of a renewal or extension of OPL 310 is a strict condition of the JVA in favour of the Technical Partner and that the Technical Partner shall not be required to initiate work on OPL 310, provide services in accordance with this Agreement or make any additional payments to the Owner/Operator in terms of the JVA until it is satisfied that the Owner/Operator has obtained and will obtain a renewal or extension of OPL 310, or to the satisfaction of the Technical Partner in its sole discretion.

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- (iv) Comply with Article IX of the JVA concerning restrictions on share transfer in order to maintain OPL 310 and/or OML 310 as appropriate in good standing with the Ministry at all times, throughout the duration of this Agreement, the JOA to be entered into and the JVA.

- (v) Have in accordance with the decisions of the Operating Committee, the right and obligation to represent the Parties, in all dealings with the Government with respect to matters arising under OPL 310 and/or OML 310 as appropriate and Joint Operations. The Owner/Operator shall notify the Technical Partner as soon as possible of such meetings. The Technical Partner shall have the right to attend such meetings but only in the capacity of observer. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under this Agreement, but in such event such Party shall promptly advise the other Party before such discussions, provided that such Party shall not be required to divulge to the Party any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties.

2.3.2 The Owner/Operator expressly acknowledges to the Technical Partner that it shall continuously maintain OPL 310 and/or OML 310 as appropriate, in good standing with the Government without interruption, and shall upon request by the Technical Partner provide the Technical Partner with satisfactory evidence of compliance with the provisions contained herein. The Technical Partner shall be entitled to receive notice of and attend at any and all meetings effecting OPL 310 and any renewals or extensions thereof and OML 310 as applicable, between the Owner/Operator and the Ministry.

2.4 Working Relationship

- (i) In the conduct of the Joint Operations contemplated in the JOA to be entered into, the Technical Partner and Owner/Operator shall fully consult with each other on a regular basis, in a harmonious manner and as frequently as may be required, for the purpose of reviewing and scheduling the activities being carried out under this Agreement;
- (ii) The Technical Partner shall fulfil its responsibilities and perform the duties described herein under the general direction of the Owner/Operator and the Operating Committee; and
- (iii) The Technical Partner shall be at liberty to appoint a project manager (including any subsidiary of Abacan Resource Corporation) to assist it in the performance its responsibilities herein and pursuant to the JOA to be entered into, provided that the Technical Partner shall obtain the written consent of the Operator prior to making such appointment such consent not to be unreasonably withheld to be entered into.

2.5 Training

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In providing training assistance, the Technical Partner shall, in accordance with training plans and programs approved by the Operating Committee, do all that can be reasonably required to result in each Nigerian employee of the Owner/Operator reaching the highest possible level of qualification. Without limiting the generality of the foregoing, it is contemplated that the Technical Partner shall assist Owner/Operator in the development of training programs, both for separate individuals and groups of trainees.

2.6 Indemnification of Technical Partner

The Owner/Operator agrees with the Technical Partner that to the extent that the Technical Partner performs the duties of Owner/Operator as defined in the JOA, the Technical Partner shall be fully indemnified in accordance with the

indemnities of Owner/Operator contained in the JOA.

ARTICLE III
ESTABLISHMENT OF PRESENCE IN NIGERIA

3.1 Offices and Employment

Owner/Operator acknowledges and recognizes that the services to be provided by the Technical Partner will require the Technical Partner to establish separate offices of its own in Nigeria. The number of employees required to perform such services will be at the sole discretion of the Technical Partner which the Technical Partner warrants will be no more than the number of employees which may be reasonably required to perform its duties, and responsibilities and services.

3.2 Personnel

Any of the Technical Partner's or its affiliates' personnel performing services under this Agreement shall remain at all times the employees of Technical Partner or its affiliates and shall not, for any purposes, be regarded as employees of Owner/Operator. The Technical Partner or its affiliates shall remain solely responsible for the payment of their salaries and benefits, the costs of which will however constitute Petroleum Costs under the JVA. The Technical Partner may, at any time, transfer and replace any of its personnel without the prior consent of the Owner/Operator.

ARTICLE IV
ASSIGNMENTS

4.1 Limitation of Assignments

The Parties may assign this Agreement to any of their parents, affiliates or subsidiaries, and may subcontract any of the services to be provided hereunder to a parent, affiliate, subsidiary or third party, provided however that the consent of the other party is sought and obtained prior to any such assignment and which consent shall not be unreasonably withheld.

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4.2 Assignment

The Technical Partner shall be entitled without further consent to assign its obligations and duties as outlined in this Agreement and the Joint Venture Agreement to Abacan Technical Services Limited and/or its affiliated companies in Nigeria.

ARTICLE V
TERM

5.1 Term

Unless otherwise mutually agreed by the Parties in writing, this Agreement shall commence as at the date hereof and remain in full force and effect for a term of ten (10) years from the commencement of production from any petroleum fields produced on Concession Block 310.

ARTICLE VI
DISPUTE RESOLUTION

6.1 Dispute Resolution

This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of England and Wales.

6.2 For the benefit of each Party, each Party agrees and hereby submits themselves to the exclusive jurisdiction of the High Court of Justice in England for resolution of all disputes arising out of or relating to this Agreement between them, without recourse to arbitration, and accordingly submits to the exclusive jurisdiction of the English courts.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in duplicate by their authorized representatives effective as to the day and year first above written.

OPTIMUM PETROLEUM DEVELOPMENT LIMITED

PER: /S/ ALHAJI UBRAHIM BUNU

TITLE: CHAIRMAN

AGBARA RESOURCES LIMITED

PER: /S/ WADE CHERWAYKO

TITLE: PRESIDENT

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EXHIBIT 10.21

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Exhibit 10.22

OIL EXPLORATION
AND
EXPLOITATION CONTRACT

DEEP OFFSHORE BLOCK 4

BETWEEN

THE GOVERNMENT OF THE REPUBLIC
OF BENIN

AND THE

ADDAX PETROLEUM - ABACAN BENIN

CONSORTIUM

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APPENDICES

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APPENDIX E:	ABANDONMENT PROCEDURES

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PREAMBLE

WHEREAS:

In accordance with Ordinance No. 73-33 of April 13, 1973, concerning the Petroleum Code of the Republic of Benin as well as the texts issued thereafter, in particular Ordinance No. 73-34 of April 13, 1973, concerning oil taxation and Decree No. 73-130 of April 13, 1973 concerning the application of the Petroleum Code, the exploration, exploitation, stocking, transport and marketing of Hydrocarbons in the territory and in the territorial waters of the Republic of Benin and on the continental shelf adjacent thereto, shall be subject to the provisions of said Ordinance which furthermore stipulates that the liquid and gaseous Hydrocarbon fields belong to the State and constitute assignable mineral substances.

In accordance with Article 10 of said Code, the State may undertake any Petroleum Operations either solely, or in association with private capital; and may as well assign to itself or to any department or public company with legal status, the exploration and exploitation permits, the concessions and provisional exploitation permits.

In accordance with Article 8 of the Code, the State of Benin may also grant petroleum rights to physical or legal entities.

In accordance with Article 17 of the Code, prior to granting a Hydrocarbon Exploration permit, the Minister in charge of Mines shall enter into a contract with persons having the required technical and financial capabilities necessary to undertake such activities, define the rights and obligations of the future permit holder during the exploration and the exploitation periods.

Further to the above, the Government of the Republic of Benin has decided to enter into the present Contract with the ADDAX PETROLEUM-ABACAN BENIN Consortium, a company incorporated and registered under the laws of the Republic of Benin, with a head office in Cotonou, Republic of Benin, for the purpose of exploration and exploitation of Hydrocarbons in accordance with the articles and provisions specified in the present Contract.

IN WITNESS WHEREOF:

The undersigned Parties represented, by MR. EMMANUEL GOLOU, MINISTER OF MINES, ENERGY AND HYDRAULICS on one part and by MESSRS. MARC LORENCEAU, PRESIDENT OF ADDAX PETROLEUM BENIN AND WADE CHERWAYKO, PRESIDENT OF ABACAN RESOURCE LIMITED (BENIN) agree as follows:

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ARTICLE 1

DEFINITIONS

The terms appearing hereinafter in the Contract shall be defined as follows, unless specifically indicated otherwise, or unless the Parties mutually agree otherwise. The definitions shall include the singular and the plural forms.

1.1 "Affiliate" or "AFFILIATED COMPANY" means a company or any other entity which controls one or several entities forming the Contractor, or which is controlled by one or several entities forming the Contractor, or which is controlled by an entity which itself controls the Contractor. Control means direct or indirect ownership of more than fifty percent (50 %) of the shares

making up the capital of the controlled Company, thereby granting the majority of the voting rights in the controlled Company to the controlling Company.

1.2 "CALENDAR YEAR" means a period of twelve (12) consecutive months beginning on January first and ending on the following December thirty-first.

1.3 "CONTRACT YEAR" means a period of twelve (12) consecutive months from the Effective Date of the Contract or the anniversary of the date of signature .

1.4 "APPENDIX" means an appendix to the Contract and forming an integral part thereof. If there is a disagreement or a conflict between the Contract and any of the appendixes, the provisions of the Contract shall prevail.

1.5 "ACCOUNTING APPENDIX" means the accounting procedures and methods established in Appendix "D".

1.6 "ARTICLE" means any numbered provision of the Contract, including all its subdivisions, unless it is expressly indicated that it means an article of the Code.

1.7 "BARREL" means U.S. Barrel, which is a quantity or unit of measure of Crude oil equivalent to 158.9884 litres or 42 American gallons, measured at a temperature of 15.5556 degrees Centigrade or 60 degrees Fahrenheit and at atmospheric pressure.

1.8 "AVAILABLE CRUDE" means the quantity remaining after the losses relating to the Petroleum Operations and the Government Royalty have been subtracted from the Total Crude Production in the contract area in accordance with Article 13.4 hereinafter.

1.9 "COST-OIL" means the volume of Crude dedicated to the recovery of Petroleum Costs.

1.10 "PROFIT-OIL" means the Crude remaining each year after deduction of the Cost Oil.

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1.11 "BUDGET" means the financial estimate of all petroleum activities contained in an Annual Work Program.

1.12 "CODE" means Ordinance No. 73-34 of April 13, 1973 concerning the Petroleum Code of the Republic of Benin as well as subsequent texts, in particular Ordinance No. 73-34 of April 13, 1973 concerning the petroleum taxes, and Decree No. 73-130 of April 13, 1973 concerning the application of the Petroleum Code.

1.13 "CONTRACTOR" means the consortium ADDAX PETROLEUM-ABACAN BENIN and their successors and/or any assignee granted any of their contractual rights , the assignment being in accordance with Article XXIII.

1.14 "CONTRACT" means the present document as originally drawn up, duly signed including its Appendixes as well as any additions or any amendments agreed by the Parties at a later date.

1.15 "PRODUCTION COSTS" means the costs and expenses resulting from carrying out the Production Operations excluding new investments having occurred during that phase.

1.16 "PETROLEUM COSTS" means all the costs and expenses related to Petroleum Operations as specified in the Accounting Appendix and in accordance with the Contract.

1.17 "EXPLORATION COSTS" means the costs and expenses related to the Exploration operations.

1.18 "DEVELOPMENT COSTS" means the costs and expenses related to the Development Operations.

1.19 "DATE OF START-UP OF COMMERCIAL PRODUCTION" means the date of the first delivery of Hydrocarbons in commercial quantities to the delivery point in Benin.

1.20 "EFFECTIVE DATE" means the date on which the present Contract is signed by the authorized representatives of both Parties.

1.21 "DISCOVERY" means uncovering the presence of Hydrocarbons in a reservoir or geologic structure where such Hydrocarbons had not been previously identified, resulting from the Petroleum Operations in accordance with the Contract, and when these Hydrocarbons are recoverable by conventional methods used in the international oil industry. "COMMERCIAL DISCOVERY" means a Discovery of Hydrocarbon reserves following Exploration Operations, which is deemed commercial in accordance with the provisions of Article IX.

1.22 "CURRENCY" means any foreign currency freely convertible and generally accepted by the international banking community.

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1.23 "DOLLARS" means the official currency of the United States of America.

1.24 "FCFA" means the official currency of the Republic of Benin.

1.25 "DATA" means any document, report and information of a geological, geophysical or petrophysical nature in the Contract Area.

1.26 "EXPATRIATE EMPLOYEE" means an employee of the Contractor or of a subcontractor who has been recruited for that purpose and assigned to the Petroleum Operations in Benin.

1.27 "STATE" means the Republic of Benin, its Government, its administrative structures and any subdivisions and political institutions.

1.28 "EXPLORATION" means the planning, execution and evaluation of any type of geological, geophysical, geochemical and other studies, as well as the drilling of Exploration Wells for the purpose of making a Hydrocarbon Discovery.

1.29 "ASSOCIATED GAS" means the Gas extracted from a well at the same time as Crude Oil.

1.30 "NATURAL GAS" or "GAS" means the Hydrocarbons in the gaseous state under normal atmospheric pressure and temperature, including but not limited to, the wet gas, the dry gas, the wellhead gas and any other gaseous hydrocarbons, including the residual gas after condensation or extraction of liquids, but not including said condensates or extracted liquids.

1.31 "NON-ASSOCIATED GAS" means the Natural Gas which is not produced at the same time as the Crude Oil or which exists jointly with Crude Oil which cannot be commercially produced when said Natural Gas is commercially produced.

1.32 "GAS FIELD" means one or several accumulations of Natural Gas superposed vertically in the Contract Area, having a commercial value established in accordance with the Good Operating Practices of the Oil Industry.

1.33 "OIL FIELD" means an accumulation of Crude Oil, or several

accumulations of Crude Oil superposed vertically in the Contract Area and having a commercial value established in accordance with Good Oilfield Practices.

1.34 "GOVERNMENT" means the body including all the State Ministers. In the present contract, this means the Government of the Republic of Benin, its representatives or authorized agents.

1.35 "HYDROCARBONS" means Crude Oil and/or Natural Gas.

1.36 "WORKING DAY" means every working days from Monday to Friday, except for the days declared in full or in part non-working days in Cotonou, Benin, by the authorized government agencies.

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1.37 "MINISTER" means the Minister in charge of Hydrocarbons in the Republic of Benin.

1.38 "EXPLORATION OPERATIONS" means the operations performed in accordance with the Contract for the purpose of discovering Hydrocarbon accumulations and evaluating the extent and the volume of these accumulations, the Reservoirs characteristics and their probable behavior during production. The Exploration Operations include geological, geophysical and geochemical surveys, analyses and studies, the drilling, deepening, abandonment or workover of the wells and their evaluations as well as any operations relating thereto.

1.39 "DEVELOPMENT OPERATIONS" means any operations performed according to the General Development Program for the purpose of producing the Hydrocarbon accumulations in the subsurface of the Development Areas. These Operations include:

- - The drilling, completion and sampling of development wells, the drilling and completion of wells for gas or water injection;

- - The laying of gathering lines, the installation of separators, tanks, pumps, compressors and other production and injection facilities required for the production, treatment and transportation of Hydrocarbons to the Hydrocarbon storage facilities or to the offshore or onshore gas processing facilities; and

- - The pipe laying inside or outside the Contract Area towards the storage or delivery points, the building of these Crude Oil storage facilities or Gas processing facilities and all ancillary operations that are not specifically indicated herein but which are necessary for the development and production of these Hydrocarbon reserves and for the delivery of Crude Oil and/or of the Gas to the Delivery Point, in accordance with the Good Operating Practices of the Oil Industry.

1.40 "PETROLEUM OPERATIONS" means all operations authorized by the Contract related to the exploration, development, production, separation and processing, storage, transportation and sale or transfer of Hydrocarbons to the exportation point or to the Delivery Point agreed to in Benin or to the delivery point to a Benin refinery in accordance with the Contract; they cover the Natural Gas processing operations but do not include the Crude Oil refining operations.

1.41 "PRODUCTION OPERATIONS" means the operations undertaken in order to produce the Hydrocarbons of the Contract Area such as extraction, injection, stimulation, processing, storage, transportation to the Delivery Point(s), loading, including the export of these Hydrocarbons as well as the maintenance and abandonment of all the necessary facilities.

1.42 "PARTIES" means the Government and the Contractor.

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1.43 "TRANSITIONAL PERIOD" means the maximum period of three (3) months from the date of signature of the Contract which is the Effective Date.

1.44 "CRUDE OIL" means the crude mineral oil, asphalt, ozokerite and all other types of Hydrocarbons and bitumen in the solid or liquid form, in their natural state or obtained from Natural Gas through condensation, separation or extraction.

1.45 "DELIVERY POINT" means the final exit Point of the Flowlines downstream of the storage facilities from where the Oil or Gas is delivered for shipment. The location of the Delivery Point shall be agreed to between the two (2) Parties.

1.46 "COMMERCIAL PRODUCTION" means the quantity of Crude Oil or Natural Gas, or both, which may be delivered to the Delivery Point according to a regular production and sale schedule.

1.47 "TOTAL CRUDE PRODUCTION" means the quantity of Crude extracted from the Contract Area after extraction of the water, of foreign substances and after deduction of the quantities used in the Petroleum Operations.

1.48 "WORK PROGRAM" means all plans prepared every year to carry through the Petroleum Operations.

1.49 "GENERAL DEVELOPMENT PROGRAM" means a plan established for the development of an Oil Field or a Gas Field agreed to between the Parties.

1.50 "EVALUATION WELL" means a well, other than an exploration well, drilled in order to evaluate the commercial viability of a geologic trap where hydrocarbons have been discovered.

1.51 "EXPLORATION WELL" means any well drilled within the framework of the Exploration Operations including dry wells and discovery wells.

1.52 "DEVELOPMENT WELL" means a well drilled in order to produce Hydrocarbons from a Reservoir which has been evaluated and tested, to maintain, increase or accelerate the production, including the production and injection wells.

1.53 "CONTRACT AREA" means all the geographic area defined by the perimeter for which the coordinates appear in Appendix "A" and which are drawn on the map appearing in Appendix "B", with the exception of any part which the Contractor has, from time to time, abandoned or relinquished according to the Contract.

1.54 "GOOD OPERATING PRACTICES" means all good, safe, economic and efficient practices generally accepted in the international oil industry.

1.55 "RESERVOIR" means the subsurface rock containing hydrocarbons in its pores and having a common pressure system in its volume. This rock body must be capable of producing hydrocarbons in measurable quantities.

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1.56 "BASEMENT" means on the one hand, the igneous, metamorphic or other rocks which, by their nature, and in accordance with the knowledge generally accepted in the international oil industry, cannot contain Hydrocarbon accumulations, and on the other hand, the impenetrable rocky substances such as salt and clay domes as well as any other rock which may render impracticable or unjustifiable from an economic point of view the continuation of drilling activities using modern drilling technology normally used in the international

oil industry.

1.57 "SUBCONTRACTOR" means any physical person or legal entity hired by the Contractor to provide services related to the Contract.

1.58 "LIBOR RATE" means the interest rate at closing for the dollar deposits for a period of six (6) months on the London interbank market as published by the London branch of "The Bank of America" or by any other bank agreed to between the Parties, on the date in question or on the banking day immediately preceding if the day in question is not a banking workday in London.

1.59 "CONTRACT INTEREST RATE" is "LIBOR RATE" plus one percent.

1.60 "OIL PRODUCTION TAX" means the Royalty as defined in the Code, and equals 12.5% of the Total Crude Production.

1.61 "QUARTER" means a period of three (3) consecutive months from January first, April first, July first and October first respectively in each Calendar Year.

1.62 "THIRD PARTIES SALES" means the sales of Hydrocarbons produced in the Contract Area and fulfilling the following conditions:

- (A) The agreed price shall be the sole consideration for the sale;
- (B) The sale conditions shall not depend on any trade relation other than that created by the actual sale Contract between the seller and the buyer or any of their Affiliates;
- (C) Neither the seller nor any of its Affiliates has a direct or indirect interest in the resale or subsequent assignment of the Hydrocarbons or of any derived product;
- (D) These sales agreement must not include a processing, exchange or barter agreement.

1.63 a) "DEVELOPMENT AREA" means the part of the Contract Area which, following the seismic information and the well data available, is reasonably deemed to cover the plan area of a Hydrocarbon accumulation constituting a Commercial Discovery and designated as such in an approved General Development Program. The Development Area includes the depth corresponding to the reservoirs that have been evaluated and tested between the surface and the basement.

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b) THE "BLOCK 4 AREA" OR "BLOCK 4" is defined by the area delimited by the points MFON for which the geographic coordinates and a map are shown in Appendix B, the 200 metres water depth being the northern boundary, the border between Benin and Nigeria being the Eastern boundary, the 3000 metres water depth being the southern boundary and the border with Togo being the western boundary of said Block 4.

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ARTICLE II

OBJECT OF THE CONTRACT

2.1 By the present Contract, the Government grants to the Contractor the exclusive right to carry out Petroleum Operations in the Contract Area for the purpose of exploring, developing and producing Hydrocarbons in this area, in

accordance with the provisions of the Code and the Contract, and in accordance with the laws and regulations in force in the Republic of Benin. The State shall implement all administrative procedures required to enable the Contractor to enjoy its rights and fulfill its obligations.

2.2 The Contractor declares having the technical and financial capabilities required and undertakes to carry out all the Petroleum Operations in accordance with the present Contract and with the Good Operating Practices of the Oil Industry.

2.3 Once a General Development Program regarding a Hydrocarbon Discovery has been approved in accordance with the terms of the Contract, the Contractor shall have full rights to carry Development and Production Operations and to enjoy the financial benefits resulting from these activities, provided that its obligations under the Contract and the Code have been fulfilled.

2.4 The Contractor shall provide all technical, financial, human and economic resources required for the Petroleum Operations. Subject to the possible proportional participation of the State, all costs and disbursements incurred for the Petroleum Operations shall be the responsibility and the exclusive charge of the Contractor. Furthermore, the Contractor is technically, financially and economically responsible for the Petroleum Operations during the validity period of the Contract.

2.5 The Minister, in his capacity as the Government representative, shall be responsible for the supervision of the Petroleum Operations in order to ensure that the Contractor fulfills its obligations in accordance with the Contract. The Minister shall exercise this duty through its technical departments at any reasonable time. The Contractor shall be required to provide easy access to his facilities to the Minister's representatives in order to enable them to discharge their duties. The costs related to these duties shall be borne by the Government.

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ARTICLE III

TERM

3.1 The Contract shall be in effect starting from the date of its signature and shall end on the date fixed hereinafter, subject to the provisions of Article XXVI relating to its termination.

3.2 The period covered by the Contract is divided into two periods: an exploration period and an exploitation period.

3.3 The exploration period shall be for an initial period of three (03) years, with two (2) possible extension periods of two years each. These extensions shall be granted by right, subject to the provisions relating to relinquishments, provided that the Contractor has met all its work obligations, expenditures and other substantial obligations relating to the preceding phase.

3.4 Provided it has fulfilled all the requirements relating to the initial phase, the Contractor may request the Minister in writing for an extension of the exploration period beyond the initial phase, at least sixty (60) calendar days before the end of said phase. If this request has not been submitted in time and if a commercial Discovery has not been made, the Contract shall expire at the end of the initial phase of the exploration period.

3.5 Subject to the provisions relating to termination and or provided no Hydrocarbon Discovery has been made during the exploration period, the Contract shall expire at the end of this period. If at least one (1) Commercial

Discovery has taken place before the end of the exploration period, the Contract shall remain in effect with regard to the corresponding Development Areas.

3.6 If, at the expiration date of the initial exploration period or of one of the extension phases, an exploration well is in the process of drilling, coring, casing, testing or abandonment, the Minister shall grant to the Contractor a special extension in order to enable it to complete the drilling, coring, casing, testing and/or the abandonment of the well in question, to evaluate the results of these operations and to determine if they constitute a Hydrocarbon Commercial Discovery. This special extension cannot, under any circumstances, extend the total exploration period by more than six (6) months.

3.7 If at the date of expiration of the exploration period or of a special extension period, the Contractor is in the process of:

- - preparing a first report of discovery or a report detailing a Discovery according to article 9.2

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- - to execute an evaluation program in accordance with a schedule of activity according to the article 9.3, the Minister will eventually grant to the Contractor a special extension so that he can take to term the evaluation of the Discovery and submit a detailed evaluation report. This special extension may not exceed 3 months unless Parties decide otherwise.

3.8 If , at the date of expiration of the exploration period, or of a special extension period, the Contractor submitted to the Minister a detailed evaluation report justifying the commercial viability of the Discovery according to article 9.3, the exploration period or if the case arises the special extension period ends according to the date of approval of the Minister's report according to article 9.5 of the Contract.

If at the date of expiration of the exploration period or a special prolongation period, the Minister rejects the report of the Contractor indicating that there is no viability of the Discovery and submits the question to an Expert according to article 9.5 of the Contract, the exploration period, if the case arises, the special prolongation period will be extended until:

- i) the arrival date of the expert's decision confirming the opinion of the Contractor
- ii) Thirty (30) days after the decision of the expert where the decision states that the Discovery is commercially viable.

3.9 If a Natural Gas Discovery occurs that the Contractor considers as having the potential of being commercially viable, in addition to the procedures and conditions specified herein, the Minister may grant to the Contractor a special extension of the initial exploration phase for a minimum period of two (2) years to allow the full evaluation of this Discovery. To this effect, the Minister may ask the Contractor to carry out additional studies or works which would reasonably appear necessary for the good evaluation of the Natural Gas Discovery.

3.10 In the event of a Commercial Hydrocarbon Discovery, the Government shall grant to the Contractor by right, at the request of the latter, an exploitation permit covering the Development Area, the perimeter of which will have been approved as part of a General Development Program in accordance with Article IX. The duration of the exploitation permit during which the Contractor shall be authorized to assume the production of each of the Oil Fields and Gas Fields discovered shall be fixed at twenty-five (25) years from the day on which the Discovery has been declared a Commercial Discovery in accordance with the provisions of Article IX hereof.

Subject to Government approval, during the period of the Contract, the Contractor may relinquish one or several Development Areas which are the object of an exploitation permit.

3.11 If, at the expiration of the twenty-five (25) year exploitation period defined above, a commercial exploitation remains possible, the Contractor may be authorized, at its request, to continue the exploitation for a further period of ten (10) years, provided that it has fulfilled all its contractual obligations during the preceding exploitation period.

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3.12 At the expiration of the last exploitation permit granted to the Contractor, the rights and obligations defined in the present Contract concerning exploitation shall be null and void.

3.13 For the purpose of granting an exploitation permit, the Contractor shall provide to the Government an exact delimitation of the perimeter in such a manner that it includes all the presumed area of the discovered Field.

3.14 If, during subsequent work, it appears that the field has an extension greater than that initially anticipated according to the preceding paragraph, the Government shall grant to the Contractor, under the exploitation authorization already allocated, the additional area in such a way to cover the whole of the field, provided that the above mentioned extension forms an integral part of the Contract Area as defined at the time of said modification. If the additional area is outside the Contract Area, the Minister shall grant to the Contractor this additional area provided that it is not the subject of mining rights already granted to a third party or of a request for such rights.

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ARTICLE IV

OWNERSHIP OF ASSETS, DATA AND HYDROCARBONS

4.1 OWNERSHIP OF ASSETS

4.1.1 The lands shall become the property of the State as soon as they are acquired by the Contractor. The Minister must cooperate in order to complete the procedures on behalf of the Contractor and at the written request of the latter, for obtaining the licenses, permits, surface rights, easements, rights of free access and exit from the Contract Area, the utilization of the waters and any other types of encumbrances on any land or water expanse of public or private nature to enable the Contractor to conduct Petroleum Operations on the territory of Benin, in accordance with the laws in force in the country.

4.1.2 Notwithstanding the above provisions, the ownership of movable and immovable properties acquired by the Contractor for the Petroleum Operations shall be automatically transferred by the Contractor to the State as soon as their cost has been fully amortized by the Contractor, or, otherwise, at the end of the Contract. At the expiration of the Contract, the Contractor shall be required to forward to the Beninese State, through the Minister and unencumbered of any charges, the ownership of the lands, works, facilities, appurtenances and permanent equipment which it shall have acquired during the performance of the Petroleum Operations. The Contractor shall then be released from any obligation including any obligations regarding abandonment and environmental restoration, with regard to said properties in the event that field operations would continue. During the period of validity of the Contract, the Contractor shall keep and safeguard in a good condition the movable and immovable properties acquired for the execution of the Operations.

4.1.3 The ownership of the properties rented or of the movable properties leased and of intellectual property belonging to subcontractors or to Affiliates and intellectual property belonging to third parties shall remain with said Subcontractors, Affiliates or third parties.

4.1.4 During the period of the Contract, the Contractor shall be authorized to use all movable and immovable properties acquired for the Petroleum Operations under the Contract. The Contractor shall be authorized to transfer or to sell said properties if they are no longer required for the Petroleum Operations. The beneficiary of the revenues from the sale of these properties shall be as follows:

- . If the ownership of said properties has been transferred to the State, the proceeds must be paid to the latter.
- . The Contractor shall keep these revenues when the properties have not been the subject of any amortization.
- . In the event of partial amortization, the proceeds corresponding to the amortization proportion must be paid to the State.

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The disposal or transfer of movable or immovable properties during the period of the Contract must have the prior approval of the Minister.

4.2 OWNERSHIP OF DATA

The State is the owner of all the geological, geophysical and geochemical information and of the data relating to the drilling, engineering, recording and production of any other data, samples, logs, cores, tapes, maps, interpretations, reports and any other support or information obtained as a result of Petroleum Operations. However, the Contractor shall be authorized to keep this information, at no cost, and to use same for the Petroleum Operations subject to the obligations connected to their confidential nature.

4.3 OWNERSHIP OF HYDROCARBONS

All the Hydrocarbons contained in the Reservoirs of the subsurface of the Contract Area or produced in the Contract Area belong to the State in accordance with the Code and with the Constitution of the Republic of Benin. The Contract does not confer any ownership right on the Contractor with regard to the Crude Oil and/or Gas extracted from the Contract Area, which shall continue to be the property of the State until they are measured at the Delivery Point. The ownership rights of the Contractor with regard to the Crude Oil and/or to the Gas in accordance with the provisions of the Contract shall be granted to it at the appropriate Delivery Point.

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ARTICLE V

RELINQUISHMENTS OF SURFACE AREA

5.1 At the end of the first extension phase of the exploration period or its extension and provided the Contractor has discharged all its obligations corresponding to this phase, if the latter decides to continue with the Exploration Operations in the Contract Area according to article 3.4, it shall relinquish thirty percent (30%) of the remaining Contract Area, after deduction of any Development Area.

5.2 At the end of the last extension phase of the exploration period, the Contractor shall only keep the Development Area or Areas if any.

5.3 The Areas that have been relinquished by the Contractor must be connected together and must be of an appropriate geometrical form which allows the performance of Petroleum Operations by other entities. The Contractor must notify the Minister in writing of the Area or Areas it intends to relinquish, no later than sixty (60) days before the end of the period considered, and shall include a map showing the geographic location and giving the coordinates of the apexes of the boundary lines. Within thirty (30) days following the notification date, the Minister must inform the Contractor of its decision and the Contractor must comply therewith.

5.4 From the date of expiration of the Contract, the Contractor is assumed to have transferred all of the Contract Area.

5.5 After two months following each relinquishment, the Contractor must report to the Minister the surface areas to be returned and forward to him all related documents and files as well as the facilities, with the possibility of making copies of the documents and files subject to confidentiality conditions.

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ARTICLE VI

WORK OBLIGATIONS

6.1 The Contractor must commence the Petroleum Operations as of the Effective Date of the present Contract.

To that end, the Contractor shall inform the Minister of the nominal composition of the team responsible for the conduct and execution of the Contract in Benin as well as the main terms of its agreement with its partner or partners.

6.2 During the initial Phase of the exploration period of three (3) years, the Contractor shall undertake to do the following tasks:

- Acquisition of 3000 km of 2D seismic lines.
- Reprocessing of 600 km of seismic lines(optional).
- Propose a drilling program to the Government.

6.3 During the first extension phase of two (2) years, the Contractor must at least perform the following:

- Acquire fifteen hundred (1500) km of seismic or their 3D seismic equivalent;
- Drilling of a well to a depth of 3500m TVD (true vertical depth)

6.4 During the second extension of the initial phase of the exploration period, the Contractor must at least complete the following tasks:

- Acquisition of 1000 km of 2D seismic lines .
- Drilling of a well at a depth of 3500m TVD (True vertical depth)

6.5 Any Exploration Well drilled must at least be drilled to one of the following depths:

- (a) A geologic formation of lower Cretaceous age:
- (b) The basement;

(c) Three thousand five hundred (3500) m TVD (True Vertical Depth)

(d) a depth below which any additional drilling becomes impracticable and would not be carried out by a prudent and reasonable operator in identical or similar conditions according to the Good Operating Practices of the Oil Industry.

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(e) at any other depth defined by the Parties by mutual agreement.

6.6 If during a phase of the exploration period the Contractor undertakes tasks which exceed the minimum work obligations relating to this phase, the excess shall be deducted from the work obligations of the following phase.

6.7 The difficulties which shall occur during the implementation of the provisions of this Article shall first be settled in accordance with the provisions of Articles 8.2.2 and 9.9.

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ARTICLE VII

TECHNICAL COMMITTEE

7.1 Within three (3) months following the Date of signature of the Contract, the Parties shall form a Joint Technical Committee (JTC) composed of six (6) members, three (3) representing the Minister and three (3) representing the Contractor, including the General Manager.

7.2 Notwithstanding the provisions of Article 2 and the rights and obligations of the Contractor relating to the daily management of the Petroleum Operations, nor its other rights and obligations mentioned in the Contract, the JTC shall have the main following objectives:

- To ensure the good communication and cooperation between the Parties.
- To review and to decide on the conduct and management of the Petroleum Operations, in particular:
 - (i) the evaluation of the results of the drilling, geological, geophysical and petroleum engineering programs,
 - (ii) the budgets and their implementation,
 - (iii) important modifications to the work programs,
 - (iv) allocation of markets relating to the work programs,
 - (v) any other matters submitted by the Parties.

On all the matters reviewed the JTC shall make and forward recommendations to the Parties.

7.3 The JTC shall be chaired by one of the representatives designated by the Minister. One of the representatives designated by the Contractor shall act as Secretary. The Parties may send other representatives to the meetings of the JTC as experts or substitute members.

7.4 The JTC shall hold an ordinary meeting at least once every six (6) months or when the members decide to do so by mutual agreement. The Chairman of the JTC may convene extraordinary meetings at the request of the Minister or

of the Contractor by giving to the members at least fifteen (15) days notice, or a shorter notice if the Parties so decide. The corresponding notice must indicate the date, the place and the agenda of the meeting.

7.5 The quorum for the meetings of the JTC shall be composed of four (4) members including two (2) for each Party.

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7.6 The JCT shall submit the result of its meetings to the Parties. In the event of disagreement between the Parties, they will react in accordance with the provisions of the present Contract.

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ARTICLE VIII

COMPLETION OF THE OPERATIONS, WORK PROGRAM, BUDGETS, REPORTS AND CONTROL

8.1 COMPLETION OF THE OPERATIONS

8.1.1 During the period of the Contract, the Contractor shall carry out directly the exploration and exploitation activities in the Contract Area. In order to better undertake its activities, it shall be authorized to hire specialized subcontractors. However, the Contractor shall keep the control and the general responsibility of the operations or activities undertaken.

8.1.2 The Contractor must proceed diligently with the performance of the Petroleum Operations in accordance with the Good Operating Practices of the Oil Industry, taking into account the local conditions and other particular conditions in the Contract Area.

8.1.3 The Contractor must notify in advance the Minister of all substantial and planned Petroleum Operations such as, for example, the geological or geophysical surveys and the start-up of well drilling activities. The Contractor must also notify the Minister in writing of any suspension of drilling or well abandonment. If this notification is impossible, the Contractor must notify the Minister in writing of this suspension or abandonment within twenty-four (24) hours.

8.2 WORK PROGRAM AND BUDGETS

8.2.1 Within ninety (90) days following the Effective Date of the Contract, the Contractor must prepare the first Work Program and its budget. If the Effective Date of the Contract occurs the first day of the month of July or before, the first Program and its budget shall be prepared for the remainder of the corresponding Calendar Year. If the Effective Date of the Contract occurs after the first day of the month of July, this first Program and its budget shall be prepared for the current Calendar Year as well as for the following Calendar Year. The Contractor must submit the Work Program and its budget to the Minister's approval. Subject to the above provisions, the Contractor shall, no later than October 30 of each calendar year, prepare a Work Program and a budget for the following calendar year and submit same for the Minister's approval. Within the month following the date of receipt of the Work Program and of the budget, the Minister shall approve same as proposed or shall suggest amendments, failing which the Work Program and the budget shall be deemed approved. The Work Programs during the exploration period must include the minimum work program as stipulated in the present Contract.

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8.2.2 In the event that the Minister wishes to make amendments to the Work Program and to the corresponding Budget, he must advise the Contractor thereof in writing no later than fifteen (15) days following the receipt of the documents mentioned above and the Parties shall meet and attempt to reach an agreement on the proposed amendments. If the Contractor and the Minister do not reach an agreement on the proposed amendments no later than two months after the date of receipt of the Work Program and budget, an Expert shall be called upon to settle the question in accordance with the provisions relating to arbitration and expert evaluation.

8.2.3 The Contractor may, with the Minister's approval, revise the Work Program during the Calendar Year in question in order to be able to take into account newly acquired information, a revised evaluation of the existing conditions, or any other valid reason.

8.3 REPORTS

8.3.1 Within the framework of the present Contract, the Contractor shall prepare and keep up to date all the records relating to the Petroleum Operations in the Contract Area.

8.3.2 Subject to its general rights and obligations, the Contractor shall:

- (a) Register in an original or reproducible version of good quality, or eventually on magnetic support, any geological and geophysical information and any data related to the Contract Area and acquired by the Contractor.
- (b) Keep all the files containing all the details concerning the following aspects:
 - i) The drilling, implementation, deepening, production tests, plugging or abandonment of the wells;
 - ii) The formations penetrated by the wells;
 - iii) The casing laid in the wells and any modification to said casing;
 - iv) Any hydrocarbons, water and other minerals of economic value or dangerous substances encountered;
 - v) The areas in which geological or geophysical activities have been carried out.

8.3.3 The well logs, maps, magnetic tapes, cores and samples, and other geological and geophysical information obtained by the Contractor during the Petroleum Operations belong to the Government, and shall be forwarded to it as soon as they have been obtained or prepared, the Contractor having the right to make copies of said documents and files, subject to the observance of the confidentiality provisions.

8.3.4 During the execution of its contractual obligations, unless the Parties otherwise agree, the Contractor may:

- a) Keep copies of the material constituting the Data during the period of the Contract.

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- b) Keep the original data for a period required for Petroleum Operations, with the Government approval, provided that said data can be reproduced and that copies thereof have been provided to the Minister.

- c) Export for processing, review or laboratory tests and for a period of one year, the samples and any matters constituting the Petroleum Data, provided that samples of equivalent dimensions and quality or, when such data may be reproduced, copies of an equivalent quality have been forwarded to the Minister.

8.3.5 The Contractor shall regularly inform the Minister of the major developments occurring in the Petroleum Operations and shall provide him with all available information, data, reports, evaluations and interpretations relating to the Petroleum Operations. Furthermore, the Contractor shall:

- a) Prepare daily drilling reports within the framework of its activities;
- b) Prepare and forward to the Minister a monthly report within a period of fifteen (15) days following the end of the month concerned, which shall include a description of the activities covered during said month with plans and maps indicating the sites where the tasks described have been executed;
- c) Prepare and forward to the Government a quarterly report, within thirty (30) days after the end of each Calendar Quarter, which shall include a description of the activities covered during said quarter with plans and maps indicating the sites where the tasks described have been executed;
- d) Prepare and forward to the Government an annual report, within two (2) months after the end of each Calendar Year, which will integrate and develop if necessary the revised quarterly reports of the Calendar Year considered.

8.4 The Minister shall assume his obligations under the present Contract through the DIRECTION OF ENERGY (DEN) and the DEPARTMENT OF PETROLEUM OPERATIONS (BOP).

8.4.1 The duties of THE DIRECTION OF ENERGY (DEN) shall be in particular:

- to ensure that the Petroleum Operations conducted by the Contractor or other government entities comply with the petroleum policy of the State and with appropriate laws and regulations;
- as much as feasible to bring to the Contractor any assistance required in order to allow it to fulfill its obligations within the framework of the present Contract;
- to ensure that the Contractor implements a true policy of technological transfer and of training of Beninese nationals in the field of Petroleum Operations.

8.4.2 The duties of THE DEPARTMENT OF PETROLEUM OPERATIONS (BOP) shall be in particular:

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- to guarantee the financial settlements between the Contractor and the State;
- to receive, value and market the State's Hydrocarbon share;
- to ensure that the cost accounting of the expenditures and the keeping of the records and of the performance reports of the Petroleum Operations are undertaken according to the present Contract and according to the generally accepted accounting principles of the oil industry.

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ARTICLE IX

DECLARATION OF COMMERCIAL DISCOVERY
AND DESIGNATION OF THE DEVELOPMENT AREA

9.1 As soon as a Discovery of Hydrocarbons is made in the Contract Area, the Contractor must immediately report it to the Minister and the provisions of the present Article shall then apply. In the event of a Gas Discovery, the provisions of the relevant Article shall apply if there is a conflict or a difference with the present Article with regard to this Discovery.

9.2 After the Discovery of Hydrocarbons and as soon as it is able to do so, and in any case within thirty (30) days following said Discovery, the Contractor must forward to the Minister a first report of Discovery.

No later than two (2) months following the Discovery, the Contractor shall forward to the Minister a detailed report on the Discovery, indicating whether this Discovery must be evaluated or not. If the Contractor deems that the Discovery is worth being evaluated, the report must include an evaluation program and a schedule of activities in order to implement an adequate and efficient evaluation. The Contractor must carry through the evaluation program submitted to the Minister during the exploration period in accordance with the approved evaluation program and schedule of activities.

9.3 No later than ninety (90) days following the end of the evaluation program, the Contractor shall submit to the Minister a detailed evaluation report demonstrating the commercial viability of the proposed Development Area. The present report must include:

- The description of the Development Area, in particular the structural configuration, the physical properties and the extent of the reservoir rocks, the areas, thicknesses and depths of the producing zones;
- An estimate of the initial and recoverable oil and gas reserves, the characteristics of the recovery, the expected recovery rate for each reservoir;
- An estimate of the number of wells required for an efficient drainage of the reserves, the fluid characteristics including, in the case of Crude Oil, the density, the sulfur content, the sediment and water content and the shrinkage characteristics of the product;
- The economic forecasts and the expected cash flows.

9.4 The Contractor must declare in the report whether the Discovery is commercially viable, and in this case, it shall be entitled to develop same and to produce the Hydrocarbons in accordance with the provisions of the present Contract.

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9.5 Within thirty (30) days following the date of submission of the report in which the Contractor advises the Minister of its opinion that the Discovery is commercially viable, the latter shall notify in writing his approval to the Contractor, and the date of approval by the Minister is the "Date of Commercial Discovery". At the time of notification of said approval the Minister grants to the Contractor the Exploitation Permit required for the exploitation of said discovery. If at the end of this thirty (30) day period, the Minister has not notified said approval in writing, the Date of Commercial Discovery shall be the day following the expiration of the thirty (30) days mentioned above. The Minister shall then grant as quickly as possible the

exploitation permit to the Contractor if it requests it.

9.6 If the Contractor deems that the Discovery is not commercially viable, it must advise the Minister of the reasons on which it has based its decision. If the Minister questions the basis of the technical or financial analysis of the Contractor leading to its evaluation of the non commercial nature of the Discovery, or if for any other reason he deems that the Discovery could be developed economically by the Contractor in accordance with the clauses and provisions of the Contract, the Minister must then, within sixty (60) days if he so wishes, submit the matter of the commercial viability to an Expert in accordance with the Contract. If the Expert confirms that the Discovery is commercial, the Contractor may, within thirty (30) days following the date of receipt of the Expert's decision, either declare that the Discovery is a commercial Discovery in accordance with the provisions of the Contract and the date of that declaration shall become the Date of Commercial Discovery, or waive its rights concerning the Discovery. In this case, the Minister shall have the right to develop the area of the Discovery and to produce Hydrocarbons in accordance with the provisions relating to sole risk operations. The Contract shall remain in effect on the remaining part of the Contract Area.

9.7 Within ninety (90) days following the Date of Commercial Discovery, the Contractor must submit to the Minister a General Development Program indicating:

- (a) the proposed Development Area;
- (b) the Development Operations to be carried out, including any additional delineation of the Development Area and the method of development of the Associated Gas, if any;
- (c) the Contractor's plans concerning the drilling and completion of the wells, the production, storage, transportation and delivery facilities required for the production of Hydrocarbons. The plans must contain the following information:
 - (i) the expected number of Development Wells and their locations;
 - (ii) the details relating to the production equipment and to the storage facilities;
 - (iii) the delivery points of Crude Oil and Natural Gas; and
 - (iv) the details of any other technical equipment required for the Hydrocarbon Operations.

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- (d) the estimated forecasts of Crude Oil and Natural Gas production volumes from the Oil or Gas Fields, and the estimated commercial life of said deposits;
- (e) the cost estimates of the equipment and current expenses;
- (f) the economic feasibility studies prepared by the Contractor and the other methods, if any, devised for the development of the Discovery taking into account:
 - (i) its location;
 - (ii) any pertinent meteorological condition;
 - (iii) expected investment costs and current expenses; and
 - (iv) any other information required for its evaluation.

- (g) the safety measures to be adopted during the Development and Production Operations, including the emergency measures;
- (h) the measures to be adopted for the protection of the environment;
- (i) the unforeseeable events that may affect the Contractor's capability during the implementation of the General Development Program.

9.8 The General Development Program proposed by the Contractor must be prepared according to the sound geological, engineering and financial principles and according to the Good Operating Practices of the Oil Industry. Furthermore, it must be conceived with a view to ensure the optimum recovery of Hydrocarbons in the Development Area and to prevent their waste.

9.9 The General Development Program of the Contractor may be reviewed by the Minister who shall give his approval if he deems that it has been prepared according to the above provisions. If the Minister deems that the General Development Program submitted by the Contractor has not been prepared according to these provisions, he shall suggest that revisions be made and the Contractor may amend same in reply. If within ninety (90) days following the date of submission of the Program, the Minister and the Contractor cannot agree on said Program, the matter or matters which are the subject of a disagreement must be submitted to an Expert who shall settle same. In the event of disagreement and submission to an expert, the exploitation period of 25 years shall not include the period of arbitration (including procedural period)

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9.10 During the course of the Development and Production Operations, the Contractor may suggest additions or revisions to the General Development Program. It shall then submit them to the Minister for review and approval, using the procedures of article 9.9. If within the ninety (90) days that follow the submission date of the additions and modifications the Minister and the Contractor do not agree on said additions and modifications, the matter or matters which are the subject of disagreement must be submitted mutadis mutandis to an expert according to the procedure specified in article 9.9 and the exploitation period of twenty-five (25) years will not include the length of this procedure.

9.11 If the Contractor wishes to finance the Development Operations with funds obtained from banks or other sources of financing, the Minister must assist the Contractor by providing all the information that the banks or sources of financing may reasonably request, provided that the Minister does not have to assume any additional obligation of any type, whether financial or otherwise.

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ARTICLE X

SOLE RISK OPERATIONS

10.1 If during the exploration period, the Minister wishes to test additional reservoirs at the final depth agreed upon, or deepen the well and test deeper reservoirs than this final depth, the Government shall have the right, subject to the provisions of Article 10.4, to request the Contractor, by notification, to test certain additional reservoirs or to continue the drilling and test new reservoirs, at the sole risk of the Government and on behalf of the Government, until the Government's objectives have been reached as long as the request of the Government does not delay, hinder or interfere with the exploration and evaluation activities of the Contractor. The Government shall notify the Contractor as soon as possible before or during the drilling but under no circumstances after the Contractor has started the well completion or

abandonment activities.

10.2 If during the exploration period, the Parties cannot agree on the Government recommendation for the drilling of additional exploration wells, the Minister shall have the right after the initial period to request the Contractor to drill in the Contract Area at the exclusive risk and expense of the Government one (1) exploration well provided that this Operation does not delay, hinder and disturb the exploration and evaluation activities of the Contractor. In this case, the Minister shall have a maximum period of six (6) months in which to provide the Contractor with a drilling plan indicating the drilling details as well as the financing plan of said operation which will be pre-financed.

10.3 If the operations described under Articles 9.3, 10.1 or 10.2 lead to a Discovery or to a Commercial Discovery, the Government shall have the right, at its exclusive expense, risk and benefit, to evaluate said Discovery and/or to develop and produce the Oil from the reservoir corresponding to this Discovery. The Contractor shall notify the Minister in writing, before the beginning of the commercial production of the oil reservoir discovered within the framework of said sole risk operations, if it wishes to be responsible for the future development and/or production operations of said oil-bearing reservoir according to the terms of the present Contract. In this case, the Contractor shall pay in cash or in kind to the Minister, in addition to one hundred percent (100%) of the exploration costs and the exploration stand by costs, if any, incurred by the Minister with regard to the sole risk operations and connected to the discovered oil-bearing reservoir, an additional amount equal to three hundred percent (300%) of said exploration and stand by costs.

10.4 The conditions for the completion of the sole risk operations shall be:

- (a) The production tests of additional formations or the penetration and the production tests of deeper formations or the drilling of additional exploration wells must be technically feasible, and must not delay, hinder or interfere with the Contractors exploration and evaluation activities;

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- (b) The deepening of a well under the sole risk operations may not take place if the well has already penetrated one or several producing reservoirs;
- (c) No sole risk exploration well may be drilled in an exploitation area or on the site of a Commercial Discovery.
- (d) The Minister may hire a third party for the performance of the sole risk operations mentioned above. However, the Minister cannot hire a third party for this purpose without having first offered to the Contractor a preemption right for the completion on his behalf of said sole risk operations under identical conditions to those acceptable by the third party. If the Contractor does not accept to perform these operations within sixty (60) days from the receipt of the Minister's notice, the latter shall then be at liberty to hire the third party as long as this party respects the clause of confidentiality towards the reports, data and information held or prepared by the Contractor and received by this third party as per the present article or according to article IX and in accordance with article XXII.

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ANNUAL DEVELOPMENT AND
PRODUCTION PROGRAMS

11.1 The Contractor shall be required to carry the Production and Development Operations in all the Development Areas in accordance with the General Development Programs and according to Good Operating Practices of the Oil Industry.

11.2 The Work Program submitted for the Calendar Year during which a Commercial Discovery occurs, must be modified by the Contractor within sixty (60) days following the date of approval of the General Development Program in order to comply with the latter.

11.3 The Work Programs and the budgets corresponding to the Development Operations and Production Operations must have as objective the efficient and economical exploitation of all the Development Areas according to the Good Operating Practices of the Oil Industry. The Minister shall approve the Work Programs and the budgets prepared and submitted in accordance with the provisions of the present Contract.

Within thirty (30) days following the date of receipt of a Work Program and a budget, the Minister shall approve them as proposed or shall suggest that amendments be made; if no approval notice or suggestion of amendments has been received within this thirty (30) days period, the Work Program and the budget shall be deemed to be approved.

11.4 If the Minister wishes to amend the Work Program or the corresponding budget, he must inform the Contractor in writing no later than fifteen (15) days following the receipt of the documents mentioned above. The Parties shall consult each other and attempt to reach an agreement on the amendments suggested. If the Minister and the Contractor cannot agree on the amendments suggested no later than two (2) months after the date of receipt of the Work Program and the corresponding budget, an Expert shall be called to settle the matter in accordance with the provisions relating to arbitration and expert evaluation. The twenty-five (25) year exploitation period, or eventually the additional period of ten (10) years shall not include the time spent referring the matter to the expert (including the time of the procedure).

11.5 The Contractor may, with the Minister's approval, revise the Work Program and the budget during the Calendar Year in question in order to be able to take into account newly acquired information, a revised evaluation of the prevailing conditions, or any other valid reason.

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ARTICLE XII

GOVERNMENT PARTICIPATION

12.1 The Government shall have the option to acquire a maximum participation of fifteen (15)% of the rights and obligations of the Contractor relating to a discovery when the combined daily production of all the discoveries of the Contract Area reach for the first time a level of 50,000 barrels during at least six (6) consecutive months.

12.2 The Government must exercise its option of participation by written notification to the Contractor within thirty (30) days following the last day of the 6th month of the production level of 50,000 barrels/day. In the absence of a written notice during this period of thirty (30) days, the option shall be deemed refused.

12.3 If the Government exercises its option of participation in accordance with Article 12.1, the Contractor shall assign to the Government the share requested. To that end, the Contractor shall propose a draft agreement

for the Minister's evaluation.

12.4 The Government Participation shall take effect from the date of receipt by the Contractor of the written notification mentioned in Article 12.2. The Government shall from then on pay its share of the Petroleum Costs, in proportion to its participation, when said costs have been incurred by the Contractor.

12.5 If the Government exercises its option of participation, it will reimburse to the Contractor in proportion to said participation, its share of the Petroleum Costs incurred by the Contractor with respect to the Contract Area before the date on which its decision to participate has been notified to the Contractor who shall assist at no cost in the search for necessary funds.

Said share of Petroleum Costs that is reimbursable to the Contractor shall bear an interest from the date on which the Petroleum Costs have been incurred until the actual date of participation by the Government, at the interest rate of the Contract fixed the day before the settlement date.

12.6 The reimbursement mentioned in Article 12.5 shall be at the option of the Minister and notified to the Contractor,

- either in cash by payment in Dollars within a period to be determined by mutual agreement,
- or in kind through lifting by the Contractor of a portion of the Hydrocarbon share stipulated in Article 13, to which the Government is entitled, up to fifty percent (50%) of said share. The value of this portion being calculated in accordance with the provisions of Article 16, and this share shall be equal in value to the amount due on the date of notification mentioned in Article 12.2, plus the interests related thereto calculated according to Article 12.5.

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12.7 If during the three (3) months following the due date for reimbursement agreed to between the Parties, the Government does not pay to the Contractor its share of the Petroleum Costs as stipulated in Article 12.5, the Contractor shall have the right to retain fifty percent (50%) of the share of Profit-Oil of the Government until total recovery of said costs.

12.8 If the Government exercises its option of participation, the Minister shall establish as soon as possible with the Contractor, an operating agreement in accordance with the international Petroleum Operations which shall govern the rights and obligations of the Parties.

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ARTICLE XIII

COST RECOVERY AND PRODUCTION SHARING

13.1 Subject to the provisions relating to participation, the Contractor shall assume and pay all the Petroleum Costs incurred during the execution of the Petroleum Operations, and it shall recover said costs according to the procedures defined in Accounting Appendix D.

The costs directly attributable to the development and production of Non-Associated Gas shall be subject to a specific agreement in accordance with the provisions of the present Contract.

13.2 The Petroleum Costs, within the limits authorized by the

provisions of Appendix "D", shall be recovered from up to seventy-five percent (75%) of the Available Crude, on a yearly basis for oil and eighty percent (80%) for condensate. The cost recovery shall occur as follows:

- (a) The recovery of the operating costs shall be made entirely during the Year when such costs have been incurred;
- (b) The recovery of the exploration costs shall be made from the start-up Year of the first commercial production deriving from the Contract Area;
- (c) The development investments shall be amortized over five (5) years from the start-up Year of the first production;
- (d) The investments related to the exploitation phase shall be amortized over five (5) Years from the date of their realization;
- (e) Investments shall be recovered including an increased markup of fifteen percent (15%);
- (f) However when total production will have reached its Economic Limit such as defined in Article 13.7 hereinunder, the Parties shall consult to take a decision by consensus. This meeting will take place within thirty (30) days from the date at which the written notification by the Contractor was received by the Minister.

13.3 Inasmuch as the Petroleum Costs recoverable during a given Year exceed the value of the Crude for Cost Recovery ("Cost-Oil") available this Year, the recovery of the surplus shall be carried forward to the following Years.

13.4 The Contractor shall deduct on behalf of the Government from the total production of the Crude extracted from the discovery area, after deduction of the losses and uses related to the Petroleum Operations, a portion equivalent to the amount of the tax on oil production equal to 12.5% (twelve and a half percent) for oil and 10% (ten percent) for condensate. The remaining quantity of the crude shall be referred to as "Available Crude".

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13.5 The remainder of the Available Crude every year after deduction of the recoverable Petroleum Costs, hereinafter called "Profit-Oil", shall be shared between the Government and the Contractor, whether the Government shall exercise or not its option of participation to the rights and obligations in accordance with Article XII, according to the following progressive scale:

A) OIL

AVERAGE DAILY PRODUCTION ----- (BARRELS/DAY) -----	GOVERNMENT SHARE -----	CONTRACTOR SHARE -----
0 to 100,000	50%	50%
Over 100,000	55%	45%

B) CONDENSATE

AVERAGE DAILY PRODUCTION ----- (BARRELS/DAY) -----	GOVERNMENT SHARE -----	CONTRACTOR SHARE -----
0 to 100,000	45%	55%

13.6 The parties agree that if the Economic Limit of a petroleum reservoir will be reached (ie. if the petroleum costs incurred by the Contractor exceed the cashflow resulting from the sale of the production in a way that would cause production from the reservoir to stop prematurely), the parties will discuss the details needed to make the appropriate changes to the Contract, more specifically the recuperation of costs and the sharing of production in order to prolong the life of the field.

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ARTICLE XIV

REQUIREMENTS OF DOMESTIC CONSUMPTION

14.1 Three (3) years after the start up of the Production Operations, the Government shall have the right to purchase and the Contractor shall be under the obligation to sell, at a specified Delivery Point, a quantity of Hydrocarbons either Crude or refined products, or gas equivalent as agreed between parties, equivalent at most to fifty percent (50%) of the share of Profit-Oil to which the Contractor is entitled in order to meet the domestic consumption of Benin. The assignment of Crude Oil shall be made within this framework in accordance with the provisions of Article 16.2.

If within a period not exceeding sixty (60) days from the date of delivery of hydrocarbons, the Government has not paid his invoice, the Contractor may obtain payment by lifting from the Government Profit-Oil share.

14.2 With regard to Crude Oil, the Contractor's obligation to sell rests on the principle according to which all producers of Crude Oil or exporter from Benin, including the Government, bring part of their production, at any moment and in a proportional manner, to meet the requirements of domestic consumption. In order to take advantage of its acquisition right, the Minister must give a three (3) months written notice to the Contractor, indicating the quantity of Crude Oil from the Contractor's remuneration that shall be acquired during the three (3) calendar months following the above mentioned notice. The monthly variation of this quantity cannot exceed a range of more or less ten percent (10%).

14.3 If due to a case of Force Majeure, other contractors or the Government cannot proportionally contribute to the requirements of the domestic market, and that, consequently, the volume of participation of the Contractor and of other contractors to domestic market sales must be increased, the Contractor must sell the additional quantities required in accordance with the above Articles and conditions until the Force Majeure has been resolved and until the contribution intended to proportionally cover the requirement of the domestic market has been reestablished. This additional obligation does not include the volumes of production which have been the subject of an export contract for which the loading period has been fixed within forty (40) working days following the date on which the Contractor has received notification from the Minister as to the case of Force Majeure.

14.4 With regard to Natural Gas, the Contractor's obligation to sell must be established taking into account the criteria used to meet the requirement of the domestic market stipulated hereinabove, and taking into account the price of Natural Gas determined in accordance with the present Contract.

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14.5 All payments made regarding the sale of the Contractor's

Hydrocarbon to the Government in accordance with the provisions of this Article must be denominated in dollars and made by bank transfer to the bank account designated by the Contractor outside Benin, within a period of thirty (30) days from the date of delivery to the Delivery Point of the Hydrocarbons acquired by the Government.

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ARTICLE XV

TAX SYSTEM

15.1 For the duration of the Contract and in accordance with the legislation in force in the Republic of Benin, the Contractor shall be subject to the tax system currently applied to companies in general, and to oil activities in particular.

15.2 The Contractor shall be required to pay, under the conditions and the due dates established by the Beninese tax legislation, all the taxes and duties to which it is subject, in particular Income Tax equal to 55% (fifty-five percent) of the taxable profit and the Export Tax at the rate of three point twelve percent (3.12%) of the FOB value.

15.3 It is understood that in application of Article 15.2, the Minister shall take from the Profit-Oil share to which the Government is entitled under Article 13.5 an amount corresponding to the Income Tax and the Export Tax mentioned in the Petroleum Code. It shall pay said tax to the institution designated for this purpose on behalf of the Contractor and shall have delivered to the Contractor the related receipts. The same applies for the Export Tax. In this case, the Profit Oil share to which the Contractor is entitled under Article 13.5 shall be considered free of tax. In other words, the Contractor is free of all fiscal obligations, which are by definition, included in the Profit Oil share of the Government as well as the Royalty on Petroleum Production also collected by the Government.

15.4 The Contractor and its subcontractors shall be exempt from the duties and taxes on the equipment, exploitation material and machines imported by the Contractor and its subcontractors within the framework of the Petroleum Operations. These goods and equipment may be re-exported at the end of their use according to the temporary admission system.

15.5 The Contractor and its subcontractors shall be also exempt:

- (a) from the Value Added Tax (VAT) on the activities strictly related to the Petroleum Operations;
- (b) from the Franchise Tax for a period of five (5) financial years;
- (c) from the surface royalties mentioned in the Code; and
- (d) for expatriate personnel, from contributions to the Social Security Department of Benin (OBSS), from the employer's contribution (V.P), and from the apprenticeship tax.

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15.6 The expatriate personnel employed by the Contractor and its subcontractors may import free of duties and taxes with the exception of the road tax, their personal effects which shall be used during the first six (6) months of their move. They may also import one vehicle per household as temporary import.

15.7 The Government shall agree to take into consideration any

modification to the fiscal conditions which the Contractor may request at any time, provided that:

- (a) Such modification does not negatively affect the overall economic benefits and other advantages that the Government will derive from the Petroleum Operations; and
- (b) The only reason for proposing such modification shall be either to permit any person forming the Contractor or any other Affiliated Company to obtain in another country a tax credit relating to the taxes paid in the Republic of Benin.

15.8 The Contractor shall be required to pay to the State the income from the taxes and duties mentioned in the present Contract through a national structure. The designation of the national structure in question shall occur within one hundred and eighty (180) days following the Effective Date.

15.9 Within thirty (30) days following the date of payment, the Government shall issue, a receipt in the Contractor's name for said payment.

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ARTICLE XVI

MEASUREMENT, DISPOSAL, EVALUATION AND SALE OF HYDROCARBONS

16.1 The Contractor must measure all the Crude Oil and Natural Gas produced in the Contract Area according to the Good Operating Practices of the Oil Industry. The Contractor must keep full and accurate records of all the measurements of Hydrocarbons produced in the Contract Area after extraction of the water and of its foreign substances, and of all the Hydrocarbons that may be marketed, which will allow by difference to determine the quantities that have been used for the Operations and the unavoidable losses. The Minister's representatives must have access to these records and measures.

The Minister shall have the right to examine and to test all the measures, measuring equipment, graphics and any other measuring or testing equipment and information.

If, at the end of an examination or test, it appears that measuring equipment are not in working order, that they are damaged or badly adjusted, the Contractor must put them in good working order or shall proceed with the required adjustments immediately at its own cost.

If, within a reasonable period not exceeding thirty (30) days, the Contractor does not assume this obligation, the Minister may take the necessary measures so that said equipment be made operational or have the equipment adjusted and may invoice to the Contractor the cost of this operation at the interest rate of the Contract + 1%. If according to the Minister, the error caused by the bad adjustment, or any other failure of a measuring equipment, appears to be at the origin of a considerable difference in the production measurement, the Parties shall consult each other for the purpose of examining the appropriate measures to be taken. In the event of disagreement, the matter may be submitted to an expert so that the latter can determine if a retroactive adjustment of the production figures should be made. If the Contractor deems it necessary to replace measuring devices or instruments, it must notify the Minister for approval and give to the Minister's representatives the opportunity to be present during the operation and to participate.

16.2 Under the present Contract, the price of Crude Oil for each quarter shall be the weighted average of the FOB prices received by the Contractor for sales to independent third parties during the corresponding quarter.

If during a given quarter the Contractor does not sell at least forty percent (40%) of the total production of Crude Oil of the Contract Area to third parties which are not related to the Parties, the price of Crude Oil for that quarter shall be the weighted average of the FOB prices established by comparison with the Crude Oil Price on the international market taking into account the quality, density and transportation differentials.

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In the absence of an agreement between the Parties within fifteen (15) days following the end of the Quarter concerned, pending the opinion of an expert, the sale price agreed to for the Quarter preceding the Quarter in question shall apply temporarily subject to the retroactive adjustments which would be required after expert evaluation. The expert evaluation mentioned in this Article shall occur within a period not exceeding thirty (30) days after the end of the Quarter concerned.

16.3 Within the framework of the present Contract, the price of Natural Gas sold on the domestic market of Benin shall be the price received by the Contractor for sales to third parties. Taking into account the fact that the gas market is not well developed in Benin, the Minister must assist the Contractor inasmuch as possible to find possible consumers for the Gas and to negotiate reasonable sale prices. The Natural Gas price applicable to the Gas sold to a public Beninese company or to a body whose capital with voting right is the direct or indirect property of the State, is established by mutual agreement between the Parties, it being understood that this price must reflect the commercial value of the energy source that the Gas sold is deemed to replace, according to the modern technology generally used and taking into account the cost of the gas produced. The price that applies to the Natural Gas exports shall be the price received by the Contractor for sales to third parties, subject to the same conditions normally governing the sale of Crude.

16.4 The Contractor shall have the right to freely dispose of, load, transport and export the Hydrocarbons to which it is entitled under the Contract. The Minister may request the Contractor to sell all or part of the oil to which the State is entitled in accordance with Article 13 and under the market conditions stipulated in Article 16.2, and provided that the Parties have agreed on the provisions concerning marketing.

16.5 No later than sixty (60) days before the Start up Date of the Commercial Production in each Development Area, and thereafter at the beginning of each Quarter, the Contractor must prepare and provide to the Minister a forecast indicating the total quantity of Hydrocarbons which, according to the Contractor, shall be produced during the following four (4) Quarters in the corresponding Development Area, starting from a production rate mutually agreed upon to optimize the recovery of Hydrocarbons in the Development Area according to the Good Operating Practices of the Oil Industry. Each Quarter, the Contractor shall make reasonable efforts to produce the quantity of Hydrocarbons which it estimated. The Contractor shall be authorized to use, free of charge, the quantities of Hydrocarbons produced in the Contract Area, in their natural or processed state, required for the carrying out of the Petroleum Operations (including the Operations of Gas loading) according to the Good Operating Practices of the Oil Industry. Whatever the quantity of hydrocarbons used for this purpose, it shall not be considered as being part of the Commercial Production.

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ARTICLE XVII

NATURAL GAS

17.1 Benin's domestic market shall benefit from a preferential right for the acquisition of the Natural Gas produced in any Development Area and which is not required for the Petroleum Operations in accordance with this Article, provided that the commercial proposals made are not less favorable than those under which the gas in question could be exported. The Natural Gas not sold on the domestic market may be exported.

In the event of discovery of a commercial accumulation of gas, a gas purchase contract ("Take or Pay" contract) shall be discussed between the Government and the Contractor as soon as possible. If the direct generation of electricity would appear more favorable for the two Parties, they shall meet to determine the conditions thereof.

17.2 ASSOCIATED NATURAL GAS

17.2.1 If a Crude Oil Discovery occurs that the Contractor considers to be commercially viable under the present Contract and this discovery contains Associated Gas, the Contractor must indicate in its evaluation report if it anticipates that the estimated production of Associated Gas shall exceed the quantities of Associated Gas required for the Crude Oil Production Operations (this surplus shall be referred to hereinafter as "surplus Associated Gas") and if the surplus Associated Gas can be produced in commercial quantities. If the Contractor declares that this Associated Gas exists and that it can be produced in commercial quantities, it shall indicate in the General Development Program prepared for the Hydrocarbon Discovery the details relating to the gathering, processing, compression and transportation facilities required to commercially produce the surplus Associated Gas for commercial purposes, as well as the corresponding costs.

17.2.2 Within ninety (90) days following the date of submission of the General Development Program, the Minister may advise the Contractor that he himself or any other public entity in Benin designated by him, wishes to dispose of the surplus Associated Gas on the domestic market.

17.2.3 If, in accordance with this Article, the Minister advises that he wishes to dispose of the surplus Associated Gas on the domestic market, the Contractor may, by notice within ninety (90) days following the date of notification of the Minister, participate in the costs of the facilities required for the production of the surplus Associated Gas and the proceeds deriving from the sale of said Gas.

17.2.4 If the Contractor decides to participate in accordance with the above provisions:

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(a) It shall build gathering, processing, compression, transportation and storage facilities required for the production and the delivery to the Delivery Point of the surplus Associated Gas in accordance with the specifications of the General Development Program.

(b) The price of the Associated Natural Gas is the price of Natural Gas determined in accordance with the present Contract.

17.2.5 If the Contractor decides not to participate, it shall then deliver to the Minister, or to the public Beninese company designated by the Minister for this purpose, to a Delivery Point designated as "Exit door", and at its expense, all the quantities of surplus Associated Gas produced, the costs associated will be considered to be recoverable Petroleum Costs.

17.2.6 Subject to the provisions relating to the protection of the environment, the Contractor may burn any surplus Associated Gas that has not been used.

17.3 NON-ASSOCIATED GAS

17.3.1 If a Discovery of Non-Associated Gas occurs in the Contract Area, the Contractor must submit a report in accordance with the provisions of the present Contract. If the Contractor deems that the Discovery is worth being evaluated, it must prepare an evaluation, including a reserve estimate, of the production potential, the development costs and the production costs as well as of the economic viability. In that report, the Contractor must also declare whether the Discovery is commercially viable. If the Contractor deems that the Discovery of Non-Associated Gas does not warrant being evaluated, the provisions relating to Crude Oil shall apply mutatis mutandis.

17.3.2 If the Contractor deems that the Discovery can be commercially viable, the Minister shall assist in the evaluation of the gas requirement on the domestic market as well as in the transformation and marketing activities required for its distribution to the final users of said market. Similarly, the Contractor is at liberty to evaluate the viability of Gas export. During the calendar year following the date of submission of the detailed evaluation report of the Contractor, the Parties must meet in order to determine if the sale points and other pertinent factors justify its development and production for sale on the domestic market and/or if it is considered that this market is not big enough and therefore the Gas must be exported.

17.3.3 If the Contractor deems that the development of the Discovery of the Non-Associated Gas is justified, it must submit to the Minister a General Development Program for said Discovery and the provisions relating to the commercial discovery and those relating to the Government participation shall apply to the development and production of said Gas as if it concerned Crude Oil. If the Contractor deems that the development of the Discovery of Non-Associated Gas is not justified, the provisions relating to the Crude Oil shall then apply mutatis mutandis to the development and production of said Gas.

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17.3.4 If it has been determined that the Discovery of Non-Associated Gas cannot be used on the domestic market while the Contractor considers that said Discovery of Non-Associated Gas may be commercially viable for export, the Contractor shall then be free to develop the Gas Field provided that it submits to the Minister a General Development Program. If the Contractor begins the Development Operations for export, the Minister shall take the necessary measures to facilitate the construction of the appropriate facilities. The provisions relating to the commercial Discovery and to the Government participation shall apply mutatis mutandis to the development and production of said Non-Associated Gas as if it concerned Crude Oil. Once the Contractor has started up the Development Operations for export, the right granted to the Contractor for exportation under the present Article shall remain in effect during the entire period of the Contract unless the two Parties change the procedures by mutual agreement.

17.3.5 Under the present Contract, the price of the Non-Associated Gas produced by a Gas Field intended to be used in Benin shall correspond to the price of Natural Gas determined in accordance with the provisions of the present Contract.

17.3.6 Following the Minister approval, the Contractor shall have the right to build facilities for the separation of gas for the purpose of producing liquid gas and condensate with due regards to the safety and environment protection standards,

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DAMAGES, ENVIRONMENTAL PROTECTION
AND SAFETY

18.1 The Contractor shall be responsible for all damages and injuries that may be caused to individuals or to the State as a result of its operations. The Contractor shall be required to safeguard the Government against any damage for which it may be responsible as a result of its activities under the Contract or of any operation or activity deriving therefrom. To that end, the Contractor must, at any time, release the Government from any responsibility against any claim and obligation resulting from deaths, accidents or damages caused by its activities, including those carried out under the Contract, or non-compliance by the Contractor of the laws and regulations in force in Benin. The present Contract shall not have any effect on claims by third parties against the Contractor under the laws in force in Benin.

18.2 The Parties acknowledge that, due to their nature, the Petroleum Operations may produce an ecological imbalance in the Contract Area as a result of environmental pollution. Consequently, during the performance of the Contract, the Contractor must adopt the necessary measures in order to prevent or to reduce to a minimum the pollution of the ground, atmosphere and water, and ensure that this pollution does not harm the plants and the wildlife and, in general, prevent everything that could materially harm the environment. If the Contractor cannot prevent the pollution of the environment, it must take the necessary measures to reduce to a minimum its effects according to international standards. These measures must be notified to the Minister for approval.

18.3 In order to reduce to a minimum or eliminate the pollution, the Contractor must use adequate technical means, approved by the Minister.

18.4 In accordance with the Code, the Contractor is responsible for damages caused to third parties as a result of environmental pollution.

18.5 The Contractor shall undertake to call on experts in this matter in order to examine the probable impact of the Petroleum Operations on the environment. This study must include:

- (a) the condition of the environment and the level of pollution existing in the Contract Area and in the neighboring areas before the petroleum operations;
- (b) the impact that the Petroleum Operations may have on the environment.

The study indicated in paragraph (a) must be twofold:

- 1) a preliminary study delivered by the Contractor to the Minister before the seismic survey of the Contract Area and

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- 2) the final study applicable to all the exploration period and which shall be submitted to the Minister before the drilling of the first well. The study indicated in paragraph (b) must be carried out and delivered to the Minister at least ninety (90) days prior to the drilling of said well.

18.6 The studies listed above must include the procedures used to eliminate or minimize, among other things, the wastes mentioned below as well as the way to neutralize them:

- (a) Drilling muds and Hydrocarbons resulting from the tests, completion, workover and abandonment of the wells;
- (b) Polluted underground reservoirs;

- (c) Solvents, lubricants and other products used during operations;
- (d) Organic waste, detritus and unusable products from the work and camp areas.

18.7 During the design and building of its facilities the Contractor must endeavor to minimize the environmental pollution and must at least adopt the following procedures on the drilling sites and the exploitation equipment sites:

- (a) Drainage/recovery system of spills of Crude Oil and other derivatives as well as polluted waters;
- (b) Waste recovery system.

18.8 The Contractor shall undertake to include the provisions of this Article in all the contracts negotiated with third parties and related to the Petroleum Operations.

18.9 If the Contractor does not comply with the provisions of this Article and a spill of Crude Oil or of any other product occurs in the soil, the sea bottom or in the sea, or if the Contractor's activities cause another form of pollution or damage springs or the animal or plant life in any other manner, the Contractor must take immediately all steps according to the Good Operating Practices of the Oil Industry in order to control the pollution, clean any spill of Crude Oil or of any other product, or repair as completely as possible any damage caused.

18.10 If, as a result of the direct effect of a gross or deliberate negligence on the part of the Contractor, a spill or an act of pollution occurs, the cost of the control, cleaning and repair operations shall be borne by the Contractor and shall not be considered Petroleum Costs under the present Contract.

18.11 In the event of danger which may affect the environment, the Contractor must immediately notify the Minister and take the measures prescribed in the emergency procedures adopted by the Parties according to the Good Operating Practices of the Oil Industry.

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18.12 At the end of the Contract, outside the abandonment case, the Contractor must take measures according to the Good Operating Practices of the Oil Industry to restore the environment and the sites where the Petroleum Operations have been performed to their original condition on the Effective Date of the Contract, taking into account the rules of the abandonment procedure.

At the time of submitting the General Development Program, the Contractor must submit to the Minister for review and approval a schematic summary of the environment restoration activities once the Petroleum Operations have been completed, indicating the manner in which the corresponding costs shall be financed, preferably through the opening of a special bank account for that purpose. Each payment by the Contractor to the special account will be recovered as Cost Oil. Thereafter and at the same time as the Work Program and the Budgets, such schematic summary shall be submitted to the Minister for review and approval.

18.13 The Contractor must take the necessary steps according to the Good Operating Practices of the Oil Industry to carry the activities mentioned in the Contract in all safety, and must comply with the laws and regulations of Benin, including the regulations in force with regard to the work, environmental protection, health and safety. The Contractor must refrain from any action endangering the health or the safety of persons.

18.14 The Minister shall have the right to inspect all the sites, buildings and facilities in the Contract Area. In order to have access to these sites, the Minister must first inform the Contractor in advance.

18.15 The Contractor must supervise the sure and effective treatment of the water and residual oil and the plugging of the wells before abandoning them.

18.16 The Contractor shall clear and remove all platforms installed in the Contract area according to the abandonment procedures described in the Appendix.

18.17 The removal, clearing, or abandonment of the facilities set up by the Contractor shall take place according to the standards of the oil industry generally accepted in the Gulf of Mexico. On the other hand, the facilities underwater or others shall be left in such a state so as not to present an obstacle to navigation.

18.18 The Contractor shall leave all pipelines and facilities free of oil at the expiration of the Contract according to the normal oil practices.

18.19 Any change to this agreement with regard to the abandonment must be agreed upon by the two Parties.

18.20 If laws or regulations relating to the environment in force on the date of signature of the Contract are amended so as to substantially modify the economic equilibrium of the Contract, the Parties shall refer to the provisions of Article 29.2.

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ARTICLE XIX

PROVISIONS REGARDING EXCHANGE

Under the regulations in force in Benin, the Ministry shall guarantee that for the duration of the Contract, the Contractor and the non-Beninese subcontractors shall be authorized to:

- (a) pay in foreign currency, in full or in part, the salaries, reimbursements and other indemnities;
- (b) open, keep and use bank accounts in foreign currency in Benin and abroad and accounts in local currency in Benin;
- (c) directly pay abroad, in foreign currency, foreign subcontractors for the acquisition of equipment and supplies of services related to the Petroleum Operations;
- (d) receive, transfer and keep abroad and freely dispose of all the funds including but not limited to, all payments received for the exportation of Hydrocarbons and any payment received from the Government;
- (e) obtain from abroad all the loans required for the Petroleum Operations;
- (f) buy the local currencies required for the Petroleum Operations and convert in foreign currency all local currencies in excess of the immediate domestic needs in accredited banks or exchange bureaus;
- (g) transfer abroad all foreign currencies in excess of the local requirements of the Contractor. The rights given to the Contractor and subcontractors under this Article shall also apply to expatriate

employees.

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ARTICLE XX

EMPLOYMENT AND TRAINING

20.1 EMPLOYMENT

In compliance with the labor Legislation in Benin, the Contractor shall be free to hire the personnel and the subcontractors required to perform the Petroleum Operations in accordance with the Contract.

However, with regard to the recruitment of employees and to the extent where this is in accordance with an efficient and responsible exploitation of the Petroleum Operations, the Contractor must give preference to citizens of Benin qualified, through their training and experience, to perform the duties in question. With regard to the selection of subcontractors for the performance of the Petroleum Operations, the Contractor must give preference to Beninese subcontractors to the extent where the latter are competitive with regard to quality, costs and technical expertise to maintain the established schedules of activities.

20.2 TRAINING

The Contractor shall undertake to offer adequate training to the Beninese citizens employed for the Petroleum Operations during the entire period of validity of the Contract.

To that end, within three (3) months following the Effective Date, a training program relating to the Exploration period for a yearly amount of a minimum of fifty thousand US dollars (US\$50,000) shall be established and submitted by the Contractor to the Minister. Within thirty (30) days following the start-up of the Commercial Production, the Contractor shall also submit to the Minister a training program relating to the Exploitation period for a yearly amount of at least one hundred thousand US dollars (US\$100,000).

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ARTICLE XXI

ACCOUNTING

21.1 The Contractor must keep its accounting as well as any financial information, books and records concerning the Petroleum Operations, in national currency and in the form required by the law in force in Benin.

21.2 The accounting procedures to be applied by the Contractor shall be those established in the Accounting Appendix D.

21.3 The audited accounts of the Contractor must be submitted to the Minister for approval no later than three (3) months after the end of the Calendar Year.

21.4 The Minister may, by notifying the Contractor no later than six (6) months following the date of submission of the financial accounts, submit all financial accounts of the Contractor relating to the Calendar Year in question to the auditing of an International Company of Chartered Accountants, appointed by agreement between the Parties. The cost of this audit shall be borne by the Government.

21.5 Unless the Parties find a solution by mutual agreement, the Minister may submit any objection regarding the Contractor's accounts to an expert decision. Before giving a decision in connection with the objection submitted, the expert must take into account the results of the financial audit made according to the provisions of this Article. If the Minister's objection is not submitted to an expert within twelve (12) months following the receipt by him of the accounts, the objection in question shall be null. If the Minister's objection is validated by the Expert, the Contractor must correct the accounts in question and bear the costs related to the audit and the expert evaluation notwithstanding the above provisions.

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ARTICLE XXII

CONFIDENTIAL NATURE OF THE DATA

22.1 All the reports, data and information obtained or prepared by the Contractor, to the extent that they relate to all or part of the Contract Area shall be the full property of the Beninese State and shall be treated confidentially. Each Party undertakes not to divulge same except to communicate them, after the prior approval of the other Party, to:

- (a) An Affiliated company or a subcontractor of the Contractor;
- (b) A financial institution for the purpose of obtaining a loan;
- (c) A stock exchange;
- (d) Any potential assignee in application of Article 23.

This Article shall not prevent the Minister from communicating certain information to any government entity and to any trustworthy person interested in securing an exploration and exploitation right of Hydrocarbons in Benin.

22.2 All reports, data and information communicated by the Minister or the Contractor to a third party in accordance with the above provisions, shall be made according to agreements the terms of which shall guarantee that these data, information or reports are treated by the recipient as strictly confidential.

22.3 The reports, data and information relating the Contract Area and considered as important by the Minister for the execution by a third party of an exploration program in a bordering area, shall be communicated to it by the Minister. In exchange, the Contractor shall have access to the data, information and reports obtained by said third party concerning a bordering area of a comparable exploratory potential. The confidentiality provisions shall apply to this third party.

22.4 All the reports, data and information, including the interpretations and evaluations relating to any area that no longer forms part of the Contract Area following relinquishment of a surface area or expiration of the present Contract, shall be treated by the Contractor as strictly confidential for a period of five (5) years from the date on which said surface area ceased to form an integral part of the Contract Area or from the date of expiration of the present Contract.

22.5 Any failure to comply with the confidentiality Clauses mentioned in this Article shall be reprovved according to the regulations in force in Benin regarding the divulging of professional secrets.

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22.6 Any press publication initiated by the Contractor and relating to the results of operations conducted under the present Contract shall be subject to the prior authorization of the Minister.

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ARTICLE XXIII

ASSIGNMENT OF RIGHTS

23.1 The Parties may assign all or part of their rights and obligations deriving from the present Contract. If the Contractor intends to assign or transfer its rights totally or partially, in accordance with the Contract, it must immediately submit to the Minister a written authorization request, unless the transfer is to an Affiliate in which case it must notify the Minister in writing of its intention to transfer sixty (60) days prior to the Effective Date, or at a later date agreed to with the Minister, following which the transfer shall be effective without the need for an authorization from the Minister. Any request must indicate the name, the address and any appropriate information on the technical and financial capabilities of the assignee. Within thirty (30) days following the receipt of the request, the Minister must decide whether he approves or not the proposed assignment. Any disagreement by the Minister must be based on reasonable grounds related to the technical and financial capabilities of the proposed assignee.

23.2 If one of the Parties makes a partial assignment of its rights and obligations deriving from the present Contract, the assignee shall be responsible, jointly and severally, for the guarantees, responsibilities and obligations of the assignor. If the assignment is total, the assignee shall be solely responsible for said obligations and guarantees. Any assignee must adhere to the bank guarantees and supply a guarantee from its parent company, if applicable, as required by the present Contract.

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ARTICLE XXIV

FORCE MAJEURE

24.1 The Parties shall not be responsible in the event of failure or delay in the fulfillment of their obligations resulting from the present Contract provided this failure or delay is due to a case of Force Majeure.

24.2 A case of Force Majeure shall mean any act or event which does not fall within the reasonable limits of control of the Parties, and which prevent them indefinitely or temporarily from fulfilling their obligations under the Contract. Thus, Force Majeure shall include, but not be limited to the instances listed below: war or similar situations, embargoes, blockades, earthquakes, floods, fire, strike or lock-out, terrorism act, riots, government action.

24.3 The Party invoking the case of Force Majeure shall:

- a) Advise the other Party as early as possible by any means and confirm by registered letter with acknowledgment of receipt describing the event in detail;
- b) Take as far as possible all appropriate and legal provisions to eliminate the cause of Force Majeure;

- c) Inform the other Party in the manner indicated above as soon as the Force Majeure has been eliminated and resume the execution of its contractual obligations.

24.4 If the case of Force Majeure lasts for more than three (3) months, the Parties to the Contract shall meet in order to determine the appropriate action to be taken.

24.5 It is agreed that if for reasons of Force Majeure, a Party is unable to fulfill an obligation or to exercise a right under the Contract, the period granted to fulfill the obligation or to exercise the right, including any subsequent obligations or rights, shall then be extended by a period equal to the duration of the Force Majeure.

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ARTICLE XXV

ARBITRATION AND EXPERT EVALUATION

25.1 ARBITRATION

25.1.1 Subject to the provisions hereunder relating to expert evaluation, any dispute or claim related to a matter or operation falling within the Contract or connected therewith, including, but not limited to, any dispute or claim relating to its validity, interpretation, execution or omission of obligations which it claims cannot be amicably settled between the Parties, must be finally and exclusively settled by arbitration at the initiative of one or the other Party.

25.1.2 The arbitration procedure shall be implemented by three (3) arbitrators in accordance with the rules of conciliation and arbitration of the International Center for the Settlement of Investments Disputes (CIRDI) of the World Bank Group.

25.1.3 Unless the Parties otherwise mutually agree in writing, the third arbitrator appointed as indicated above must not be a citizen of Benin or a person of the same nationality as the Contractor.

25.1.4 For any arbitration procedure in accordance with this Article:

- (a) The procedure must take place in Paris, (France), unless the Parties otherwise mutually agree;
- (b) The French language shall be the official language in all respects; and
- (c) The parties shall be bound by the decision of the majority of the arbitrators.

25.1.5 If an arbitration procedure has been instituted, the Parties shall continue to fulfill their obligations under the Contract unless this has been made impossible due to the case of Force Majeure.

25.1.6 The cost of the arbitration procedure must be borne according to the methods defined by the arbitration tribunal.

25.1.7 Under this Article, the Parties shall waive any jurisdictional immunity. For the execution of the judgments rendered by the arbitration tribunal of CIRDI, the Parties shall waive the execution immunity with respect to their property. The seizure and adjudication of property to which this immunity may give rise includes, with regard to the Government, only those accounts, income and property related to the Hydrocarbon field in the Contract Area.

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25.2 EXPERT EVALUATION

25.2.1 Any Party wishing to submit a matter to the decision of an expert in accordance with a provision of the Contract which provides for this procedure including the Accounting Appendix, or any other matter that the Parties decide to submit by joint agreement to the decision of an expert under this Article, must notify it to the other Party. This notification must include a list of at least three (3) proposed experts. The other Party must reply to this notification within thirty (30) days following the date of receipt either by accepting one (1) of the experts proposed or by proposing at least three (3) other experts. In the latter case, the Party who has presented the initial notification shall have thirty (30) days to accept one (1) expert or reject all the experts proposed by the other Party. Non-notification shall constitute a rejection of the experts proposed.

25.2.2 If the Parties do not reach an agreement with regard to the selection of an expert within sixty (60) days following the date of the first notification under the above paragraph, any of the Parties may request the Center of technical experts of the International Chamber of Commerce (CCI), whose head office is in Paris, to appoint an expert in accordance with its rules.

25.2.3 If the expert agreed to by the Parties or appointed in accordance with the above provisions refuses the Parties' request, dies or, for any other reason, is unable to act as an expert, the Parties must meet immediately in order to appoint a replacement expert. If the Parties cannot reach an agreement within thirty (30) days following the date on which it has been established that the first expert could not act, any of the Parties may request the Center of technical experts of the CCI to appoint another expert in accordance with its rules.

25.2.4 The Parties shall be required to cooperate with the expert inasmuch as possible and each Party must ensure the cooperation of its Affiliates. The Parties must ensure access to the data and information which the Parties or their Affiliates can provide and which, in the expert's opinion, may contribute to his decision. The Parties' representatives shall have the right to consult the expert and to provide him with written information but the expert can impose reasonable limits to this right. He shall be at liberty to assess to what extent any document and information submitted for his review is duly justified or pertinent.

25.2.5 All costs related to the selection and utilization of the expert shall be jointly and equally paid by the Parties.

25.2.6 Any decision rendered by the expert in accordance with this Article under a provision of the Contract which expressly provides for this procedure shall be final and enforceable for the Parties. No Party may submit the matter which was the subject of an expert decision to an arbitration procedure such as provided in the present Contract. By joint decision of the Parties, the matters submitted to the decision of an expert may be subject to a final and definitive decision through arbitration, if the Parties agree to accept it at the time a decision was made to submit the matter to an expert.

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ARTICLE XXVI

TERMINATION

26.1 In case of non compliance by the Contractor with the provisions of the present Contract, the Minister may terminate the Contract if the Contractor

does not rectify said non compliance.

26.2 If the Minister deems that the Contractor has not complied with the provisions of the Contract and has thus given rise to a reason for termination, he must notify the Contractor in writing by formal notice so that the latter may rectify the situation within sixty (60) days following the receipt of the notice, if the situation can be rectified. If, within this period, the Contractor has not rectified the situation, the Minister may declare the Contract terminated and claim any damages deriving from said failure.

26.3 During the exploitation period, the Contractor may terminate the Contract, by written notification to the Minister at least sixty (60) days prior to the date of termination, provided that the Contractor has fulfilled all its contractual and tax obligations, as well as its obligations related to the corresponding annual Work Program.

26.4 The Contract shall be automatically terminated by the Minister through notice to the Contractor when the latter has committed a gross error, resulting from a deliberate negligence, has issued false declarations in writing when he should have known that they were false, has assigned any interest whatsoever to a third party without complying with the provisions relating to the assignment of rights or when it has been declared bankrupt by a competent court.

26.5 The Contract may be automatically terminated by the Minister through written notification to the Contractor in the following cases if within sixty (60) days following the date of receipt of a notification the Contractor has not taken the corrective measures:

- a) when the Contractor does not respect the minimum work obligations;
- b) when it does not execute the provisions of an arbitration award or the decision of an expert.

26.6 If the Contract has been terminated in accordance with this Article, the Contractor shall have the right to withdraw and export all the goods used by it, for which the property title has not been transferred, in part or in full, provided it settles all its debts toward the Government. The Contractor shall lose any other right under the Contract. It shall not be released from any of the obligations contracted before the effective date of termination, whether they are the result of said termination or its object.

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26.7 If the Contractor challenges any of the events mentioned in this Article or maintains that one of these events has occurred but it has rectified same, the Contractor shall refer the matter to an arbitration procedure or to decision by an expert within thirty (30) days following the date of receipt of the termination notice from the Minister. This recourse shall not suspend the termination.

26.8 Before leaving the Contract Area following termination, the Contractor must ensure that all wells are left in good condition in accordance with the Good Operating Practices of the Oil Industry.

26.9 Termination of the Contract shall occur notwithstanding any other right which may have been established in favor of the Parties, under the Contract, before said termination.

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27.1 In order to ensure the good performance of the minimum work obligations provided in the present Contract, the Contractor must submit within ninety (90) days following the Effective Date, an irrevocable bank guarantee in accordance with the sample in Appendix C for an amount that is sufficient to complete the work obligations during the initial phase of the exploration period. Within forty-five (45) days before the beginning of each extension phases of the exploration period of the Contract, the Contractor must submit an irrevocable bank guarantee for an amount that is sufficient to complete the work obligations for the phase considered.

Non-submission of the bank guarantee within the period required shall constitute a failure to the provisions of the Contract and shall lead de facto to its termination by the Minister in accordance with the provisions relating to termination.

27.2 The amount due in accordance with the bank guarantee mentioned above shall be progressively reduced as the minimum work obligations for the year concerned are completed. For the purpose of this reduction, the Contractor may, at any time, submit for the Minister's approval a declaration establishing the level of completion of the work obligations. This approval shall take place within reasonable periods.

27.3 In order to render the above mentioned reduction effective, the Minister must notify its approval to the bank issuing the bank guarantee within a period of thirty (30) days from the date of receipt of the Contractor's request.

27.4 If the Contractor considers that the Minister's approval mentioned above has been unduly delayed or if the Minister deems that the Contractor has not satisfactorily executed a minimum work obligation according to the Good Operating Practices of the Oil Industry, any of the Parties may submit the matter to the decision of an expert.

27.5 The guarantees to be submitted by the Contractor under this Article must be approved by the Minister. The Contractor shall forward to the Minister the original guarantees to enable him to review and keep them.

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ARTICLE XXVIII
NOTIFICATION

28.1 In order to be considered valid, any letter or notification relating to the Contract must be submitted on a working day or received by registered letter, cable, telex or fax to the addressees at the following addresses:

THE GOVERNMENT:
represented by
THE MINISTER OF MINES, ENERGY AND HYDRAULICS
04 Postal Box: 1412
Cotonou (Republic of Benin)
Fax (229) 31.35.46 Telex: 5237 MINERH

THE CONTRACTOR
ADDAX PETROLEUM BENIN LIMITED
c/o Addax Management Services SA
9, rue du Valais
CH 1202 Geneva Switzerland
Fax: 00 41 22 741 50 20
and:

ABACAN RESOURCE (BENIN) LTD.
c/o Abacan Resource Corp.
1750 - 800 5th Avenue SW
Calgary, Alberta T2P 3T6 Canada
Fax: 001 403 269 3944

28.2 The Parties shall have the right to change address for the purpose of notification and communication by notifying same in writing to the other Party at least five (5) days before the date of actual change.

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ARTICLE XXIX
APPLICABLE LEGISLATION, STABILIZATION
AND COMPENSATION

29.1 The present Contract shall be governed and interpreted in accordance with the laws and regulations in force in the Republic of Benin.

29.2 If the laws or regulations of Benin in force on the date of signature and applicable for the execution or the interpretation of the Contract or to the economic rights of the Parties are amended so as to substantially modify the economic equilibrium existing between the Parties on the date of signature, the latter must meet to discuss any additional agreement which, by mutual agreement, would reestablish said equilibrium. Any additional agreement jointly adopted by the Parties must take into account the most probable technical and commercial parameters in case of future development in the field of Hydrocarbons. If the parties cannot agree on the parameters to be used for these calculations, or on the additional agreements which would reestablish the economic equilibrium existing on the date of signature, the dispute or disputes must be submitted to the decision of an expert.

If no appropriate rules exist in the Code or in the regulations in force in Benin, concerning the dispute regarding the contract or related to it, the customs and practices of the international oil industry and the principles of law applicable in this regard in the oil countries shall be used.

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ARTICLE XXX
INFRASTRUCTURE

30.1 The Government shall facilitate to the Contractor, for the performance of the Petroleum Operations, the use of any roads, storage tanks and other structures for storage and processing, piers and other loading and shipment structures, railway lines, pipelines and other transportation infrastructures existing in Benin and which are not exclusively used for other activities including other petroleum activities.

30.2 The Contractor shall pay passage rights and other reasonable fees for the use of such infrastructures in accordance with the regulations in force in Benin and article 30.1. The costs incurred within this framework shall be considered as Petroleum Costs and may be recovered by the Contractor but must not exceed those paid by the public in general or by other parties in the same situation as the Contractor.

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ARTICLE XXXI
GUARANTEE OF PARENT COMPANIES

31. The Contractor undertakes to produce on the Effective Date of the Contract a letter from the parent companies guaranteeing the performance of the ADDAX PETROLEUM-ABACAN BENIN Consortium with regard to all the obligations described or mentioned in the Contract.

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ARTICLE XXXII
FINAL PROVISIONS

32.1 If on one or several occasions, the Minister or the Contractor omits to invoke or to emphasize the execution of one of the provisions of the Contract, the latter must not be interpreted as a renunciation to the future application of the provision or of the right in question.

32.2 All matters which are not expressly provided for in the present Contract shall be governed by the Code and other laws and regulations of the Republic of Benin.

32.3 If a provision of the Contract is declared null or invalid for any reason whatsoever, this does not imply that the Contract or any other of its provisions may be declared null or invalid, except if the Contract or these other provisions are affected by this nullity.

32.4 The Contract may not be amended without the unequivocal and written consent of the Parties, but the Minister may, however, extend the period during which the Contractor must fulfill any obligation under the present Contract and each Party, or both Parties together, may freely exercise, implicitly or explicitly, any rights granted to them hereunder.

32.5 The purpose of the headings used in the Contract is to facilitate its reading and cannot be interpreted as having a special meaning.

32.6 Any reference to the singular shall include the plural and vice versa.

32.7 Any reference to the masculine gender shall include the feminine gender and vice versa.

32.8 The Contract shall constitute the full agreement of the Parties and shall replace any agreements and results of negotiations conducted between the Parties before the date of signature.

32.9 Once the Contract has been signed by the Parties, it shall be published in the Official Gazette of the Republic of Benin and anywhere else as required.

32.10 The present Contract has been signed in two (2) originals.

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MADE IN COTONOU, THE 1ST DAY OF FEBRUARY, 1997
FOR THE GOVERNMENT OF THE REPUBLIC OF BENIN FOR THE CONTRACTOR

/s/ Mr. Emmanuel Golou
Minister of Mines, Energy and Hydraulics

/s/ Mr. Marc Lorenceau
President of Addax
Petroleum
Benin Limited

/s/ Mr. Jean Claude Gandur
President of the Addax and
Oryx Group

/s/ Mr. Wade Cherwayko
President of Abacan Resource
Limited (Benin)

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APPENDIX "A"

COORDINATE REGION CONTRACT

TOTAL AREA OF BLOCK 4: 9953 Km3

1-M)	6	05'	00"	North	1	40'	00"	East
2-F)	6	05'	00"		2	44'	12"	
3-O)	5	28'	21"		2	49'	04"	
4-N)	5	28'	21"		1	49'	04"	

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APPENDIX "B"

MAP OF BENIN

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APPENDIX "C"

FORM OF BANK GUARANTEE

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APPENDIX "D"

ACCOUNTING AND FINANCIAL PROCEDURES

The present Appendix is attached and is made part of the Contract of exploration and exploitation.

Dated

Between THE GOVERNMENT OF THE REPUBLIC OF BENIN

and THE SYNDICATE ADDAX PETROLEUM - ABACAN BENIN S.A.

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CHAPTER 1:	General arrangements
CHAPTER 2:	Classifications, Distribution of costs and expenditures
CHAPTER 3:	Method of recuperation of Contractor's costs
CHAPTER 4:	Inventory and evaluation of assets
CHAPTER 5:	Report of activities during the Period of exploration
CHAPTER 6:	Production Report
CHAPTER 7:	Report on the value of the Production
CHAPTER 8:	Report on recoverable costs
CHAPTER 9:	Statement of expense and receipts
CHAPTER 10:	Yearly report
CHAPTER 11:	Yearly budget
CHAPTER 12:	Forecasts and long term plans
CHAPTER 13:	Procedures of accounting and financial revisions
CHAPTER 14:	Disagreement with the Contract

CHAPTER 1: GENERAL ARRANGEMENTS

The present Appendix has for a main objective, to establish rules and accounting procedures allowing the determination of investments, expenses, costs of exploitation and receipts of the Contractor.

1.1 DEFINITIONS

Terms used in the present Appendix have the same meaning as terms used in the Contract.

1.2 REPORTS THAT THE CONTRACTOR SHALL PRESENT:

- a) Within the thirty (30) days that follow the Date of commencement of the Contract, the Contractor will submit for the Minister's approval the general lines of one project of accounting procedures, of operational registries. These procedures should be compliant to norms in Benin and compatible with those of the International Oil industry. Within the sixty (60) days following the receipt of the above documents, the Minister will either have to approve or ask for their revision. Within ninety (90) days after the Minister's approval, the Contractor, on the basis of the recommendations that are made will revise the manuals and the accounting procedures which will be in force during the length of the Contract.
- b) The reports relating to the Oil Operations that the Contractor should regularly produce are those that are stipulated in the Contract, In the present Appendix and those that might make the object of an agreement subsequently between Parties or that could be required by the Beninese legislation.

1.3 ACCOUNTING SYSTEM

The Oil operations accounting system is prepared by the Contractor according to the terms of the Contract and of the National Accounting Plan. The whole cost (CCE) method of Capitalization will be used.

1.4 LANGUAGES AND UNITS OF AMOUNT TO BE USED:

- a) Amounts will be held in the local currency of Benin. Metric units and Barrels will be measures concerned by the present Appendix. The

language of use will be French.

- b) Rules of accounting and financial procedures are directed so that neither the Minister nor the Contractor undergo exchange gains or losses at the expense of either Party. However, if an exchange gain or a loss is produced, it would be credited or debited to accounts foreseen by this Contract.
- i) Receipts and expenses in Francs CFA or in American dollars will be converted on the basis of the average between the exchange rate for the sale and the exchange rate for the purchase of currencies in question, as published the last day of the previous month by the specialized magazines of the BCEAO or of the IMF.

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- ii) If an increase or reduction - isolated or cumulative -, of ten percent (10%) or more occurs in the exchange rate between the CFA Francs and American Dollars, during the course of any one month, the exchange rate to use would be the following:
 - (1) For the period from the first day of the month until the day when such increase or reduction occurs for the first time, the average of the official exchange rate for the purchase and the sale between the American Dollar and the CFA franc as published the last day of the previous month;
 - (2) For the period going from the day when this increase or reduction occurs for the first time until the end of the Month, the mean of the official exchange rate for the purchase and the sale between the American Dollar and the CFA Franc published the day when such an increase or reduction would take place.

1.5 PAYMENTS

- a) All payments between Parties, except if stated otherwise, will be made according to the Contract and by the intermediary of a bank that will be designated by each of the Parties.
- b) All the moneys due by one of the Parties, in virtue of the Contract, during any one Month, will be subjected at the time of the payment, for every day of the Month following their deadline, to a daily compound interest corresponding to the rate of the Contract + 1

CHAPTER 2: COST AND EXPENDITURES

All expenses concerning the Oil Operations will be classified, and distributed as follows:

2.1 Costs of exploration including all direct costs and indirect charges for the oil exploration in the Contract Area, before obtaining the exploration Permit, notably:

- a) The geophysical studies, geochemical, paleontological, geological, topographic and seismic studies and their respective interpretations.
- b) The drilling and the coring of Exploration Wells and Appraisal Wells under the condition that these are not transformed into Development wells.
- c) The manpower, and the material used for the drilling of Exploration Wells mentioned below including services there pertaining.
- d) Facilities used exclusively for this goal including access roads.

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- e) The service costs relative to operations as described in the Section 2.4 of the present Chapter and agreed upon between the Minister and the Contractor.
- f) The administrative and general expenses relative to Exploration Operations as described in the Section 2.5 of this Chapter, and agreed upon between the Minister and the Contractor.
- g) All other contractual costs engaged before the beginning of the commercial production and that would not have been foreign in Section 2.2.

2.2 Investments for Production development including all expenses during the Operations of Development and Production, notably:

- a) The drilling of Production Wells from a reservoir already discovered, whether these wells are dry or in production.
- b) The completion of wells for the purpose of production.
- c) The intangible costs of drilling such as the manpower, the consumables, and the services relative to the drilling and the deepening of wells for the purpose of production.
- d) Costs of development facilities such as pipelines, flexables, units of production and treatment, wellhead and bottom hole equipment of wells, systems for improved recovery, drilling platforms, facilities for the storage of hydrocarbons, terminals and jetties for exportation, harbors and their equipments and access roads for production activities.
- e) Studies of engineering and design of installations for the field.
- f) The service costs relative to Production Operations, described in Section 2.4 of this Chapter and as agreed upon between the Minister and the Contractor.
- g) The administrative and general expenses relative to the operations described in Section 2.5 of the present Chapter and as agreed upon between the Minister and the Contractor.
- h) All other Developmental expenses incurred before the beginning of the commercial production.

2.3 Operating costs including the expenses undertaken for the functioning of the Field, after the beginning of commercial production. These include notably:

Costs of electric energy supplies to power the Wells.

Expenses of upkeep and repair of machines, equipments and facilities.

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Costs of treatment, transport and storage of the Raw Oil or of the Gas.

Costs of the production -- production control laboratory.

Cost of transportation on the ground, by sea and by air of personal and equipment.

Costs related to safety, to the security and the surveillance.

Costs of Well reconditioning.

Costs of insurance and certification

2.4 Costs of services representing the direct, or indirect expenses of support services to the Oil Operations notably warehouses, jetties, ships, vehicles, rolling motorized transports, aerial transports, safety stations and fire stations, shops, water and sewers facilities, electric plants, lodgings, recreational and communal facilities as well as the furniture, tools and facilities used for these activities. Costs for one Calendar Year will include the totality of the costs committed in the said year for the rental, purchase and/or the building of such facilities as well as the committed yearly costs for their operation and upkeep. The totality of service costs will be distributed regularly, as stipulated above.

2.5 Administrative and general expenses abroad including:

- a) all administrative and general expenses of the head office and offices including personnel costs.
- b) expenses of services provided by the head office outside of Benin.

The totality of administrative and general expenses, distributed as stipulated above, will be defined every month of the Calendar Year by a Oil Cost percentage accumulated during said Calendar Year according to the following scale:

of 0 to 10,000,000 of dollars	-	3%
subsequent 10,000,000 dollars	-	2%
in excess of 20,000,000 dollars	-	1%

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CHAPTER 3: METHOD OF RECUPERATION OF THE CONTRACTOR COSTS

By virtue of the arrangements of the Contract, the Contractor shall take to his account all costs and expenses concerning the Oil Operations. They will be recoverable by the Contractor according to arrangements following:

3.1 Recoverable costs without approval of the Minister to operations previously programmed by the Contractor and approved by the Minister according to arrangements of the Contract.

They include: costs of exploration, costs of development, operating costs, costs of services and the general administrative expenses described respectively in sections 2.1; 2.2; 2.3; 2.4 and 2.5 hereinabove.

a) WITH REGARD TO PERSONNEL

The costs of the Contractor's employees affected to Benin and directly employed in conducting Oil Operations of temporary ' or permanent nature are taken in consideration under the following conditions:

- (i) the total cost of salaries and wages.
- (ii) the reasonable costs incurred by the Contractor for sickness leave, disability benefits, living and lodging allowances, travel, bonuses and other generally applicable benefits to the salaries and wages as direct costs in the framework of the present Appendix, as well as the proportional costs relating to the benefits in employee favor such as,

among others, life insurance and sickness-insurance, union, hospitalization, retirement, bonus and other similar benefits.

- (iii) expenses or contributions made regarding charges imposed by a public organism in favor of said employees.
- (iv) expenses for the transportation of employees, of equipment, of materials and of the necessary elements for the realization of the Oil Operations.
- (v) costs incurred by the Contractor for the relocation of employees to or from the Region of the Contract or in its neighborhood, whether they are affected in a permanent or temporary manner to the Oil operations.

When an employee is affected to other activities, other than that of the Oil Operations, costs of relocation must be imputed according to solid and generally accepted accounting principles .

The costs of relocation of employees and their family, the move of the personal effects and of the domestic articles of employees and their family and all other expenses according to practices of the oil industry.

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Costs of relocation from the Region of the Contract or its neighborhood, toward another foreign place are not recoverable unless the foreign site is the usual place of residence of the employees.

b) WITH REGARD TO OFFICES, EQUIPMENTS AND VARIOUS FACILITIES:

- i) Costs caused by the utilization of offices, dependences, camps, storage depot, lodgings and other facilities of the Contractor in Benin and serving directly to the Oil Operations. If these facilities serve to other operations than the Oil Operations, and that it is not possible to define expenses as direct expenses tied to the Oil operations for which the service has been given, costs must be imputed to facilities to which the service has been given, in a systematic and reasonable manner.
- ii) Costs caused by the acquisition, the rental, the installation, the exploitation, the repair and the maintenance of systems of communications, including the radio and VHF facilities used directly for operations.

c) WITH REGARD TO PROVISION OF SERVICES

- i) Costs and expenses incurred regarding Consultants used for technical services and those of all other nature directly bound to the Oil operations including, among others, laboratory analyses, the industrial drawings, the geophysical and geological interpretations, the engineering and the processing of data, obtained from external sources.
- ii) The costs invoiced for services provided by Affiliated companies must be competitive with services of the same quality provided by third parties.

d) WITH REGARD TO THE MATERIAL AND EQUIPMENTS OF THE CONTRACTOR

For the assessment of the material and equipment provided by the Contractor from its own inventory or one of its Affiliated members, the values -"All," B" or "C" must be taken in consideration, according to the case, being understood that any value exceeding the just price of the market in Benin is not recognized:

- Material and new Equipments (Category "A")

The material and the new equipments are valued at the price of the corresponding commercial invoice increased by the supplementary costs of import, if the case arises, and of the other costs generally admitted by accounting techniques and practices.

- Material and used equipments (Category "B" and "C") . Are considered in the "B" category the material and facilities that are not new but that can be used without having to be refurbished; this material and these facilities are valued to seventy-five percent (75%) of the price of the new material and equipments.

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Are considered in the "C" category facilities and the material which can be used for their initial function after an appropriate refurbishing. These equipments and materials are valued at fifty percent (50%) of the price of new equipments and materials.

1-E) With regard to the acquisition of goods and equipments

- i) The cost of acquisition of goods and equipments from third parties must include expenses of custom agents, of transport, of loading and unloading and procedures of purchase, export or import duties and expenses caused by obtaining licenses as well as losses of equipments and goods in transit if these are not covered by an insurance. The accumulation of excess stocks must be reduced to the minimum, taking into account the localization of sources of provisioning and the necessary time for the delivery of goods and equipments from distant locations.
- ii) All material bought by the Contractor in the conducting of Oil Operations will be inspected by the Government diligence before their use according to the regulations in force.
- iii) The Contractor not guaranteeing the material beyond the guarantee of the supplier or the manufacturer, any sums received by the Contractor from the suppliers, manufacturers or of their representatives in compensation for deficient materials or equipments will be written to the credit of the Contractor under the terms of the Contract and will be deducted from recoverable costs.

f) WITH REGARD TO INSURANCE COSTS

This means costs incurred by the Contractor or by an Affiliated Company to subscribe to an insurance policy in the framework of the, Operations and this on a competitive basis.

g) WITH REGARD TO TRAINING COSTS

This means expenses incurred by the Contractor for the training of its employees and for all other necessary training according to the Contract.

h) RENTAL COSTS ACCORDING TO ARTICLE 4 OF THE CONTRACT

3.2 RECOVERABLE COSTS UNDER RESERVE OF THE MINISTER'S APPROVAL

These are:

- a) Research and development costs for new equipment, materials and techniques intended for exploration, development and the production of Oil which are not included in the work program approved by the

Minister.

- b) Of costs and expenses not mentioned in the present Appendix and that are incurred during the Petroleum Operations.

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- c) Of interest charges incurred on loans received by the Contractor for the financing of the Petroleum Operations. All interest rates conform to the international financial market and agreed upon by both Parties are recoverable.
- d) Rents, Charges and other taxes:

Rents, excluding the residences of the Contractor, taxes, contributions, duties, subscriptions and all other taxes and charges levied by the State concerning the Petroleum Operations and paid directly or indirectly by the Contractor, according to the clauses of the Contract.

- e) Of costs and losses incurred as a consequence of events that are not foreseen by insurance as defined in the Contract, except in the case where costs and losses would be the exclusive result of a mistake or an act of gross carelessness by the Contractor or an Affiliated Company or one of its subcontractors.
- f) Of legal costs and expenses relative to the Petroleum Operations.

3.3 NON RECOVERABLE COSTS

These are:

- a) Fines, supplements and adjustments for delay in the payment of duties or taxes prevailing in the country or adjustments for incorrect payment of these taxes provided that such a delay or incorrect payment is attributable to the Contractor.
- b) Of import duties of goods and equipment not proving necessary to the Petroleum Operations, and for housing of non necessary personnel.
- c) Of all costs and expenses incurred before the starting date of the Contract.
- d) Of expenses pertaining to interests on credit for receivable.
- e) Expenses made due to non fulfillment of the Contract obligations.
- f) Of expenses pertaining to Petroleum Operations which are badly executed as a result of a major technical error by the Contractor or any of its subcontractors.
- g) Of costs and expenses of all banking guarantee tied to the Contract.
- h) Of grants in general.
- i) Of advertisement expenses.
- j) The costs of inventory taking in case of the Contractor rights transfer according to the Contract.

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- k) The commercialization costs of the Crude or its transport beyond the Delivery point.

- l) The costs of appraisals and arbitrations described in the Contract.
- m) Of the additional sum of 300% tied to Operations in Sole risks.
- n) Of Commissions paid by the Contractor to intermediaries.
- o) Of costs and expenses without accounting receipts.
- p) Of costs and expenses of goods or services exceeding the price of similar goods or services in the area of West Africa at the moment of their acquisition if circumstances didn't justify such costs and expense surplus.

CHAPTER 4: INVENTORIES AND ASSESSMENT OF ASSETS

4.1 The Contractor must hold the licences of real estate possessions and other assets used in the Petroleum Operations according to the normal accounting practices of the country and the International Oil industry.

4.2 At reasonable intervals, but at least once per year pertaining to mobile assets and at least every three (3) years for the case of real estate assets, the Contractor will make an inventory of the goods concerned by the Contract. At least thirty (30) days in advance, the Contractor will communicate in writing to the Minister its intention to make the said inventory; the Minister will be represented during the realization of this inventory. The Contractor will clearly express the principles used for the valuation of stocks.

4.3 The Minister can ask the Contractor for information on its assets at any time he judges necessary.

CHAPTER 5: REPORT OF ACTIVITIES DURING THE EXPLORATION PERIOD

5.1 During the exploration period, the Contractor will prepare for every trimester, a report of activities which includes:

the list with a detailed description of activities achieved during the aforesaid trimester. This report will be based on plans, maps, cross sections and all other data indicating the level of completion of the work being performed. the costs relative to the different activities mentioned above.

5.2 The activity report will be submitted to the Minister for approval within a time limit of thirty (30) days after the end of the trimester considered.

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CHAPTER 6: PRODUCTION REPORT

6.1 Once the commercial production begins in the Contract Area, the Contractor shall prepare for every Trimester a production report for each exploitation zone which will include the following data;

- a) The quantity of Crude oil produced and stored during the Trimester.
- b) The quantity of Crude Oil used for Petroleum Operations during the Trimester.
- c) The quantity of Crude Available at the end of the Trimester concerned.
- d) Parameters and performances of the reservoir; recordings of the logs and well tests and their interpretations; analyses of the fluids produced.

6.2 The production report for every Trimester will be submitted to the Minister for approval within the thirty (30) days following the end of the Trimester considered.

CHAPTER 7: REPORT ON THE VALUE OF THE PRODUCTION

7.1 The Contractor shall prepare a report on the precise determination of the market value of the Crude produced and stored after losses relative to the Petroleum Operations during each Trimester. This report will contain the following data:

- a) The quantities sold and prices received by the Contractor as a result of its sales of Crude to third parties during the Trimester considered.
- b) Information obtained by the Contractor concerning the prices of Crude produced by the main producers and exporting countries including contract prices, discounts and bonuses, as well as the prices received on the spot markets.

7.2 The report on the value of the production, will be presented to the Minister for approval within the thirty (30) days following the Trimester.

CHAPTER 8: RECOVERABLE COSTS REPORT

8.1 The Contractor should prepare, for every Quarter, a report concerning the recoverable costs, a report which will contain the following information,:

- a) The recoverable Petroleum Costs, carried over if necessary, from the previous Quarter.
- b) The recoverable Petroleum Costs of the Quarter considered.
- c) The total amount of the recoverable Petroleum Costs for the Quarter considered described in the paragraphs above.

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- d) The quantity and the total value of the Crude Oil calculated by the Contractor for the Cost Oil during the Quarter.
- e) The Petroleum Costs recovered during the Quarter considered .
- f) The cumulative amount of Petroleum Costs recovered until the end of the Quarter considered.
- g) The amount of recoverable Petroleum Costs which must be reported to the next Quarter.

8.2 The report of the recoverable costs for each Quarter will be submitted to the Minister for approval within thirty (30) days following the end of each Quarter.

8.3 In spite of the obligation that it has to keep accounts in Francs CFA, the Contractor will keep a separate account in US Dollars for the determination of the Cost Oil.

CHAPTER 9: STATEMENTS OF EXPENSES AND REVENUES

9.1 The Contractor should prepare for every Quarter, a statement of expenses and revenues made in the framework of the Contract. This statement will make the distinction between Exploration Costs, investment expenses, development and exploitation expenses, and Operating Costs, and it will identify the main

categories of expenses corresponding to these. It will show notably:

- a) Real expenses and revenues for the Quarter considered.
- b) Cumulative expenses and revenues for the budget of the year considered.
- c) The latest forecast of cumulative expenses till the end of the year.
- d) Discrepancies between the estimated budget and realizations and their explanation.

9.2 The statement of expenses and revenues for every Quarter will be submitted to the Minister for approval within thirty (30) days following the end of the Quarter considered.

CHAPTER 10: YEARLY REPORT

The Contractor should prepare a yearly report that will be the synthesis of informations relating to the production, to costs recovery of costs, to revenues and expenses. Said report will be based on the real volumes of Oil produced and of the incurred expenses. From this report, any necessary adjustment will be done to payments made to the Parties according to the Contract. The yearly report for each Civil Year will be submitted to the Minister for approval within sixty (60) days after the end of said Year.

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CHAPTER 11: YEARLY BUDGET

11.1 The Contractor shall prepare a yearly Budget that will make the distinction between Exploration Costs, Development and Exploitation Investment and Operating Costs to outline the following:

- a) Forecast of expenses and revenues for the budgetary year according to the Contract.
- b) Cumulative expenses and revenues to the end of said budgetary Year.
- c) Program showing the most important categories of expenses of development and exploitation investment for said budgetary Year.
- d) For a budgetary item and provided that he respects the General program of the approved tasks, the Contractor is allowed to commit overrun expenses to the limit of ten percent (10%) of said item and said expenses must be justified. If this limit is exceeded, the Contractor will take all necessary arrangements to inform the Minister and to justify all overrun of expenses within thirty (30) days following its execution.

11.2 The yearly Budget will be presented to the Minister within a time limit of ninety (90) days before the beginning of the year considered except for the first Year of the Contract where the aforesaid Budget will be submitted within a time limit of thirty (30) days after the Date of Commencement of the Contract.

CHAPTER 12: FORECASTS AND LONGTERM PLANS

The Contractor should prepare and should submit to the Minister the two (2) following long term plans:

12.1 PROGRAM OF EXPLORATION

During phases of Exploration, the Contractor will prepare a Program of Exploration for every phase starting from the Commencement Date of the Contract,

program that will contain the following information:

- a) Evaluations of Exploration Costs showing expenses for each of the Years of the program.
- b) Seismic operation details for each Year.
- c) Details of drilling activities programmed for each Year.
- d) Details of the utilization and requirements for infrastructure for each Year.

The program of exploration will be reviewed each Year. The Contractor will prepare and will submit to the Minister, the first program of exploration within the sixty (60) days following the Commencement Date of the Contract. It will do thus each Year, within a time limit of forty-five (45) days, before the end of the Civil Year.

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12.2 DEVELOPMENT FORECASTS

The Contractor shall prepare triennial Development forecasts beginning the first day of January after the date of the first program of assessment has been approved by the Minister. The Contractor will prepare and will submit to the Minister development forecasts reviewed at least forty-five thus (45) days before each civil Year, as long as required by the Contract or by common agreement between Parties.

12.3 CHANGES IN PROGRAMS AND FORECASTS

The Minister and the Contractor agree that details of the Exploration Program and Forecasts of Development may require changes due to changing circumstances and results acquired. In this spirit, a revision of said programs and forecasts may be done annually.

CHAPTER 13: PROCEDURES FOR ACCOUNTING & FINANCIAL REVISIONS

The terms of accounting and financial procedures may be amended by agreement of both Parties. Amendments will be made in writing and will specify the date to which they will come into effect.

CHAPTER 14 DISAGREEMENT WITH THE CONTRACT

In the case of a difference between terms of the present Appendix and those of the Contract, those of the Contract will prevail.

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Appendix "E" Abandonment Procedure

The following procedure of dismantling of the offshore facilities indicates the steps to be implemented for the removal of the steel structures in water depths from 85 to 150 feet (26m to 46m).

I. MOBILIZATION

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1. Obtain all approvals and authorizations pertaining to the abandonment of the facilities, and dump the structures into a deep water site.
2. Plug and abandon each well. Cut the guide tubular of each well 15 feet under the mud line.

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PREAMBLE

WHEREAS:

In accordance with Ordinance No. 73-33 of April 13, 1973, concerning the Petroleum Code of the Republic of Benin as well as the legislation issued thereafter, in particular Ordinance No. 73-34 of April 13, 1973, concerning Oil Taxation and Decree No. 73-130 of April 13, 1973 concerning the application of the Petroleum Code, the prospecting, exploration, exploitation, holding, transportation, marketing and trade of Hydrocarbons in the territory and in the territorial waters of the Republic of Benin and on the continental margin adjacent thereto, shall be subject to the provisions of said Ordinance which furthermore stipulates that the liquid and gaseous Hydrocarbon fields belong to the State and constitute assignable mineral substances.

In accordance with Article 10 of this Code, the State may undertake any Petroleum Operations either solely, or in association with private capital; it may also obtain for itself or issue to any department or public company with legal status, the exploration and exploitation permits, the concessions and provisional authorizations to exploit.

In accordance with Article 8 of the Code, the State of Benin may also grant petroleum rights to natural persons or legal entities.

In accordance with Article 17 of the Code, prior to granting a Hydrocarbon Exploration permit, the Ministry in charge of Mines shall enter into a contract with persons who have the required technical and financial capabilities to undertake such activities, defining the rights and obligations of the future permit holder in both the exploration and the exploitation periods.

Further to the above, the Government of the Republic of Benin has decided to enter into this Contract with the ADDAX PETROLEUM-ABACAN BENIN Consortium, a company incorporated and registered under the laws of the Republic of Benin, with a head office in Cotonou, Republic of Benin, in order to allow the Hydrocarbon exploration and exploitation in accordance with the articles and provisions specified in this Contract.

IN WITNESS WHEREOF:

The undersigned Parties represented, on the one part, by MR. EMMANUEL GOLOU, MINISTER OF MINES, ENERGY AND HYDRAULICS and on the other part, by MESSRS. MARC LORENCEAU, PRESIDENT OF ADDAX PETROLEUM BENIN AND WADE CHERWAYCO, PRESIDENT OF ABACAN RESOURCE LIMITED (BENIN)

agree as follows:

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ARTICLE 1

DEFINITIONS

The terms below appearing in the Contract shall be defined as follows, unless otherwise indicated, or unless otherwise mutually agreed upon between the Parties. The definitions are the same whether they are used in the singular form or in the plural form.

1.1 "AFFILIATE" or "AFFILIATED COMPANY" means a company or any other entity controlling one or several entities forming the Contractor, or which is controlled by one or several entities forming the Contractor, or which is controlled by an entity which controls the Contractor. The control means the direct or indirect ownership of more than fifty percent (50%) of the shares making up the capital of the controlled company, thus granting to the controlling entity, the majority of the voting rights in the controlled company.

1.2 "CALENDAR YEAR" means a period of twelve (12) consecutive months beginning on January first and ending on the following December thirty-first.

1.3 "CONTRACT YEAR" means a period of twelve (12) consecutive months from the Effective Date of the Contract or the anniversary of the signature date.

1.4 "APPENDIX" means an appendix to the Contract and forming an integral part thereof. If there is a disagreement or a conflict between the Contract and one of the annexes, the provisions of the Contract shall prevail.

1.5 "ACCOUNTING APPENDIX" means the accounting procedures and methods established in Appendix "D".

1.6 "ARTICLE" means any numbered provision of the Contract, including all its subdivisions, unless it is expressly indicated that it relates to an article of the Code.

1.7 "BARREL" means U.S. Barrel, or a quantity or unit of measure of oil equivalent to 158.9884 litres or 42 American gallons, measured at a temperature of 15.5556 degrees Celsius or 60 degrees Fahrenheit and at the atmospheric pressure.

1.8 "AVAILABLE CRUDE" means the remaining quantity of the Total Crude Production extracted from the Contract Area after deduction of the losses relating to the Petroleum Operations and of the Oil Production Tax in accordance with Article 13.4 hereof.

1.9 "COST-OIL" means the volume of Crude reserved for the recovery of Petroleum Costs.

1.10 "PROFIT-OIL" means the remaining Crude each year after deduction of the Cost Oil.

1.11 "BUDGET" means the financial estimate of all petroleum activities contained in an Annual Work Program.

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1.12 "CODE" means Ordinance No. 73-34 of April 13, 1973, concerning the Petroleum Code of the Republic of Benin as well as subsequent legislation, in particular Ordinance No. 73-34 of April 13, 1973, concerning Oil Taxation, and Decree No. 73-130 of April 13, 1973, concerning the application of the Petroleum Code.

1.13 "CONTRACTOR" means ADDAX PETROLEUM - ABACAN BENIN and their successors and/or any assignee granted any of their rights under the Contract, the assignment of which is in accordance with Article XXIII.

1.14 "CONTRACT" means this document as originally drawn up, duly signed including its Appendices as well as any additional agreements or any amendments made by the Parties at a later date.

1.15 "PRODUCTION COSTS" means the costs and expenses incurred as a result of the carrying out of the Production Operations, excluding the new investments that have occurred during this phase.

1.16 "PETROLEUM COSTS" means all the costs and expenses related to the Petroleum Operations specified in the Accounting Appendix and in accordance with the Contract.

1.17 "EXPLORATION COSTS" means the costs and expenses related to the Exploration Operations.

1.18 "DEVELOPMENT COSTS" means the costs and expenses related to the Development Operations.

1.19 "START-UP DATE OF COMMERCIAL PRODUCTION" means the date of the first delivery of Hydrocarbons in commercial quantities to the delivery point in Benin.

1.20 "EFFECTIVE DATE" means the date on which this Contract has been signed by the duly authorized representatives of the two Parties.

1.21 "DISCOVERY" means the evidence of the presence of Hydrocarbons in a reservoir or geologic structure where such Hydrocarbons had not been previously identified, resulting from the Petroleum Operations in accordance with the Contract, and when these Hydrocarbons are recoverable at the surface by conventional methods used in the international oil industry.

"COMMERCIAL DISCOVERY" means a Discovery of Hydrocarbon reserves following Exploration Operations, which is deemed commercial in accordance with the provisions of Article IX.

1.22 "CURRENCY" means any foreign currency freely convertible and generally accepted by the international banking community.

1.23 "DOLLARS" means the official currency of the United States of America.

1.24 "FCFA" means the official currency of the Republic of Benin.

1.25 "DATA" means any document, report and information of a geological, geophysical or petrophysical nature of the Contract Area.

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1.26 "EXPATRIATE EMPLOYEE" means an employee of the Contractor or of a subcontractor who has been recruited as such and assigned to the Petroleum Operations in Benin.

1.27 "STATE" means the Republic of Benin, its Government, its administrative structures and any subdivisions and political institutions.

1.28 "EXPLORATION" means the planning, execution and evaluation of any type of geological, geophysical, geochemical and other studies, as well as the drilling of Exploration Wells for the purpose of making a Hydrocarbon Discovery.

1.29 "ASSOCIATED GAS" means the Gas extracted from a well at the same time as the Crude Oil.

1.30 "NATURAL GAS" or "GAS" means the Hydrocarbons in the gaseous state under normal atmospheric pressure and temperature conditions, including, without limitation, the combination gas, the dry gas, the wellhead gas and any other gaseous hydrocarbon, including the residual gas after condensation or extraction of liquids, but not including said condensates or extracted liquids.

1.31 "NON-ASSOCIATED GAS" means the Natural Gas which is not exploited at the same time as the Crude Oil or which exists at the same time as the Crude Oil which cannot be commercially produced when said Natural Gas is commercially produced.

1.32 "GAS FIELD" means one or several accumulations of Natural Gas vertically superincumbent in the Contract Area, with a commercial value established in accordance with the Good Practices of the Oil Industry.

1.33 "OIL FIELD" means an accumulation of Crude Oil, or several accumulations of Crude Oil vertically superincumbent in the Contract Area and with a commercial value established in accordance with the Good Practices of the Oil Industry.

1.34 "GOVERNMENT" means the body regrouping all the State Ministers. In this Contract, this means the Government of the Republic of Benin, its representatives or authorized agents.

1.35 "HYDROCARBONS" means the Crude Oil and/or the Natural Gas.

1.36 "WORKING DAY" means all working days from Monday to Friday, except for the days declared in full or in part non-working days in Cotonou, Benin, by the competent government authorities.

1.37 "MINISTER" means the Minister in charge of Hydrocarbons in the Republic of Benin.

1.38 "EXPLORATION OPERATIONS" means the operations performed in accordance with the Contract for the purpose of discovering Hydrocarbon accumulations and for evaluating the extent and the volume of these accumulations, the reservoir characteristics and their possible behaviour during production. The Exploration Operations include the geological, geophysical and geochemical exploration, the analyses and studies, the drilling, deepening, abandonment or completion of the wells and their evaluations as well as any operations relating thereto.

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1.39 "DEVELOPMENT OPERATIONS" means any operations performed according to the General Development Program for the purpose of exploiting the Hydrocarbon accumulations found in the subsoil of the Development Areas. These Operations include:

- The drilling, completion and sampling of the development well, the drilling and completion of the well for gas or water injection;
- The laying of gathering lines, the installation of separators, reservoirs, pumps, artificial chargers and other production and injection facilities required for the production, processing and transportation of Hydrocarbons to the Hydrocarbon storage facilities or to the offshore or onshore gas processing facilities; and

- The laying inside or outside the Contract Area of pipeline to the storage or delivery points, the setting up of these Crude Oil storage facilities or Gas processing facilities and all ancillary operations that are not clearly indicated herein but which are necessary for the development and production of these Hydrocarbon accumulations and for the delivery of Crude Oil and/or of the Gas to the Delivery Point, in accordance with the Good Practices of the Oil Industry.

1.40 "PETROLEUM OPERATIONS" means all operations authorized by the Contract related to the exploration, development, production, separation and processing, storage, transportation and sale or transfer of Hydrocarbons to the exportation point or to the Delivery Point agreed to in Benin or to the delivery point in a refinery in Benin in accordance with the Contract; they cover the Natural Gas processing operations but do not include the Crude Oil refining operations.

1.41 "PRODUCTION OPERATIONS" means the operations undertaken in order to produce the Hydrocarbons of the Contract Area such as extraction, injection, stimulation, processing, storage, transportation to the delivery point(s), loading, including the exportation of these Hydrocarbons as well as the maintenance and abandonment of all the necessary facilities.

1.42 "PARTIES" means the Government and the Contractor.

1.43 "TRANSITIONAL PERIOD" means the maximum period of three (3) months from the date of signature of the Contract which is the Effective Date.

1.44 "CRUDE OIL" means the crude mineral oil, asphalt, ozokerite and all other types of Hydrocarbons and bitumen in the solid or liquid form, in their natural state or obtained from Natural Gas through condensation or extraction.

1.45 "DELIVERY POINT" means the final exit Point of the flowlines downstream of the storage facilities from where the Oil or Gas is delivered for shipment. The location of the Delivery Point shall be agreed to between the two (2) Parties.

1.46 "COMMERCIAL PRODUCTION" means the quantity of Crude Oil or Natural Gas, or both, which may be delivered to the Delivery Point according to a regular production and sale program.

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1.47 "TOTAL CRUDE PRODUCTION" means the quantity of Crude extracted from the Contract Area after extraction of the water, foreign substances and after deduction of the quantities used in the Petroleum Operations.

1.48 "WORK PROGRAM" means all plans prepared every year to carry through the Petroleum Operations.

1.49 "GENERAL DEVELOPMENT PROGRAM" means a plan established for the development of an Oil Deposit or a Gas Deposit agreed to between the Parties.

1.50 "SEME PETROLEUM PROJECT" (PPS) means the state company charged by the Government of managing the Seme Oil Field. The Seme Petroleum Project and activities may terminate at the end of the Transitional Period.

1.51 "EVALUATION WELL" means a well, other than an exploration well, drilled for the purpose of evaluating the commercial viability of a geologic trap where hydrocarbons have been discovered.

1.52 "EXPLORATION WELL" means any well drilled within the framework of the Exploration Operations including dry wells and discovery wells.

1.53 "DEVELOPMENT WELL" means a well drilled in order to produce Hydrocarbons from a known Reservoir that has been evaluated and tested, to maintain the production increase, or to speed up the extraction thereof,

including the production and injection wells.

1.54 "CONTRACT AREA" means all the geographic area defined by the two (2) perimeters the coordinates of which appear in Appendix "A" and which are represented on the map appearing in Appendix "B", with the exception of any part for which the Contractor has, from time to time, abandoned or waived its rights under the Contract. One of these perimeters include the Oil Deposit called Seme and this perimeter shall be referred to in the Contract and in Appendixes "A" and "B" as the "Seme Block"; the other perimeter shall be referred to as "Block 1". In the event of disagreement or conflict between Appendix "A" and Appendix "B", Appendix "A" shall prevail.

1.55 "GOOD PRACTICES" means all good, safe, economic and efficient practices generally accepted in the international oil industry.

1.56 "RESERVOIR" means the subsoil rock containing hydrocarbons in its pores and having a common pressure system in its dimensions. This rocky body must be capable of producing hydrocarbons in measurable quantities.

1.57 "BASEMENT" means on the one hand, the igneous, metamorphic or other rocks which, by their nature, and in accordance with the knowledge generally accepted in the international oil industry, cannot contain Hydrocarbon deposits, and on the other hand, the impenetrable rocky substances such as salt and clay domes as well as any other rock which may render impracticable or unjustifiable from a financial viewpoint the continuation of drilling activities with the modern drilling technology normally used in the international oil industry.

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1.58 "SUBCONTRACTOR" means any natural person or legal entity hired by the Contractor to provide services related to the Contract.

1.59 "LIBOR RATE" means the interest rate at closing for the dollar deposits for a period of six (6) months on the London interbank market and published by the London branch of "The Bank of America" or by any other bank agreed to between the Parties, on the date in question or on the banking day immediately preceding if the day in question is not a banking workday in London.

1.60 "CONTRACT INTEREST RATE" means the "LIBOR RATE" plus one percent.

1.61 "OIL PRODUCTION TAX" means the Royalty (proportional mining royalty) as defined in the Code, and equal to a maximum of 12.5% of the Total Crude Production.

1.62 "QUARTER" means a period of three (3) consecutive months from January first, April first, July first and October first respectively of each Calendar Year.

1.63 "SALE TO THIRD PARTIES" means the sales of Hydrocarbons produced in the Contract Area and meeting the following conditions:

- (a) The agreed price shall be the only consideration for the sale;
- (b) The sale conditions shall not be subject to any trade relation other than that created by the actual sale contract between the seller and the buyer or any of their Affiliates;
- (c) Neither the seller nor any of its Affiliates has a direct or indirect interest in the resale or subsequent assignment of the Hydrocarbons or of any derivative;
- (d) No paid processing, exchange or barter agreement must take place as a result of these sales.

1.64 a) "DEVELOPMENT AREA" means the part of the Contract Area which, following the seismic information and the well data available, is reasonably deemed to cover the horizontal area of a Hydrocarbon accumulation constituting a Commercial Discovery and designated as such in an approved General Development Program. The Development Area includes the depth corresponding to the reservoirs that have been evaluated and tested between the surface and the basement.

b) "SEME AREA" means the prism formed by the surface points BEDC for which the geographic coordinates and the map appear as Appendix B, on the one hand, and by the depth between the sea level and the oil-water interface of the producing reservoir H6,5 situated at two thousand one hundred (2,100) metres under the sea level.

c) "BLOCK 1" is defined by the area delineated by the points AFGH for which the geographic coordinates and the map appear as Appendix B, the Beninese coast constituting the North geographic limit and excluding the Seme Area defined above.

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ARTICLE II

OBJECT OF THE CONTRACT

2.1 By this Contract, the Government grants to the Contractor the exclusive right to carry out Petroleum Operations in the Contract Area for the purpose of exploring, developing and producing Hydrocarbons in this area, in accordance with the provisions of the Code and the Contract, and in accordance with the laws and regulations in force in the Republic of Benin. The State shall implement all administrative procedures required to enable the Contractor to enjoy its rights and fulfill its obligations.

2.2 The Contractor declares having the technical and financial capabilities required and undertakes to carry out the Petroleum Operations in accordance with this Contract and according to the Good Practices of the Oil Industry.

2.3 With regard to Block 1, once a General Development Program relating to a Hydrocarbon Discovery has been approved as quickly as possible in accordance with the terms of the Contract, the Contractor shall have full rights to carry through the Development and Production Operations and to have the usufruct of the financial benefits resulting from these activities, provided that the obligations under the Contract and the Code have been fulfilled.

2.3.1 With regard to the Seme Block which includes an Oil Deposit, the Contractor shall enjoy the rights listed in Article 2.3.1. as from the Effective Date of the Contract, subject only to the provisions of Article XXXII.

2.4 The Contractor shall provide all technical, financial, human and economic resources required for the Petroleum Operations. Subject to the proportional participation of the State, if applicable, all costs and disbursements incurred for the Petroleum Operations shall be at the responsibility of the Contractor and shall be borne exclusively by it. Furthermore, the Contractor shall be technically, financially and economically responsible for the Petroleum Operations during the validity period of the Contract.

2.5 The Minister, in his capacity as the Government representative, shall be responsible for the supervision of the Petroleum Operations in order to ensure that the Contractor fulfills its obligations in accordance with the Contract. The Minister shall exercise this duty through its technical departments at any reasonable time. The Contractor shall be required to provide easy access to its facilities, to the Minister's representatives in order to enable them to discharge their duties. The costs related to these duties shall be borne by the

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ARTICLE III

VALIDITY PERIOD OF THE CONTRACT

3.1 The Contract shall enter into effect from the date of its signature and shall end on the date fixed below, subject to the provisions of Article XXVI relating to termination and those of Article XXXII relating to the Transitional Period.

3.2 VALIDITY PERIOD RELATING TO BLOCK 1

3.2.1 With regard to Block 1 only, the period covered by the Contract shall be divided into two periods: an exploration period and an exploitation period.

3.2.2 The exploration period shall be for an initial period of two years, with two (2) possible extension phases of two years each. These extensions shall be granted by right, subject to the provisions relating to relinquishments, provided that the Contractor has met all its work obligations and expense commitments and other substantial obligations relating to the preceding phase.

3.2.3 Provided it has fulfilled all the obligations relating to the initial phase, the Contractor may request the Minister in writing for an extension of the exploration period beyond the initial phase, at least sixty (60) calendar days before the end of said phase. If this request has not been submitted in time and if a commercial Discovery has not been made, the Contract shall expire at the end of the initial phase of the exploration period.

3.2.4 Subject to the provisions relating to termination and provided no Hydrocarbon Discovery has been made during the exploration period, the Contract shall expire at the end of this period. If at least one (1) Commercial Discovery has taken place before the end of the exploration period, the Contract shall remain in effect with regard to the corresponding Development Areas.

3.2.5 If, at the expiration date of the initial exploration period or of one of the extension phases, an exploration well is in the process of drilling, coring, casing, testing or closing, the Minister shall grant to the Contractor a special extension in order to enable it to complete the drilling, coring, casing, testing and/or the closing of the well in question, to evaluate the results of these operations and to determine if they constitute a Hydrocarbon Commercial Discovery. This special extension cannot, under any circumstances, extend the total exploration period by more than six (6) months.

3.2.6 If a Natural Gas Discovery occurs that the Contractor considers as having the potential of being commercially viable, in addition to the procedures and conditions specified herein, the Minister may grant to the Contractor a special extension of the initial exploration phase for a minimum period of two (2) years to allow the full evaluation of this Discovery. To that end, the Minister may ask the Contractor to carry out additional studies or tasks which would reasonably appear necessary for the good evaluation of the Natural Gas Discovery.

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3.2.7 In the event of a Hydrocarbon Commercial Discovery, the Government shall grant to the Contractor by right, at the request of the latter, an exploitation permit covering the Development Area, the perimeter of which will have been approved as part of a General Development Program in accordance with the provisions of Article IX. The duration of the exploitation permit during which the Contractor shall be authorized to ensure the production of each of the Oil Deposits and Gas Deposits discovered shall be fixed at twenty-five (25)

years from the day on which the Discovery has been declared a Commercial Discovery in accordance with the provisions of Article IX hereof.

During the period of the Contract, the Contractor may relinquish one or several Development Areas, object of an exploitation permit subject to the Government approval.

3.2.8 If, at the expiration of the twenty-five (25) year exploitation period defined above, a commercial exploitation remains possible, the Contractor may be authorized, at its request, to continue the exploitation for a further period of ten (10) years, provided that it has fulfilled all its contractual obligations during the preceding exploitation period.

3.3 VALIDITY PERIOD RELATING TO THE SEME BLOCK

The Seme Block being an Oil Deposit as of the Effective Date, it shall constitute as of that date a Development Area and the Minister shall grant to the Contractor an exploitation permit covering the Seme Block. This exploitation permit relating to the Seme Block shall expire when the Hydrocarbon commercial exploitation shall not be viable anymore in the Seme Block, either in the present Oilfield of Seme, or in any other Reservoir contained in the perimeter of Block 1, with a maximum period of twenty-five (25) years and with a possible extension of ten (10) years.

3.4 PROVISIONS RELATING TO BLOCK 1

3.4.1 At the expiration of the last exploitation permit granted to the Contractor, the rights and obligations defined in this Contract shall be null and void.

3.4.2 The Contractor shall provide to the Government for the granting of an exploitation authorization, an exact delimitation of the perimeter in such a manner that it includes all the presumed area of the discovered Field.

3.4.3 If, during operations subsequent to the discovery, it appears that the field has an extension exceeding that initially anticipated according to the preceding paragraph, the Government shall grant to the Contractor, under the exploitation authorization already allocated, the additional area in such a way so that it covers all the field, provided that the above mentioned extension forms an integral part of the Contract Area as defined at the time of said modification. If said additional area is outside the Contract Area, the Minister shall grant to the Contractor this additional area provided that it is not the subject of mining rights already granted to a third party or of a request aiming at granting such rights.

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ARTICLE IV

OWNERSHIP OF ASSETS, DATA AND HYDROCARBONS

4.1 OWNERSHIP OF ASSETS

4.1.1 The lands shall become the property of the State as soon as they are acquired by the Contractor. The Minister must cooperate in order to complete the procedures on behalf of the Contractor and at the written request of the latter, for obtaining the licences, permits, surface rights, easements, rights of free access to the Contract Area and exit therefrom, the utilization of the waters and any other types of encumbrances on any land or water expanse of public or private nature to enable the Contractor to finalize the Petroleum Operations on the territory of Benin, in accordance with the laws in force in the country.

4.1.2 Notwithstanding the above provisions, the ownership of movable and immovable properties acquired for the Petroleum Operations shall be

automatically transferred by the Contractor to the State as soon as their cost has been fully amortized by the Contractor, or, otherwise, at the end of the Contract. At the expiration of the Contract, the Contractor shall be required to forward to the Beninese State, through the Minister and unencumbered, the ownership of the lands, works, facilities, appurtenances and permanent equipment which it shall have acquired during the performance of the Petroleum Operations. The Contractor shall then be released from any obligation with regard to said properties, including any objection resulting from abandonment procedures, and restoration of environment, as concerns said properties, in the event of contribution of activities of the field. During the validity period of the Contract, the Contractor shall keep and safeguard in a good condition the movable and immovable properties acquired for the execution of the Operations.

4.1.3 The ownership of the properties rented or of the movable properties leased belonging to subcontractors or to Affiliates and the intellectual property of third parties shall remain with said Subcontractors or Affiliates or third parties

4.1.4 During the period of the Contract, the Contractor shall be authorized to use and to make use of all movable and immovable properties acquired for the Petroleum Operations under the Contract. The Contractor shall be authorized to transfer or to sell said properties if they are no longer required for the Petroleum Operations. The beneficiary of the sale revenues from these properties shall be as follows:

. If the ownership of said properties has been transferred to the State, the proceeds must be paid to the latter;

. The Contractor shall keep these revenues when the properties have not been the subject of any amortization;

. In the event of partial amortization, the proceeds corresponding to the amortization proportion must be paid to the State.

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The disposal or transfer of movable or immovable properties during the period of the Contract must have the prior approval of the Minister.

4.2 OWNERSHIP OF DATA

The State is the owner of all the geological, geophysical and geochemical information and of the data relating to the drilling, engineering, recording and production of any other data, samples, logs, coring, tapes, maps, interpretations, reports and any other support or information obtained at the end of the Petroleum Operations. However, the Contractor shall be authorized to keep this information, at no cost, and to use same for the Petroleum Operations subject to the obligations connected to their confidential nature.

The Government will provide the Contractor access to all the technical, operational, accounting and financial information available, this list not being exhaustive, at the Effective date of the Contract. It is understood that the Contractor will treat these data and information confidentially, in according with article 22 of the present Contract.

4.3 OWNERSHIP OF HYDROCARBONS

All the Hydrocarbons contained in the Reservoirs of the subsoil of the Contract Area or produced in the Contract Area belong to the State in accordance with the Code and with the Constitution of the Republic of Benin. The Contract does not confer any ownership right on the Contractor with regard to the Crude Oil and/or Gas extracted from the Contract Area, which shall continue to be the property of the State until they are measured at the Delivery Point. The ownership rights of the Contractor with regard to the Crude Oil and/or to the Gas in accordance

with the provisions of the Contract shall be granted to it at the appropriate Delivery Point.

4.4 OWNERSHIP OF THE ASSETS OF THE SEME OIL PROJECT

The assets belonging to the Seme Oil Project, property of the Government, shall be handled from the end of the Transitional Period as stipulated in Article 32, as follows:

A. The following shall be put at the disposal of the Contractor, as a matter of priority, for the validity of the Contract:

- A storage facility including a portion of the land intended for the construction of a quay.
- A buoy mooring of CBM-PLM type.
- A loading facility.
- The Contractor shall be allowed to use the resupply base of Cotonou harbour under conditions agreed by the parties.

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The Government shall guarantee to the Contractor that the facilities shall be managed in accordance with the good practices of the international oil industry. The Contractor will finance the restoration of the Seme facilities, and will manage these facilities according to Good Petroleum Practices, and taking into account the production forecast for Seme and Block 1, in accordance with Article 32.

If other users are involved, the Government shall exploit its ownership rights through the Bureau of Petroleum Operations or any other structure designed.

B. With regard to the assets directly associated or related to the Production Operations and which include, in particular, the producing wells, the Platforms including the test and production separators, the oil pipelines, the submarine cables, without this listing being restrictive, shall be put at the disposal of the Contractor, free of charge, subject to the provisions of Article 18.5. The Contractor shall have the right to use, with the Government approval, some existing wells in order to find new reserves in the deep reservoirs according to the Good Practices of the Oil Industry.

C. The Parties shall agree on the methods of sale of the surplus spare parts available. In the event that the Contractor is interested to purchase all or part of this surplus, it will repay the price thereof.

D. The other assets which are not directly related to the operations of the Seme Field shall remain the property of the Government.

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ARTICLE V

RELINQUISHMENTS

5.1 At the end of the first extension phase of the exploration period and provided the Contractor has discharged all its obligations connected to this phase, if the latter decides to continue with the Exploration Operations in the Contract Area during the extension phases for said period, it shall relinquish fifty percent (50%) of the remaining Contract Area, after deduction of any Development Area and of the Seme Block.

5.2 At the end of the last extension phase of the exploration period, the Contractor shall only keep the Development Area or Areas if any.

5.3 The Areas that have been relinquished by the Contractor must be lying together and must be of an appropriate geometrical form in order to enable the performance of the Petroleum Operations by other entities. The Contractor must notify the Minister in writing of the Area or Areas it intends to relinquish, no later than sixty (60) days before the end of the period considered, and shall include a map showing the geographic location and giving the coordinates of the connection points of the boundary lines. Within thirty (30) days following the notification date, the Minister must inform the Contractor of its decision and the Contractor must comply therewith.

5.4 From the date of expiration of the Contract, the Contractor is supposed to have transferred all the Contract Area.

5.5 Two months following each relinquishment, the Contractor must report to the Minister the surface areas to be returned and forward to him all documents and files related thereto as well as the facilities contained thereon, but will have the right to make a copy of documents and file, while respecting the confidentiality of the data.

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ARTICLE VI

MINIMUM WORK OBLIGATIONS

6.1 The Contractor must commence the Petroleum Operations as of the Effective Date of this Contract subject to the provisions of Article 32. To that end, the Contractor shall inform the Minister of the nominal composition of the team responsible for the conduct and execution of the Contract in Benin as well as the main terms of its agreement with its partner or partners.

6.2 During the initial Phase of the exploration period, the Contractor shall undertake to do the following works:

- Reprocessing and interpretation of 500 km of 2D seismic lines, or acquisition of 300 km of seismic lines during this period.
- Exhaustive evaluation of the productivity of the gas contained in the H8 reservoir of Seme and assessment of the economic potential thereof.
- Drilling of one (1) well in Block 1 in accordance with Clause 6.5. In the event the deep reservoirs under the Seme Area prove to be a more attractive prospect than in Block 1, this drilling shall be carried out in said deep reservoirs.

6.3 During the first extension phase of 2 years, the Contractor must at least complete the following works:

- Acquisition of 300 km of seismic lines, if the acquisition of these seismic lines has not been realized during the initial phase;
- Drilling of a well in accordance with Clause 6.5.

6.4 During the second extension of the initial phase of the exploration period, the Contractor must at least complete the following works:

- Acquisition and reprocessing of 300 km of 2D seismic lines or their equivalent of 3D seismic.
- Drilling of a well in accordance with Clause 6.5.

6.5 Any Exploration Well drilled must at least be drilled at one of the following depths:

- (a) the basement
- (b) H8 horizon
- (c) 2800 (two thousand eight hundred) metres TVD (True Vertical Depth)

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(d) at the depth under which any additional drilling becomes impracticable and would not be carried out by a prudent and reasonable operator in identical or similar conditions according to the Good Practices of the Oil Industry.

(e) at any other depth defined by the Parties by mutual agreement.

6.6 If during a phase of the exploration period the Contractor undertakes works which exceed the minimum work obligations relating to this phase, the excess shall be deducted from the work obligations relating to the following phase.

6.7 The difficulties which shall occur during the implementation of the provisions of this Article shall be first settled in accordance with the provisions of Articles 8.2.2 and 9.9.

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ARTICLE VII

JOINT TECHNICAL COMMITTEE

7.1 Within three (3) months following the Date of signature of the Contract, the Parties shall form a Joint Technical Committee (CCT) composed of six (6) members, three (3) representing the Minister and three (3) representing the Contractor, including the General Manager of the Contractor.

7.2 Notwithstanding the provisions of Article 2 and the rights and obligations of the Contractor relating to the daily management of the Petroleum Operations, nor its other rights and obligations mentioned in the Contract, the CCT shall have the main following objectives:

- To ensure the good communication and cooperation between the Parties;
- To review on the conduct and management of the Petroleum Operations, in particular:
 - (i) the evaluation of the results of the drilling, geological, geophysical and petroleum engineering programs;
 - (ii) the budgets and their execution;
 - (iii) the important modifications of the work programs;
 - (iv) the allocation of the markets relating to the work programs;
 - (v) any other matters submitted to it by the Parties.

The CCT shall make and forward recommendations to the Parties with regard to all the matters reviewed.

7.3 The CCT shall be chaired by one of the representatives designated by the Minister. One of the representatives designated by the Contractor shall act as

Secretary. The Parties may send other representatives to the meetings of the CCT as experts or substitute members.

7.4 The CCT shall hold an ordinary meeting at least once every six (6) months or when the members decide by mutual agreement. The Chairman of the CCT may convene extraordinary meetings at the request of the Minister or of the Contractor by giving to the members at least fifteen (15) days' notice, or a shorter notice if the Parties so decide. The corresponding notice must indicate the date, the place and the agenda of the meeting.

7.5 The quorum for the meetings of the CCT shall be composed of four (4) members, two (2) for each Party.

7.6 The CCT submits his conclusions to the Parties. In the event of disagreement, between Parties, they will act according to the provisions of the present Contract.

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ARTICLE VIII

PERFORMANCE OF THE OPERATIONS, WORK PROGRAM, BUDGETS, REPORTS AND CONTROL

8.1 PERFORMANCE OF THE OPERATIONS

8.1.1 During the period of the Contract, the Contractor shall carry out directly the exploration and exploitation activities in the Contract Area. In order to better undertake its activities, it shall be authorized to hire specialized subcontractors. However, the Contractor shall keep the control and the general responsibility of the operations or activities undertaken.

8.1.2 The Contractor must proceed diligently with the performance of the Petroleum Operations in accordance with the Good Practices of the Oil Industry, taking into account the local conditions and other special conditions in the Contract Area.

8.1.3 The Contractor must first notify the Minister of any substantial and planned Petroleum Operations such as, for example, the geological or geophysical research and the start-up of the well drilling activities. The Contractor must also notify the Minister in writing of any suspension of drilling or well abandonment. If this notification is impossible, the Contractor must notify the Minister in writing of this suspension or abandonment within twenty-four (24) hours.

8.2 WORK PROGRAM AND BUDGETS

8.2.1 Within ninety (90) days following the Effective Date of the Contract, the Contractor must prepare the first Work Program and its budget. If the Effective Date of the Contract occurs the first day of the month of July or before, the first Program and its budget shall be prepared for the remainder of the corresponding calendar year. If the Effective Date of the Contract occurs after the first day of the month of July, this first Program and its budget shall be prepared for the current calendar year as well as for the following calendar year. The Contractor must submit the Work Program and its budget for the Minister's approval. Subject to the above provisions, the Contractor shall, no later than October 30 of each calendar year, prepare a Work Program and a budget for the following calendar year and submit same for the Minister's approval. Within the month following the date of receipt of the Work Program and of the budget, the Minister shall approve same as proposed or shall suggest amendments, failing which the Work Program and the budget shall be deemed approved. The Work Programs during the exploration period must include the minimum works as stipulated in this Contract.

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8.2.2 In the event the Minister wishes to make amendments to the Work Program and to the corresponding Budget, he must advise the Contractor thereof in writing no later than fifteen (15) days following the receipt of the above mentioned documents and the Parties shall meet and attempt to reach an agreement on the proposed amendments. If the Contractor and the Minister do not reach an agreement on the proposed amendments no later than two months after the date of receipt of the Work Program and the Budget, an Expert shall be called upon to settle the matter in accordance with the provisions relating to arbitration and expert evaluation.

8.2.3 The Contractor may, with the Minister's approval, revise the Work Program during the calendar year in question in order to be able to take into account newly acquired information, a revised evaluation of the conditions concerned, or any other valid reason.

8.3 REPORTS

8.3.1 Within the framework of this Contract, the Contractor shall prepare and keep up to date all the records relating to the Petroleum Operations in the Contract Area.

8.3.2 Subject to its general rights and obligations, the Contractor shall:

(a) Register in an original or reproducible version of good quality, or on magnetic support, if any, any geological and geophysical information and any data related to the Contract Area and acquired by the Contractor.

(b) Keep all the files containing all the details concerning the following aspects:

- i) The drilling, implementation, deepening, production tests, sealing or abandonment of the wells;
- ii) The formations crossed by the wells;
- iii) The casing laid in the wells and any modification to said casing;
- iv) Any hydrocarbons, water and other minerals of economic benefit or dangerous substances encountered;
- v) The areas in which geological or geophysical activities have been carried out.

8.3.3 The well logs, maps, magnetic tapes, coring and samples, and other geological and geophysical information obtained by the Contractor during the Petroleum Operations shall belong to the Government, and shall be forwarded to it as soon as they have been obtained or prepared, and the Contractor shall have the right to make copies of said documents and files, subject to the observance of the confidentiality clauses.

8.3.4 During the execution of its contractual obligations, unless the Parties otherwise agree, the Contractor shall:

a) Keep copies of the material constituting the Data during the period of the Contract;

b) Keep for a period required by Petroleum Operations, with the Government approval, the original data provided that said data can be reproduced and that copies thereof have been provided to the Minister.

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c) Export for processing, review or laboratory tests and for a period of one year, the samples and any matters constituting the petroleum data, provided that samples of equivalent dimensions and quality or, when such data may be reproduced, copies of an equivalent quality have been forwarded to the Minister.

8.3.5 The Contractor shall regularly inform the Minister of the main developments occurring in the Petroleum Operations and shall provide him with all available information, data, reports, evaluations and interpretations related to the Petroleum Operations. In addition, the Contractor shall:

a) Prepare daily drilling reports within the framework of its activities;

b) Prepare and forward to the Minister a monthly report within a period of fifteen (15) days following the end of the month concerned which shall include a description of the activities covered during said month with plans and maps indicating the sites where the works described have been executed;

c) Prepare and forward to the Government a quarterly report, within a period of thirty (30) days after the end of each Calendar Quarter, which shall include a description of the activities covered during said quarter with plans and maps indicating the sites where the works described have been executed;

d) Prepare and forward to the Government an annual report, within a period of two (2) months after the end of each Calendar Year, which will integrate and develop the revised quarterly reports, if required, of the Calendar Year considered.

8.4 The Minister shall assume his obligations under this Contract through the DIRECTORATE OF ENERGY (DEN) and the DEPARTMENT OF PETROLEUM OPERATIONS (BOP).

8.4.1 The duties of THE DIRECTORATE OF ENERGY (DEN) shall be inter alia:

- to ensure that the Petroleum Operations conducted by the Contractor or other government entities comply with the oil policy of the State and to the applicable regulations;
- to bring as much as possible to the Contractor any assistance required in order to enable it to fulfill its obligations within the framework of the present Contract;
- to ensure that the Contractor implements a true policy of technology transfer and of training of Beninese nationals in the field of Petroleum Operations.

8.4.2 The duties of THE DEPARTMENT OF PETROLEUM OPERATIONS (BOP) shall be inter alia:

- to guarantee the financial settlements between the Contractor and the State;
- to receive, value and market the State's Hydrocarbon share;

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- to ensure that the cost accounting of the expenses and the keeping of the records and of the conduct reports of the Petroleum Operations shall be undertaken according to this Contract and with the accounting principles generally accepted in the oil industry.

ARTICLE IX

DECLARATION OF COMMERCIAL DISCOVERY
AND DESIGNATION OF THE DEVELOPMENT AREA

9.1 As soon as a Discovery of Hydrocarbons is made in the Contract Area, the Contractor must immediately report same to the Minister and the provisions of this Article shall then apply. In the event of a Gas Discovery, the provisions of the relevant Article shall apply should there be a conflict or a difference in the processing of this Discovery with this Article.

9.2 After the Discovery of Hydrocarbons and as soon as the Contractor is able to do so, and in any case within thirty (30) days following said Discovery, the Contractor must forward to the Minister a first report of Discovery.

No later than two (2) months following the Discovery, the Contractor shall forward to the Minister a detailed report on the Discovery, indicating whether this Discovery must be evaluated or not. If the Contractor deems that the Discovery is worth being evaluated, the report must include an evaluation program and a schedule of activities in order to implement an adequate and efficient evaluation. The Contractor must carry through the evaluation program submitted to the Minister during the exploration period according to the approved evaluation program and schedule of activities.

9.3 No later than ninety (90) days following the end of the evaluation program, the Contractor shall submit for the Minister's review a detailed evaluation report proving the commercial viability of the proposed Development Area. This report must include:

- The description of the Development Area, in particular the structural configuration, the physical properties and the extent of the reservoir rocks, the surface areas, the thickness and the depth of the producing areas;
- An estimate of the initial and recoverable oil and gas reserves, the characteristics of the recovery, the expected production return by reservoir;
- An estimate of the number of wells required for an efficient drainage of the reserves, the fluid characteristics including, in the case of Crude Oil, the density, the sulfur, sediment and water content and the shrinkage of the product;
- The economic projections and the expected cash flows.

9.4 The Contractor must declare in the report whether in its opinion the Discovery is commercially viable, and in this case, it shall be entitled to develop same and to produce the Hydrocarbons in accordance with the provisions of this Contract.

9.5 Within thirty (30) days following the date of submission of the report in which the Contractor advises the Minister of its opinion that the Discovery is commercially viable, the latter shall notify his approval to the Contractor in writing, and the date of approval by the Minister shall be the "Date of Commercial Discovery". If at the end of this thirty (30) day period, the Minister has not notified said approval in writing, the Date of Commercial Discovery shall be the day following the expiration of the thirty (30) days mentioned above. The Minister shall then grant to the Contractor the

exploitation permit if the latter requests it.

9.6 If the Contractor deems that the Discovery is not commercially viable, it must advise the Minister of the reasons on which it has based its decision. If the Minister challenges the grounds of the technical or financial analysis of the Contractor on the non-commercial nature of the Discovery, or if for any other reason he deems that the Discovery may be economically developed by the Contractor in accordance with the clauses and conditions of the Contract, the Minister must then, within sixty (60) days if he so wishes, submit the matter of the commercial viability to an Expert in accordance with the Contract. If the Expert confirms that the Discovery is commercial, the Contractor may, within thirty (30) days following the date of receipt of the Expert's decision, either declare that the Discovery is a commercial Discovery under the provisions of the Contract and the date of declaration shall become the Date of Commercial Discovery, or waive its rights regarding the Discovery. In this case, the Minister shall have the right to develop the area of the Discovery and to produce Hydrocarbons in accordance with the provisions relating to sole risk operations. The Contract shall remain in effect on the remaining part of the Contract Area.

9.7 Within ninety (90) days following the Date of Commercial Discovery, the Contractor must submit to the Minister a General Development Program indicating:

(a) the proposed Development Area;

(b) the Development Operations to be carried out, including any additional delineation of the Development Area and the method of development of the Associated Gas, if any;

(c) the Contractor's plans concerning the drilling and completion of the wells, the new production, storage, transportation and delivery facilities required for the production of Hydrocarbons. The plans must contain the following information:

(i) the expected number of Development Wells and their positioning;

(ii) the details relating to the production equipment and to the storage facilities;

(iii) the delivery points of Crude Oil and Natural Gas; and

(iv) the details of any other technical equipment required for the Hydrocarbon Operations.

(d) the estimated projections of Crude Oil and Natural Gas production from the Oil or Gas Deposits, and the estimated commercial duration of said deposits;

(e) the cost estimates of the equipment and current expenses;

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(f) the economic feasibility studies prepared by the Contractor and the other methods, if any, devised for the development of the Discovery taking into account:

(i) its location;

(ii) any pertinent meteorological condition;

(iii) expected investment costs and current expenses; and

(iv) any other information required for its evaluation.

(g) the safety measures to be adopted during the Development and Production

Operations, including the emergency measures;

(h) the measures to be adopted for the protection of the environment.

(i) the unforeseeable events that may affect the Contractor's capability during the implementation of the General Development Program.

9.8 The General Development Program proposed by the Contractor must be prepared according to the geological, engineering and financial principles and according to the Good Practices of the Oil Industry. Furthermore, it must be realized with a view to ensuring the optimum recovery of Hydrocarbons of the Development Area and to preventing their wasting.

9.9 The General Development Program of the Contractor may be reviewed by the Minister who shall give his approval if he deems that it has been prepared according to the above provisions. If the Minister deems that the General Development Program submitted by the Contractor has not been prepared according to these provisions, he shall suggest that revisions be made thereto and the Contractor may amend same in reply. If within ninety (90) days following the date of submission of the Program, the Minister and the Contractor cannot agree on said Program, the matter or matters which are the subject of a disagreement must be submitted to an Expert who shall settle same. In case of disagreement and submission to an expert, the exploitation period of 25 years shall not include the period spent by referring to the expert (including the procedure of this submission).

9.10 During the course of the Development and Production Operations, the Contractor may suggest additions or revisions to the General Development Program. He shall then submit same to the Minister for review and approval, utilizing the procedures detailed in article 9.9. If within a period of eighty (90) [N.B. Sic] days following the date of submissions of the additions or

revisions of the General Development Program, the Minister and the Contractor cannot agree, the question or questions which are the subject of the disagreement shall be submitted to an expert, mutadis mutandis according to the procedure specified in article 9.9 and the exploitation period of 25 years shall not include the period of said procedure.

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9.11 If the Contractor wishes to finance the Development Operations with funds obtained from banks or other sources of financing, the Minister must assist the Contractor by providing all the information that the banks or sources of financing may reasonably request, provided that the Minister does not have to assume any additional obligation of any type, whether financial or otherwise.

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ARTICLE X

SOLE RISK OPERATIONS

10.1 If during the exploration period, the Minister wishes to test additional reservoirs at the final depth point agreed upon, or deepen the well and test deeper reservoirs than this final depth point, the Government shall have the right, subject to the provisions of Clause 10.4, to request the Contractor, by notice, to test certain additional reservoirs or to continue the drilling and test new reservoirs, at the exclusive risk and on behalf of the Government, until the Government objectives have been reached. The Government shall notify the Contractor as soon as possible before or during the drilling but under no circumstances after the Contractor has started the well completion or abandonment activities.

10.2 If during the exploration period, the Parties cannot agree on the Government recommendation for the drilling of additional exploration wells, the Minister shall have the right after the initial period to request the Contractor to drill in the Contract Area at the sole risk and expense of the Government one (1) exploration well provided that this Operation does not delay, hinder and disturb the exploration and evaluation activities of the Contractor. In this case, the Minister shall have a maximum period of six (6) months in which to provide the Contractor with a well site report indicating the drilling details as well as the financing plan of the operation in question.

10.3 If the operations described under Clauses 9.3, 10.1 or 10.2 lead to a Discovery or to a Commercial Discovery, the Minister shall have the right, at its exclusive expense, risk and benefit, to evaluate said Discovery and/or to develop and produce the Oil from the reservoir connected to this Discovery. The Contractor shall notify the Minister in writing, before the beginning of the commercial production of the oil reservoir discovered within the framework of said sole risk operations, if it wishes to be responsible for the future development and/or production operations of said oil-bearing reservoir according to the terms of this Contract. In this case, the Contractor shall pay in cash or in kind to the Minister, in addition to one hundred percent (100%) of the exploration costs and the exploration immobilization costs, if any, incurred by the Government with regard to the sole risk operations and connected to the discovered oil-bearing reservoir, an additional amount equal to three hundred percent (300%) of said exploration and immobilization costs.

10.4 The conditions for the execution of the sole risk operations shall be:

(a) The production tests of additional formations or the penetration and the production tests of deeper formations or the drilling of additional exploration wells must be technically feasible;

(b) The deepening of a well under the exclusive risk operations may not take place if the well has already penetrated the producing reservoirs;

(c) No exclusive risk exploration well may be drilled in an exploitation area or on the site of a Commercial Discovery;

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(d) The Minister may hire a third party for the performance of the sole risk operations mentioned above. However, the Minister cannot hire a third party for this purpose without having first offered to the Contractor a preemption right for the execution on his behalf of said exclusive risk operations at conditions similar to those acceptable by said third party. If the Contractor does not accept to perform these operations within sixty (60) days from the receipt of the Minister's notice, the latter shall then be at liberty to hire the third party under the conditions that this third party shall observe the confidentiality clauses regarding data, reports and information held or prepared by the Contractor and received by said third party within the framework of the present article or of article IX and in agreement with article XXII.

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ARTICLE XI

ANNUAL DEVELOPMENT AND PRODUCTION PROGRAMS

11.1 The Contractor shall be required to carry through the Production and Development Operations in all the Development Areas in accordance with the General Development Programs and according to Good Practices of the Oil Industry.

11.2 The Work Program submitted for the Calendar Year during which a Commercial Discovery occurs, must be modified by the Contractor within sixty (60) days following the date of approval of the General Development Program in order to comply with the latter.

11.3 The Work Programs and the budgets corresponding to the Development and Production Operations must have as objective the efficient and economic exploitation of all the Development Areas according to the Good Practices of the Oil Industry. The Minister shall approve the Work Programs and the budgets prepared and submitted in accordance with the provisions of this Contract.

Within thirty (30) days following the date of receipt of a Work Program and a budget, the Minister shall approve same as proposed or shall suggest that amendments be made; if no approval notice or suggestion of amendments has been received within said period of thirty (30) days, the Work Program and the budget shall be deemed approved.

11.4 If the Minister wishes to amend the Work Program or the corresponding budget, he must inform the Contractor in writing no later than fifteen (15) days following the receipt of the documents mentioned above. The Parties shall consult each other and shall endeavour to agree on the amendments suggested. If the Minister and the Contractor do not reach an agreement concerning the amendments suggested no later than two (2) months after the date of receipt of the Work Program and the corresponding budget, an Expert shall be called upon to settle the matter in accordance with the provisions relating to arbitration and expert evaluation. The twenty-five (25) year exploitation period, or the additional period of ten years, if applicable, shall not include the time spent for referring the matter to an expert (including the procedure for same).

11.5 The Contractor may, with the Minister's approval, revise the Work Program and the budget during the Calendar Year in question in order to be able to take into account newly acquired information, a revised evaluation of the conditions concerned, or any other valid reason.

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ARTICLE XII

GOVERNMENT PARTICIPATION

12.1 The Government shall have the option to acquire a maximum participation of 15% of the rights and obligations of the Contractor relating to a discovery when the combination of the daily production of all the discoveries of the Contract Area reach for the first time a level of 20,000 barrels during at least six (6) consecutive months.

12.2 The Government must exercise its option of participation by written notification to the Contractor within thirty (30) days following the last day of the 6th month of the production level of 20,000 barrels/day. In the absence of a written notice during this period of thirty (30) days, the option shall be deemed refused.

12.3 If the Government exercises its option of participation in accordance with Article 12.1, the Contractor shall assign to the Government the portion that has been claimed. To that end, the Contractor shall propose a draft agreement for the Minister's evaluation.

12.4 The Government Participation shall take effect from the date of receipt by the Contractor of the written notification mentioned in Article 12.2. The Government shall then pay its share of the Petroleum Costs, in proportion to said participation, when said costs have been committed by the Contractor.

12.5 If the Government exercises its option of participation, it will reimburse to the Contractor in proportion to said participation, its share of

the Petroleum Costs incurred by the Contractor with respect to the Contract Area before the date on which its decision to participate has been notified to the Contractor who shall assist it without cost in the search for necessary funds.

Said share of Petroleum Costs that is reimbursable to the Contractor shall bear an interest from the date on which the Petroleum Costs have been incurred until the actual date of participation by the Government, at the interest rate of the contract fixed the day before the settlement date.

12.6 The reimbursement mentioned in Clause 12.5 shall be at the option of the Minister and notified to the Contractor,

- either in cash by payment in dollars within a period to be determined by mutual agreement,
- or in kind through lifting by the Contractor of a portion of the Hydrocarbon share stipulated in Article 13, to which the Government is entitled, up to fifty percent (50%) of said share. The value of this portion being calculated in accordance with the provisions of Article 16, and this share shall be equal in value to the amount due on the date of notification mentioned in Article 12.2, plus the interests related thereto calculated according to Article 12.5.

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12.7 If during the three (3) months following the due date for reimbursement agreed to between the Parties, the Government does not pay to the Contractor its share of the Petroleum Costs as stipulated in Clause 12.5, the Contractor shall have the right to retain fifty percent (50%) of the share of Profit-Oil of the Government until total recovery of said costs.

12.8 If the Government exercises its option of participation, the Minister shall establish as soon as possible with the Contractor, an operating agreement in accordance with the international Petroleum Operations which shall govern the rights and obligations of the Parties.

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ARTICLE XIII

COST RECOVERY AND PRODUCTION SHARING

13.1 Subject to the provisions relating to participation, the Contractor shall assume and pay all the Petroleum Costs incurred during the execution of the Petroleum Operations, and it shall recover said costs according to the methods defined in Accounting Appendix D.

The costs directly attributable to the development and production of Non-Associated Gas shall be subject to a specific agreement in accordance with the provisions of this Contract.

However, the costs directly attributable to the deepening of the wells with a view to evaluating and testing the gas from the Seme Field shall be recoverable in accordance with the provisions of Article 13.2b hereof.

13.2 The Petroleum Costs, within the limits authorized by the provisions of Appendix "D", shall be recovered from the Crude Cost Recovery, limited every year to sixty-nine percent (69%) of the Available Crude for Block 1, and for the Seme Block to seventy-nine percent (79%) of the Available Crude for the Year considered.

The cost recovery shall occur as follows:

(a) The recovery of the exploitation costs shall be made entirely during the Year when such costs have been incurred.

(b) The recovery of the exploration costs shall be made from the start-up Year of the first commercial production deriving from the Development Area.

(c) The development investments shall be amortized over five (5) Years from the start-up Year of the first production.

(d) The investments related to the exploitation phase shall be amortized over five (5) Years from the date of their realization.

However, when the total production has reached the economic marginality as defined in clause 13.7 hereinafter, the Parties shall consult each other in order to reach a joint decision. This consultation will take place within thirty (30) days from the date of receipt by the Minister of the written notice by the Contractor.

13.3 Inasmuch as the Petroleum Costs recoverable during a given Year exceed the value of the Crude of the Cost Recovery ("Cost-Oil") available this Year, the recovery of the surplus shall be carried forward to the following Years.

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13.4 The Contractor shall deduct on behalf of the Government from the total production of the Crude extracted from the discovery area, after deduction of the losses related to the Petroleum Operations, a portion equivalent to the amount of the tax on oil production equal to 12.5% (twelve and a half percent) for oil and 10% (ten per cent) for condensate. The remaining quantity of the crude shall be referred to as "Available Crude".

13.5 The remainder of the Available Crude every year after deduction of the recoverable Petroleum Costs, hereinafter called "Profit-Oil", shall be shared between the Government and the Contractor, whether the Government shall exercise or not its option of participation to the rights and obligations in accordance with Article 12, according to the following progressive scale:

(A) For oil

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<CAPTION>

AVERAGE DAILY PRODUCTION	GOVERNMENT SHARE	CONTRACTOR SHARE

(BARRELS/D)		

<S>	<C>	<C>
0 to 5,000	50%	50%
5,001 to 10,000	55%	45%
10,001 to 20,000	60%	40%
20,001 to 50,000	65%	35%
50,001 to 100,000	70%	30%
Over 100,000	75%	25%

</TABLE>

(b) For condensate

<TABLE>

<CAPTION>

AVERAGE DAILY PRODUCTION	GOVERNMENT SHARE	CONTRACTOR SHARE

(BARRELS/D)		

<S>	<C>	<C>

0 to 100,000	50%	50%
Over 100,000	55%	45%

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13.6 With regard to the Seme Field produced on the H6 and H6.5 horizons, the sharing determination of the Available Crude each year after deduction of the Petroleum Costs in accordance with Article 13.2 shall be: 60% for the Government and 40% for the Contractor.

13.7 The Parties agree that if the Economic Limit of a field is reached (eg. if Petroleum Costs incurred by the Contractor exceed the cash flows deriving from the sale of the production so as to cause the early abandonment of this field, they shall consult each other in order to study the amendments to be brought to the cost recovery plan for the purpose of extending the life of said field.

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ARTICLE XIV

MEETING THE REQUIREMENTS OF DOMESTIC CONSUMPTION

14.1 Three (3) years after the start up of the Production Operations, the Government shall have the right to purchase and the Contractor shall be under an obligation to sell, in a specific Delivery Point, a quantity of Hydrocarbons in Crude form or an equivalent quantity of refined products or gas equivalent such as agreed to between the parties equivalent at most to fifty percent (50%) of the share of Profit-Oil to which the Contractor is entitled in order to meet the domestic consumption of Benin. The assignment of Oil shall be made within this framework in accordance with the provisions of Article 16.2.

If within a period not exceeding sixty (60) days from the date of delivery of Hydrocarbons, the Government does not pay the invoice, the Contractor may obtain payment by lifting from the Government Profit-Oil share.

14.2 With regard to Crude Oil, the Contractor's obligation to sell rests on the principle according to which all producers of Crude Oil or exporter from Benin, including the Government, bring part of their production, at any moment and in a proportional manner, to meet the requirements of domestic consumption. In order to take advantage of its acquisition right, the Minister must give a three (3) months' written notice to the Contractor, indicating the quantity of Crude Oil representing the Contractor's remuneration that shall be acquired during the three (3) calendar months following the above mentioned notice. The monthly variation of this quantity cannot exceed a range of more or less ten percent (10%).

14.3 If due to a case of Force Majeure, other contractors or the Government cannot proportionally contribute to the requirements of the domestic market, and that, consequently, the volume of participation of the Contractor and of other contractors to the sales of the domestic market must be increased, the Contractor must sell the additional quantities required in accordance with the above clauses and conditions until the case of force majeure has been resolved and until the contribution intended to proportionally cover the requirement of the domestic market has been re-established. This additional obligation does not include the volumes of production which have been the subject of an exportation contract for which the loading period has been fixed within forty (40) working days following the date on which the Contractor has received notification from the Minister as to the case of force majeure.

14.4 With regard to Natural Gas, the Contractor's obligation to sell must be established taking into account the criteria used to meet the requirement of the domestic market stipulated above, and taking into account the price of Natural Gas determined in accordance with this Contract.

14.5 All payments made to the Government for the Contractor's Hydrocarbon sales in accordance with the provisions of this Article must be made in dollars and by bank transfer to the bank account designated by the Contractor outside Benin, within a period of thirty (30) days from the date of delivery to the Delivery Point of the Hydrocarbons acquired by the Government.

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ARTICLE XV

APPLICABLE TAX SYSTEM

15.1 For the duration of the Contract and in accordance with the legislation in force in the Republic of Benin, the Contractor shall be subject to the tax system currently applied to companies in general, and to oil activities in particular.

15.2 The Contractor shall be required to pay, under the conditions and the due dates established by the Beninese tax legislation, all the taxes and duties to which it is subject, in particular Income Tax equal to 55% (fifty-five percent) of the taxable profit and the Export Revenue Tax at the rate of three percent twelve percent (3.12%) of the FOB value.

15.3 It is understood that in application of Article 15.2, the Minister shall lift from the Profit-Oil share to which the Government is entitled under Article 13.5 an amount corresponding to the Income Tax, and to the Export Revenue Tax mentioned in the Petroleum Code. He shall pay said tax to the institution designated for this purpose on behalf of the Contractor and shall have delivered to the Contractor the receipts related thereto. The same applies for the Export Revenue Tax. In this case, the Profit-Oil share to which the Contractor is entitled under Article 13.5 shall be considered free of tax and shall not be subject to any tax whatsoever. In other words, the Contractor shall be released from any tax obligations which, by definition, are included in the Profit-Oil received by the Government as well as in the Oil Production Tax also received by the Government.

15.4 The Contractor and its subcontractors shall be exempt from the duties and taxes on the equipment, exploitation material and engines imported by the Contractor and its subcontractors within the framework of the Petroleum Operations. These goods and equipment may be re-exported at the end of their use according to the temporary admission system.

15.5 The Contractor and its subcontractors shall be also exempt:

(a) from the Value Added Tax (VAT) on the activities strictly related to the Petroleum Operations;

(b) from the Franchise Tax for a period of five (5) financial years;

(c) from the surface royalties mentioned in the Code; and

(d) for expatriate personnel, from contributions to the Social Security Department of Benin (OBSS), from the employer's contribution (V.P), and from the apprenticeship charge.

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15.6 The expatriate personnel employed by the Contractor and its subcontractors may import free of duties and taxes with the exception of the road tax, their personal effects which shall be used during the first six (6) months of their arrival. They shall also import a vehicle per household by way of temporary admission.

15.7 The Government shall agree to take into consideration any modification to the fiscal conditions which the Contractor may request at any time, provided that:

(a) Such modification does not adversely affect all the financial gains and other benefits that the Government will derive from the Petroleum Operations; and

(b) The only reason for proposing such modification shall be to permit any person forming the Contractor or any other Affiliated Company to obtain in another country a tax credit relating to the taxes paid in the Republic of Benin.

15.8 The Contractor shall be required to pay to the State the income from the taxes and duties mentioned in this Contract through a national structure. The designation of the national structure in question shall occur within one hundred and eighty (180) days following the Effective Date.

15.9 Within thirty (30) days following the date of payment, the Government shall issue, a receipt in the Contractor's name for said payment.

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ARTICLE XVI

MEASURING, DISPOSAL, EVALUATION AND SALE OF HYDROCARBONS

16.1 The Contractor must measure all the Crude Oil and Natural Gas produced in the Contract Area according to the Good Practices of the Oil Industry. The Contractor must keep full and accurate records of all the measures of Hydrocarbons produced in the Contract Area after extraction of the water and of its foreign substances, and of all the Hydrocarbons that may be marketed, which will allow by difference to determine the quantities that have been used for the Operations and the unavoidable losses. The Minister's representatives must have access to these records and measures.

The Minister shall have the right to examine and to test all the measures, measuring equipment, graphics and any other measuring or testing equipment and information material.

If, at the end of an examination or test, it appears that measuring equipment are not in working order, that they are damaged or badly adjusted, the Contractor must put them in good working order or shall proceed with the required adjustments immediately at its own cost.

If, within a reasonable period not exceeding thirty (30) days, the Contractor does not assume this obligation, the Minister may take the necessary measures so that said equipment be made operational or have the equipment adjusted and may invoice to the Contractor the cost of this operation at the interest rate of the Contract + 1%. If according to the Minister, the error caused by the bad adjustment, or any other failure of a measuring equipment, appears to be at the origin of a considerable difference in the production measuring, the Parties shall consult each other for the purpose of examining the appropriate measures to be taken. In the event of disagreement, the matter shall be submitted to an expert so that the latter can determine if a retroactive adjustment of the production figures should be made. If the Contractor deems it necessary to replace measuring devices or instruments, it must notify the Minister for approval and give to the Minister's representatives the opportunity to be present during the operation and to take part thereto.

16.2 Under this Contract, the price of Crude Oil for each quarter shall be the weighted average of the FOB prices received by the Contractor for sales to third parties which are not related to the Parties during the corresponding

quarter.

If during a given quarter the Contractor does not sell at least forty percent (40%) of the total production of Crude Oil of the Contract Area to third parties which are not related to the Parties, the price of Crude Oil for that quarter shall be the weighted average of the FOB prices established by comparison with the Crude Oil Price on the international market taking into account the quality, density and transportation differentials.

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In the absence of an agreement between the Parties within fifteen (15) days following the end of the Quarter concerned, pending the opinion of an Expert, the sale price agreed to for the Quarter preceding the Quarter in question shall apply temporarily subject to the retroactive adjustments which would be required after expert evaluation. The expert evaluation requested under this article shall occur within a period not exceeding thirty (30) days after the end of the Quarter concerned.

16.3 Under this Contract, the price of Natural Gas sold on the domestic market of Benin shall be the price received by the Contractor for sales to third parties. Taking into account the fact that the gas market is not very developed in Benin, the Minister must assist the Contractor inasmuch as possible in order to find possible consumers for the Gas and to negotiate reasonable sale prices. The Natural Gas price applicable to the Gas sold to a public Beninese company or to a body whose capital with voting right is the direct or indirect property of the State, shall be established by mutual agreement between the Parties, it being understood that this price must reflect the commercial value of the energy source that the Gas sold is deemed to replace, according to the modern technology generally used and taking into account the cost of the gas produced. The price that applies to the Natural Gas exports shall be the price received by the Contractor for sales to third parties, subject to the same conditions normally governing the sale of Crude.

16.4 The Contractor shall have the right to freely dispose, load, transport and export the Hydrocarbons to which it is entitled under the Contract. The Minister may request the Contractor to sell all or part of the oil to which the State is entitled in accordance with Article 13 and under the market conditions stipulated in Article 16.2, and provided that the Parties have agreed on the provisions concerning marketing.

16.5 No later than sixty (60) days before the Start-up Date of the Commercial Production in each Development Area, and thereafter at the beginning of each Quarter, the Contractor must prepare and provide to the Minister a projection indicating the total quantity of Hydrocarbons which, according to the Contractor, shall be produced during the following four (4) Quarters in the corresponding Development Area, from a production rate mutually agreed upon to optimize the recovery of Hydrocarbons in the Development Area according to the Good Practices of the Oil Industry. Each Quarter, the Contractor shall make reasonable efforts to produce the quantity of Hydrocarbons estimated to be produced by it. The Contractor shall be authorized to use, free of charge, the quantities of Hydrocarbons produced in the Contract Area, in their natural or processed state, required for the carrying out of the Petroleum Operations (including the Operations of Gas loading) according to the Good Practices of the Oil Industry. Whatever the quantity of hydrocarbons used for this purpose, it shall not be considered as being part of the Commercial Production.

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ARTICLE XVII

NATURAL GAS

17.1 Benin's domestic market shall benefit from a preferential right for the acquisition of the Natural Gas produced in any Development Area and which is not required for the Petroleum Operations in accordance with this Article, provided that the commercial proposals made are as favourable as those under which the gas in question may be exported. The Natural Gas not sold on the domestic market may be exported.

In the event of discovery of a commercial accumulation of gas, a gas purchase contract ("Take or Pay" contract) shall be discussed between the Government and the Contractor as soon as possible. If the direct generation of electricity would appear more favourable for the two Parties, the latter shall meet to determine the conditions thereof.

17.2 ASSOCIATED NATURAL GAS

17.2.1 If a Crude Oil Discovery occurs that the Contractor shall consider to be commercially viable under this Contract and this discovery contains Associated Gas, the Contractor must indicate in its evaluation report if it anticipates that the estimated production of Associated Gas shall exceed the quantities of Associated Gas required for the Crude Oil Production Operations (this surplus shall be referred to hereinafter as "surplus Associated Gas") and if the surplus Associated Gas can be produced in commercial quantities. If the Contractor declares that this Associated Gas exists and that it can be produced in commercial quantities, it shall indicate in the General Development Program prepared for the Hydrocarbon Discovery, the details relating to the gathering, processing, compression and transportation facilities required for the exploitation of the surplus Associated Gas for commercial purposes, as well as the corresponding costs.

17.2.2 Within ninety (90) days following the date of submission of the General Development Program, the Minister shall advise the Contractor whether he himself or any other public entity in Benin designated by him, wishes to dispose of the surplus Associated Gas on the domestic market.

17.2.3 If, in accordance with this article, the Minister advises that he wishes to dispose of the surplus Associated Gas on the domestic market, the Contractor may, by notice within ninety (90) days following the date of notification of the Minister, participate in the costs of the facilities required for the production of the surplus Associated Gas and the proceeds deriving from the sale of said Gas.

17.2.4 If the Contractor decides to participate in accordance with the above provisions:

(a) It shall build gathering, processing, compression, transportation and storage facilities required for the production and the delivery to the Delivery Point of the surplus Associated Gas in accordance with the specifications of the General Development Program;

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(b) The price of the Associated Natural Gas is the price of Natural Gas determined in accordance with this Contract.

17.2.5 If the Contractor decides not to participate, it shall deliver to the Minister, or to the public Beninese company designated by the Minister for this purpose, to a Delivery Point designated as "EXIT", and at its expense which shall be included in the recoverable costs, all the quantities of surplus Associated Gas produced.

17.2.6 Subject to the provisions relating to the protection of the environment, the Contractor may burn any surplus Associated Gas that has not been used.

17.3 NON-ASSOCIATED GAS

17.3.1 If a Discovery of Non-Associated Gas occurs in the Contract Area, the Contractor must submit a report in accordance with the provisions of this Contract. If the Contractor deems that the Discovery is worth being evaluated, it must prepare an evaluation, with a reserve estimate, of the production potential, the development costs and the production costs as well as of the economic viability. In this report, the Contractor must also declare if the Discovery is commercially viable. If the Contractor deems that the Discovery of Non-Associated Gas is not worth being evaluated, the provisions relating to Crude Oil shall apply mutatis mutandis.

17.3.2 If the Contractor deems that the Discovery can be commercially viable, the Minister shall assist it in the evaluation of the gas requirement on the domestic market as well as in the transformation and marketing activities required for its distribution to the consumers of said market. In the same way, the Contractor shall be at liberty to evaluate the viability of the Gas exportation. During the calendar year following the date of submission of the detailed evaluation report of the Contractor, the Parties must meet in order to determine if the sale points and other pertinent factors justify its development and production for sale on the domestic market and/or if it is considered that this market is not big enough and therefore the Gas must be exported.

17.3.3 If the Contractor deems that the development of the Discovery of the Non-Associated Gas is justified, it must submit to the Minister a General Development Program for said Discovery and the provisions relating to the commercial discovery and those relating to the Government participation shall apply to the development and production of said Gas as if it concerned Crude Oil. If the Contractor deems that the development of the Discovery of Non-Associated Gas is not justified, the provisions relating to the Crude Oil shall then apply mutatis mutandis to the development and production of said Gas.

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17.3.4 If it has been determined that the Discovery of Non-Associated Gas cannot be used on the domestic market while the Contractor considers that said Discovery of Non-Associated Gas may be commercially viable for exportation, the Contractor shall then have full freedom to develop the Gas Deposit provided that it submits to the Minister a General Development Program. If the Contractor begins the Development Operations for exportation, the Minister shall take the necessary measures to facilitate the construction of the appropriate facilities. The provisions relating to the commercial Discovery and to the Government participation shall apply mutatis mutandis to the development and production of said Non-Associated Gas as if it concerned Crude Oil. Once the Contractor has started up the Development Operations for exportation, the right granted to the Contractor for exportation under this Article shall remain in effect during the period of the Contract unless the two Parties change the procedures by mutual agreement.

17.3.5 Under this Contract, the price of the Non-Associated Gas produced by a Gas Deposit intended to be used in Benin shall correspond to the price of Natural Gas determined in accordance with the provisions of this Contract.

17.3.6 In compliance with the safety and environment protection standards, the Contractor shall have the right following the Minister's approval, to build facilities for the separation of gas for the purpose of producing liquid gas and condensate.

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DAMAGES, ENVIRONMENT PROTECTION
AND SAFETY

18.1 The Contractor shall be responsible for all damages and injuries that may be caused as a result of its operations to individuals or to the State. The Contractor shall be required to safeguard the Government against any damage for which it may be responsible as a result of its activities under the Contract or of any operation or activity deriving therefrom. To that end, the Contractor must, at any time, release the Government from any responsibility against any claim and obligation resulting from death, accidents or damages caused by its activities, including those carried out under the Contract, or non-compliance by the Contractor with the laws and regulations in force in Benin. This Contract shall not have any effect on the rights claimed by third parties against the Contractor under the laws in force in Benin.

18.2 The Parties acknowledge that, due to their nature, the Petroleum Operations may produce an ecological imbalance in the Contract Area as a result of environment pollution. Consequently, during the performance of the Contract, the Contractor must adopt the necessary measures in order to prevent or to reduce to a minimum the pollution of the ground, atmosphere and water, and ensure that this pollution does not harm the plants and the wildlife and, in general, prevent everything that could materially harm the environment. If the Contractor cannot prevent the pollution of the environment, it must take the necessary measures to reduce to a minimum the effects thereof according to the international standards. These measures must be notified to the Minister for approval.

18.3 In order to reduce to a minimum or eliminate the pollution, the Contractor must use adequate technical means, approved by the Minister.

18.4 The government is responsible for damages caused to third parties as a result of environmental pollution resulting from Petroleum Operations conducted before the end of the Transitional Period. In accordance with the Code, the Contractor shall be responsible for damages caused to third parties as a result of the pollution of the environment.

18.5 The Contractor shall undertake to call on experts in this regard in order to examine the probable impact of the Petroleum Operations on the environment. This study must include:

(a) the state of the environment and the level of pollution existing in the Contract Area and in the neighbouring areas before the petroleum operations;

(b) the impact that the Petroleum Operations may have on the environment.

The study indicated in paragraph (a) must be carried out in two steps:

1) a preliminary study delivered by the Contractor to the Minister before the seismic survey of the Contract Area and

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2) the final study applicable to all the exploration period and which shall be submitted to the Minister before the drilling of the first well. The study indicated in paragraph (b) must be carried out and delivered to the Minister at least ninety (90) days prior to the drilling of said well.

18.6 The studies listed above must include the procedures used for the elimination or reduction to a minimum, inter alia, of the wastes mentioned below as well as the way to neutralize same:

(a) Drilling muds and Hydrocarbons resulting from the tests, completion, workover and abandonment of the wells;

(b) Polluted underground layers;

(c) Solvents, lubricants and other products used during the operations;

(d) Organic waste, detritus and unusable products from the work and camp areas.

18.7 The Contractor must design and build its facilities endeavouring to reduce to a minimum the pollution of the environment and it must, inter alia, adopt the following procedures on the drilling sites and the location site of the exploitation equipment:

(a) Drainage/recovery system of Crude Oil spillage, and other derivatives as well as polluted waters;

(b) Waste recovery system.

18.8 The Contractor shall undertake to include the provisions of this Article in all the contracts negotiated with third parties and related to the Petroleum Operations.

18.9 If the Contractor does not comply with the provisions of this Article and a spillage of Crude Oil or of any other product occurs in the soil, the sea bottom or in the sea, or if the Contractor's activities cause another form of pollution or, damage the water springs or the animal or plant life in any other manner, the Contractor must take immediately all steps according to the Good Practices of the Oil Industry in order to control the pollution, clean any spillage of Crude Oil or of any other product, or repair as much as possible any damage caused.

18.10 If, as a result of the direct effect of a gross or deliberate negligence on the part of the Contractor, a spillage or an act of pollution occurs, the cost of the control, cleaning and repair operations shall be borne by the Contractor and shall not be considered Petroleum Costs under this Contract.

18.11 In the event of danger which may affect the environment, the Contractor must immediately notify same to the Minister and take the measures prescribed in the emergency procedures adopted by the Parties according to the Good Practices of the Oil Industry.

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18.12 At the end of the Contract, in any other situation than the abandonment case, the Contractor must take the measures according to the Good Practices of the Oil Industry to restore the environment and the sites where the Petroleum Operations have been performed to their original state on the Effective Date of the Contract, taking into account the rules of the abandonment procedure.

At the time of submitting the General Development Program, the Contractor must submit to the Minister for review and approval a schematic summary of the restoration activities of the environment once the Petroleum Operations have ended, indicating the manner in which the corresponding costs shall be financed using a special account for the specific purpose of financing the obligations concerning the restoration of the environment and the abandonment procedure. Thereafter and at the same time as the Work Program and the Budgets, such schematic summary shall be submitted to the Minister for review and approval.

18.13 The Contractor must take the necessary steps according to the Good Practices of the Oil Industry, to carry through the activities mentioned in the contract in all safety, and must comply with the laws and regulations of Benin, including the regulations in force with regard to the work, environment protection, health and safety. The Contractor must refrain from any action

endangering the health or the safety of the persons.

18.14 The Minister shall have the right to inspect all the sites, buildings and facilities in the Contract Area. In order to have access to these sites, the Minister must first inform the Contractor.

18.15 The Contractor must ensure the sure and effective treatment of the water and residual oil and the plugging of the wells before abandoning same.

18.16 The Contractor shall cement and abandon all producing wells following the current oil practices immediately after stopping their production inside Block 1 or the Seme Field.

However, the expenses relating to the abandonment of the Seme field and facilities shall not be borne by the Contractor except the wells worked over or drilled to reach the deep zones.

18.17 The Contractor shall remove and clear according to the abandonment procedure appearing as an Appendix all the platforms installed by it in the Contract Area.

18.18 The Contractor shall remove and clear the existing platforms and the monopod facilities after the expiration of the Contract or after the suspension of the production of Block 1 and/or of the Seme field. The removal, clearing, or abandonment of the facilities set up by the Contractor shall take place according to the standards of the oil industry generally accepted in the Gulf of Mexico. On the other hand, the facilities underwater or others shall be left in such a state so as not to present an obstacle to ships.

18.19 The Contractor shall leave all pipelines and facilities free of oil at the expiration of the Contract according to the current oil practices.

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18.20 The Government explicitly agrees that the Contractor shall not have any responsibility with regard to abandonment or restoration of the environment other than that expressly stipulated herein.

18.21 Any change to this agreement with regard to the abandonment must be agreed upon by the two Parties.

18.22 If laws or regulations relating to the environment in force on the date of signature of the Contract are amended so as to substantially modify the economic equilibrium of the Contract, the Parties shall refer to the provisions of Article 29.2.

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ARTICLE XIX

PROVISIONS REGARDING CHANGE

19. Under the regulations in force in Benin, the Ministry shall guarantee that for the duration of the Contract, the Contractor and the non-Beninese subcontractors shall be authorized to:

(a) pay in foreign currency, in full or in part, the salaries, refunds and other indemnities;

(b) open, keep and use bank accounts in foreign currency in Benin and abroad and accounts in local currency in Benin;

(c) directly pay abroad, in foreign currency, to foreign subcontractors for

the acquisition of equipment and supply of services related to the Petroleum Operations;

(d) receive, transfer and keep abroad and freely dispose of all the funds including, inter alia, all the payments received for the exportation of Hydrocarbons and any payment received from the Government;

(e) obtain from abroad all the loans required for the Petroleum Operations;

(f) buy the local currencies required for the Petroleum Operations and convert in foreign currency all local currencies in excess of the immediate domestic needs in accredited banks of exchange bureaus;

(g) transfer abroad all foreign currencies in excess of the local requirements of the Contractor. The rights given to the Contractor and Subcontractors under this Article shall also apply to expatriate employees.

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ARTICLE XX

EMPLOYMENT AND TRAINING

20.1 EMPLOYMENT

In compliance with the labour legislation in Benin, the Contractor shall be at liberty to hire the personnel and the Subcontractors required to carry through the Petroleum Operations in accordance with the Contract.

However, with regard to the recruitment of employees and to the extent where this is in accordance with an efficient and responsible exploitation of the Petroleum Operations, the Contractor must give preference to citizens of Benin qualified, through their training and experience, to exercise the duties in question. With regard to the selection of Subcontractors for the performance of the Petroleum Operations, the Contractor must give preference to Beninese Subcontractors to the extent where the latter are competitive with regard to quality, costs and technical expertise to keep the established schedules of activities.

20.2 TRAINING

The Contractor shall undertake to offer adequate training to the Beninese citizens employed for the Petroleum Operations during the validity of the Contract.

To that end, within three (3) months following the Effective Date, a training program relating to the Exploration period for an annual amount of fifty thousand US dollars (US\$50,000) at least shall be established and submitted by the Contractor to the Minister. Within thirty (30) days following the start-up of the Commercial Production, the Contractor shall also submit to the Minister a training program relating to the Exploitation period for an annual amount of at least one hundred thousand US dollars (US\$100,000).

20.3 SEME OIL PROJECT PERSONNEL (PPS)

Within the framework of the redevelopment of Seme and of the exploration of Block 1 around Seme, the Parties have agreed to take advantage of the Transitional Period to jointly decide whether to use all or part of the PPS personnel.

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ARTICLE XXI

ACCOUNTING

21.1 The Contractor must keep its accounting as well as any financial information, books and registers concerning the Petroleum Operations, in national currency and in the form required by the law in force in Benin.

21.2 The accounting procedures to be applied by the Contractor shall be those established in the Accounting Appendix D.

21.3 The audited accounts of the Contractor must be submitted to the Minister for approval no later than three (3) months after the end of the Calendar Year.

21.4 The Minister may, by submitting notice to the Contractor, no later than six (6) months following the date of submission of the financial accounts, submit all financial accounts of the Contractor relating to the Calendar Year in question to the auditing of an International Company of Chartered Accountants, appointed by agreement between the Parties. The cost of this auditing shall be borne by the Government.

21.5 Unless the Parties find a solution by mutual agreement, the Minister may submit any objection regarding the Contractor's accounts to an expert decision. Before giving a decision in connection with the objection submitted, the expert must take into account the results of the financial auditing made according to the provisions of this Article. If the Minister's objection is not submitted to an expert within twelve (12) months following the receipt by him of the accounts, the objection in question shall be null. If the Minister's objection is validated by the Expert, the Contractor must correct the accounts in question and bear the costs related to the auditing and the expert evaluation notwithstanding the above provisions.

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ARTICLE XXII

CONFIDENTIAL NATURE OF THE DATA

22.1 All the reports, data and information obtained or prepared by the Contractor, to the extent where they relate to all or part of the Contract Area shall be the full property of the Beninese State and shall be treated confidentially. Each Party undertakes not to divulge same except after the prior approval of the other Party, to:

- (a) An Affiliated company or a subcontractor of the Contractor;
- (b) A financial institution for the purpose of obtaining a loan;
- (c) A stock exchange;
- (d) Any potential assignee in application of Article 23.

This clause shall not prevent the Minister from communicating certain information to any government entity and to any trustworthy person interested in securing a right of exploration and exploitation for Hydrocarbons in Benin.

22.2 All reports, data and information communicated by the Minister or the Contractor to a third party in accordance with the above provisions, shall be made according to agreements the terms of which shall guarantee that these data, information or reports are treated by the recipient as strictly confidential.

22.3 The reports, data and information relating the Contract Area and considered as important by the Minister for the execution by a third party of an exploration program in a bordering area, shall be communicated to it by the

Minister. In exchange, the Contractor shall have access to the data, information and reports obtained by said third party concerning a bordering area of a comparable exploratory nature. The confidentiality clauses shall apply to this third party.

22.4 All the reports, data and information, including the interpretations and evaluations relating to any area that no longer forms part of the Contract Area following retrocession of an area or expiration of this Contract, shall be treated by the Contractor as strictly confidential for a period of five (5) years from the date on which said area has ceased to form an integral part of the Contract Area or from the date of expiration of this Contract.

22.5 Any failure to comply with the confidentiality Clauses mentioned in this Article shall be reprovved according to the regulations in force in Benin regarding the divulging of professional secrets.

22.6 Any press publication initiated by the Contractor and relating to the results of the operations conducted under this Contract shall be subject to the prior authorization of the Minister.

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ARTICLE XXIII

ASSIGNMENT OF RIGHTS

23.1 The Parties may assign all or part of their rights and obligations deriving from this Contract. If the Contractor intends to assign or transfer its rights totally or partially, in accordance with the Contract, it must immediately submit to the Minister a written authorization request, unless the transfer is to an Affiliate in which case it must notify the Minister in writing of its intention to transfer sixty (60) days prior to the effective date, or at a later date agreed to with the Minister, following which the transfer shall be effective without the need for an authorization from the Minister. Any request must indicate the name, the address and any appropriate information on the technical and financial capabilities of the assignee. Within thirty (30) days following the receipt of the request, the Minister must decide whether he approves or not the proposed assignment. Any disagreement by the Minister must be based on reasonable causes related to the technical and financial capabilities of the proposed assignee.

23.2 If one of the Parties makes a partial assignment of its rights and obligations deriving from this Contract, the assignee shall be responsible, jointly and severally, for the guarantees, responsibilities and obligations of the assignor. If the assignment is total, the assignee shall be solely responsible for said obligations and guarantees. Any assignee must adhere to the bank guarantees and supply a guarantee from its parent company, if applicable, as required by this Contract.

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ARTICLE XXIV

FORCE MAJEURE

24.1 The Parties shall not be responsible in the event of failure or delay in the fulfillment of their obligations resulting from this Contract provided this failure or delay is due to a case of Force Majeure.

24.2 A case of Force Majeure shall mean any act or event which does not fall within the reasonable limits of control of the Parties, and which prevent them indefinitely or temporarily from fulfilling their obligations under the Contract. Thus, the Force Majeure shall include the cases listed below, without this list being limitative: war or similar situations, embargoes, blockades, earthquakes, floods, fire, strike or lock-out, terrorism act, riots, government action.

24.3 The Party invoking the case of Force Majeure shall:

a) Advise the other Party as early as possible by any means and confirmed by registered letter with acknowledgment of receipt describing the event in detail;

b) Take as far as possible all appropriate and legal provisions to eliminate the cause of Force Majeure;

c) Inform the other Party in the manner indicated above as soon as the Force Majeure has been eliminated and resume the execution of its contractual obligations.

24.4 If the case of Force Majeure lasts for more than three (3) months, the Parties to the Contract shall meet in order to determine the appropriate action to be taken.

24.5 It has been agreed that if for reasons of Force Majeure, a Party is unable to fulfill an obligation or to exercise a right under the Contract, the period granted to fulfill the obligation or to exercise the right, including any subsequent obligations or rights, shall then be extended by a period equal to the duration of the Force Majeure.

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ARTICLE XXV

ARBITRATION AND EXPERT EVALUATION

25.1 ARBITRATION

25.1.1 Subject to the provisions hereunder relating to expert evaluation, any dispute or claim related to a matter or operation falling within the Contract or connected therewith, including, inter alia, any dispute or claim relating to its validity, interpretation, execution or omission of obligations which it claims cannot be amicably settled between the Parties, must be finally and exclusively settled by arbitration at the initiative of one or the other Party.

25.1.2 The arbitration procedure shall be implemented by three (3) arbitrators in accordance with the rules of conciliation and arbitration of the International Centre for the Settlement of Investments Disputes (CIRDI) of the World Bank Group.

25.1.3 Unless the Parties otherwise mutually agree in writing, the third arbitrator appointed as indicated above must not be a citizen of Benin or a person of the same nationality as the Contractor.

25.1.4 For any arbitration procedure in accordance with this Article:

(a) The procedure must take place in Paris, France, unless the Parties otherwise mutually agree;

(b) The French language shall be the official language in all respects; and

(c) The parties shall be bound by the decision of the majority of the arbitrators.

25.1.5 If an arbitration procedure has been instituted, the Parties shall continue to fulfill their obligations under the Contract unless this has been made impossible due to the case of Force Majeure.

25.1.6 The cost of the arbitration procedure must be borne according to the

methods defined by the arbitration tribunal.

25.1.7 Under this Article, the Parties shall waive any jurisdiction immunity. For the execution of the judgments rendered by the arbitration tribunal of CIRDI, the Parties shall waive the execution immunity with respect to their property. The seizure and adjudication of property to which this immunity may give rise include, with regard to the Government, only those accounts, income and property related to the Hydrocarbon field in the Contract Area.

25.2 EXPERT EVALUATION

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25.2.1 Any Party wishing to submit a matter to the decision of an expert in accordance with a provision of the Contract which provides for this procedure including, the Accounting Appendix, or any other matter that the Parties decide to submit by joint agreement to the decision of an expert under this Article, must notify same to the other Party. This notification must include a list of at least three (3) proposed experts. The other Party must reply to this notification within thirty (30) days following the date of receipt either by accepting one (1) of the experts proposed or by proposing at least three (3) other experts. In the latter case, the Party who has presented the initial notification shall have thirty (30) days to accept one (1) expert or reject all the experts proposed by the other Party. Non-notification shall constitute a rejection of the experts proposed.

25.2.2 If the Parties do not reach an agreement with regard to the selection of an expert within sixty (60) days following the date of the first notification under the above paragraph, any of the Parties may request the Centre of technical experts of the International Chamber of Commerce (CCI), whose head office is in Paris, to appoint an expert in accordance with its rules.

25.2.3 If the expert agreed to by the Parties or appointed in accordance with the above provisions refuses the Parties' request, dies or, for any other reason, is unable to act as an expert, the Parties must meet immediately in order to appoint an expert in replacement. If the Parties cannot reach an agreement within thirty (30) days following the date on which it has been established that the first expert could not act, any of the Parties may request the Centre of technical experts of the CCI to appoint another expert in accordance with its rules.

25.2.4 The Parties shall be required to cooperate with the expert inasmuch as possible and each Party must ensure the cooperation of its Affiliates. The Parties must ensure access to the data and information which the Parties or their Affiliates may provide and which, in the expert's opinion, may contribute to his decision. The Parties' representatives shall have the right to consult the expert and to provide him with written information but the expert can impose reasonable limits to this right. He shall be at liberty to assess to what extent any document and information submitted for his review is duly justified or pertinent.

25.2.5 All costs related to the selection and utilization of the expert shall be jointly and equally paid by the Parties.

25.2.6 Any decision rendered by the expert in accordance with this Article under a provision of the Contract which expressly provides for this procedure shall be final and enforceable for the Parties. No Party may submit the matter which was the subject of an expert decision to an arbitration procedure such as provided in this Contract. By joint decision of the Parties, the matters submitted to the decision of an expert may be subject to a final and definite decision through arbitration, if the Parties agree to accept it at the time a decision was made to submit the matter to an expert.

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ARTICLE XXVI

TERMINATION

26.1 In case of non-compliance by the Contractor with the provisions of this Contract, the Minister may terminate the Contract if the Contractor does not rectify same.

26.2 If the Minister deems that the Contractor has not complied with the provisions of the Contract and has thus given rise to a reason for termination, he must notify the Contractor in writing by formal notice so that the latter may rectify the situation within sixty (60) days following the receipt of the notice, if the situation can be rectified. If, within this period, the Contractor has not rectified the situation, the Minister may declare the Contract terminated and claim any damages deriving from said failure.

26.3 During the exploitation period, the Contractor may terminate the Contract, by written notification to the Minister at least sixty (60) days prior to the date of termination, provided that the Contractor has fulfilled all its contractual and tax obligations, as well as its obligations related to the corresponding annual Work Program.

26.4 The Contract shall be automatically terminated by the Minister through notice to the Contractor when the latter has committed a gross mistake, resulting from a deliberate negligence, has issued false declarations in writing when the Contractor should have known that they were false, has assigned any interest whatsoever to a third party without complying with the provisions relating to the assignment of rights or when it has been declared bankrupt by a competent court.

26.5 The Contract may be automatically terminated by the Minister through written notification to the Contractor in the following cases if within sixty (60) days following the date of receipt of a notification the Contractor has not taken the corrective measures:

- a) when the Contractor does not abide by the minimum work obligations;
- b) when it does not complete an evaluation or a work program;
- c) when it does not execute the provisions of an arbitration award or the decision of an expert.

26.6 If the Contract has been terminated in accordance with this Article, the Contractor shall have the right to withdraw and export all the goods used by it, for which the property title has not been transferred, in part or in full, provided it settles all its debts toward the Government. The Contractor shall lose any other right under the Contract. It shall not be released from any of the obligations contracted before the effective date of termination, whether they are the result of said termination or the object thereof.

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26.7 If the Contractor challenges any of the events mentioned in this Article or maintains that one of these events has occurred but it has rectified same, the Contractor may refer the matter to an arbitration procedure within thirty (30) days following the date of receipt of the termination notice from the Minister. The recourse shall not be suspensive of the termination.

26.8 Before leaving the Contract Area following termination, the Contractor must ensure that all wells are left in good condition in accordance with the Good Practices of the Oil Industry.

26.9 Termination of the Contract shall occur notwithstanding any other right which may have been established in favour of the Parties, under the Contract, before said termination.

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ARTICLE XXVII

BANK GUARANTEE

27.1 In order to ensure the good performance of the minimum work obligations provided in this Contract, the Contractor must submit within ninety (90) days following the Effective Date, an irrevocable bank guarantee in accordance with the sample in Appendix C for an amount that is sufficient to finalize the work obligations during the initial phase of the exploration period. Within forty-five (45) days before the beginning of each extension phases of the exploration period of the Contract, the Contractor must submit an irrevocable bank guarantee for an amount that is sufficient to finalize the work obligations for the phase considered.

Non-submission of the bank guarantee within the period required shall constitute a failure to the provisions of the Contract and shall lead de facto to its termination by the Minister in accordance with the provisions relating to termination.

27.2 The sum due in accordance with the bank guarantee mentioned above shall be progressively reduced as soon as the minimum work obligations for the year concerned have been finalized. For the purpose of this reduction, the Contractor may, at any time, submit for the Minister's approval a declaration establishing the level of performance of the work obligations. This approval shall take place within reasonable periods.

27.3 In order to render the above mentioned reduction effective, the Minister must notify its approval to the bank issuing the bank guarantee within a period of thirty (30) days from the date of receipt of the Contractor's request.

27.4 If the Contractor considers that the Minister's approval mentioned above has been unduly delayed or if the Minister deems that the Contractor has not satisfactorily executed a minimum work obligation according to the Good Practices of the Oil Industry, any of the Parties may submit the matter to the decision of an expert.

27.5 The guarantees to be submitted by the Contractor under this Article must be approved by the Minister. The Contractor shall forward to the Minister the original guarantees to enable him to review and keep them.

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ARTICLE XXVIII

NOTIFICATION

28.1 In order to be considered valid, any communication or notification relating to the Contract must be submitted on a working day or received by registered letter, cable, telex or fax to the addressees at the following addresses:

THE GOVERNMENT:

represented by

THE MINISTER OF MINES, ENERGY AND HYDRAULICS

04 Boite Postale: 1412

Cotonou (R publique du B nin)

Fax (229) 31.35.46 T lex: 5237 MINERH

THE CONTRACTOR

ADDAX PETROLEUM BENIN LIMITED

c/o Addax Management Services SA

9, rue du Valais

CH 1202 Gen ve Suisse

Fax: 00 41 22 741 50 20

and

ABACAN RESOURCE (BENIN) LTD.

c/o Abacan Resource Corp.

1750 - 800 5th Avenue SW

Calgary, Alberta T2P 3T6 Canada

Fax: 001 403 269 3944

28.2 The Parties shall have the right to change address for the purpose of notification and communication by notifying same in writing to the other Party at least five (5) days before the date of actual change.

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ARTICLE XXIX

APPLICABLE LEGISLATION, STABILIZATION

AND COMPENSATION

29.1 This Contract shall be governed and interpreted in accordance with the laws and regulations in force in the Republic of Benin.

29.2 If the laws or regulations of Benin in force on the date of signature and applicable for the execution or the interpretation of the Contract or to the economic rights of the Parties are amended so as to substantially modify the economic equilibrium existing between the Parties on the date of signature, the latter must meet to discuss any additional agreement which, by mutual agreement, would reestablish said equilibrium. Any additional agreement jointly adopted by the Parties must take into account the most probable technical and commercial parameters in case of future development of the Hydrocarbons. If the parties cannot agree on the parameters to be used for these calculations, or on the additional agreements which would reestablish the economic equilibrium existing on the date of signature, the dispute or disputes must be submitted to the decision of an expert.

If no appropriate rules exist concerning the dispute, the contract or related thereto in the Code or in the regulations in force in Benin, the customs and practices of the international oil industry and the principles of law applicable

in this regard in the oil countries shall be used.

29.3 The parties agree that the Government will assume the responsibility for the consequences of contractual commitments, legal and financial concerning third parties, as well as all suits and damages until the end of the Transitional Period. The Contractor will be held harmless from any operations and activities on Seme or Block 1 which took place before the end of the Transitional Period.

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ARTICLE XXX

INFRASTRUCTURE

30.1 The Government shall facilitate to the Contractor, for the performance of the Petroleum Operations, the use of any roads, storage tanks and other structures for storage and processing, piers and other loading and shipment structures, railway lines, pipelines and other transportation infrastructures existing in Benin and which are not exclusively used for other activities including other petroleum activities.

30.2 The Contractor shall pay passage rights and other reasonable dues for the use of such infrastructures in accordance with the regulations in force in Benin. The costs incurred within this framework shall be considered as Petroleum Costs and may be recovered by the Contractor but must not exceed those paid by the public in general or by other parties in the same situation as the Contractor.

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ARTICLE XXXI

GUARANTEE OF PARENT COMPANIES

31. The Contractor undertakes to produce on the Effective Date of the Contract a letter from the parent companies guaranteeing the performance of the ADDAX PETROLEUM-ABACAN Benin Consortium with regard to all the obligations described or mentioned in the Contract.

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ARTICLE XXXII

TRANSITIONAL PERIOD

The Transitional Period is a period for the transfer of powers between the Government and the Contractor.

The Parties agree that the Transitional Period is required to enable the accounting and technical audits, in particular, for the certification of the facilities.

This Transitional Period shall be for a maximum of three (3) months from the date of signature of the Contract.

During the Transitional Period, the following obligations shall be observed:

32.1 JOINT OBLIGATIONS

32.1.1 The Parties undertake to evaluate the assets of the Seme Oil Project (PPS) and to proceed if necessary with their distribution between the Government

and the Contractor, and to the sharing of responsibilities.

32.1.2 The Parties also undertake to discuss the geological, technical and financial position of the Seme Field in order to determine the economic conditions thereof, and their impact on the operations in Block 1.

32.2 GOVERNMENT OBLIGATIONS AND RIGHTS

32.2.1 The Government shall retain the full ownership of the facilities and is the owner of all the oil production.

32.2 After the Transitional Period, a percentage of the oil production shall be allocated to the Contractor to cover the Petroleum Costs incurred by it before the end of the transfer of powers in accordance with the contractual provisions relating to production sharing in Seme.

32.3 CONTRACTOR'S OBLIGATIONS

32.3.1 The Contractor undertakes, after carrying out the geological, geophysical, reservoir engineering and production technology studies to submit to the government an Action Program to produce the H6 and H6.5 reservoirs or other reservoirs in Block 1. This program may cover the reprocessing of seismic lines, the drilling of new wells as well as the well workovers, temporary or final shutdown.

32.3.2 The Contractor undertakes to submit to the Government a report on the condition of the facilities together with a program for their remediation and their management on their temporary or final shutdown. In the case of remediation he undertakes to make the investments to the Good Practices of the Oil Industry, and taking into account the future production of Seme and Block 1.

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ARTICLE XXXIII

FINAL PROVISIONS

33.1 If on one or several occasions, the Minister or the Contractor omits to invoke or to emphasize the execution of one of the provisions of the Contract, the latter must not be interpreted as a renunciation to the future application of the provision or of the right in question.

33.2 All matters which are not expressly provided for in this Contract shall be governed by the Code and other laws and regulations of the Republic of Benin.

33.3 If a provision of the Contract is declared null or non-invocable for any reason whatsoever, this does not imply that the Contract or any other of its provisions may be declared null or non-invocable, except if the Contract or these other provisions are affected by this nullity.

33.4 The Contract may not be amended without the unequivocal and written consent of the Parties, but the Minister may, however, extend the period during which the Contractor must fulfill any obligation under this Contract and each Party, or both Parties together, may freely exercise, implicitly or explicitly, any rights granted to them hereunder.

33.5 The purpose of the headings used in the Contract is to facilitate its reading and cannot be interpreted as having a special meaning.

33.6 Any reference to the singular shall include the plural and vice versa.

33.7 Any reference to the masculine gender shall include the feminine gender and vice versa.

33.8 The Contract shall constitute the full agreement of the Parties and shall replace any agreements and negotiation results conducted between the Parties before the date of signature.

33.9 Once the Contract has been signed by the Parties, it shall be published in the Official Gazette of the Republic of Benin and anywhere else required.

33.10 This Contract has been signed in two (2) originals.

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MADE IN COTONOU, THE 01/02 1997

FOR THE CONTRACTOR

FOR THE GOVERNMENT

OF THE REPUBLIC OF BENIN

MR. EMMANUEL GOLOU

MINISTER OF MINES, ENERGY AND HYDRAULICS

MR. MARC LORENCEAU

PRESIDENT OF ADDAX
PETROLEUM BENIN AND BY

ORDER

MR. JEAN CLAUDE GANDUR

PRESIDENT OF THE ADDAX
AND ORYX GROUP

MR. WADE CHERWAYCO

PRESIDENT OF ABACAN
RESOURCE LIMITED (BENIN)

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APPENDIX "A"

COORDINATE REGION CONTRACT

TOTAL AREA OF BLOCK 1: 551,3 Km2

1) EXPLOITATION PERMIT (62Km2)

1-B) 6 16' 28" North 2 43' 00" East
2-C) 6 16' 28" 2 39' 55"
3-D) 6 11' 43" 2 39' 55"
4-E) 6 11' 43" 2 43' 30"

2) EXPLORATION PERMIT (489,3 km2)

1-1)_ 6 22' 20" North 2 42' 30" East
2-F) 6 05' 00" 2 44' 12"
3-G) 6 05' 00" 2 34' 00"
4-H 6 21' 23" 2 34' 00"

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APPENDIX "B"

MAP OF BENIN

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APPENDIX "C"

FORM OF BANK GUARANTEE

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APPENDIX "D"

ACCOUNTING AND FINANCIAL PROCEDURES

The present Appendix is attached and is made part of the Contract of exploration and exploitation.

Dated

Between THE GOVERNMENT OF THE REPUBLIC OF BENIN

and THE SYNDICATE ADDAX PETROLEUM - ABACAN BENIN S.A.

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CHAPTER 6:	Production Report
CHAPTER 7:	Report on the value of the Production
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CHAPTER 9:	Statement of expense and receipts
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CHAPTER 11:	Yearly budget
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CHAPTER 1: GENERAL ARRANGEMENTS

The present Appendix has for a main objective, to establish rules and accounting procedures allowing the determination of investments, expenses, costs of exploitation and receipts of the Contractor.

1.1 DEFINITIONS

Terms used in the present Appendix have the same meaning as terms used in the Contract.

1.2 REPORTS THAT THE CONTRACTOR SHALL PRESENT:

a) Within the thirty (30) days that follow the Date of commencement of the Contract, the Contractor will submit for the Minister's approval the general lines of one project of accounting procedures, of operational registries. These procedures should be compliant to norms in Benin and compatible with those of the International Oil industry. Within the sixty (60) days following the receipt of the above documents, the Minister will either have to approve or ask for their revision. Within ninety (90) days after the Minister's approval, the Contractor, on the basis of the recommendations that are made will revise the manuals and the accounting procedures which will be in force during the length of the Contract.

b) The reports relating to the Oil Operations that the Contractor should regularly produce are those that are stipulated in the Contract, In the present Appendix and those that might make the object of an agreement subsequently between Parties or that could be required by the Beninese legislation.

1.3 ACCOUNTING SYSTEM

The Oil operations accounting system is prepared by the Contractor according to the terms of the Contract and of the National Accounting Plan. The whole cost (CCE) method of Capitalization will be used.

1.4 LANGUAGES AND UNITS OF AMOUNT TO BE USED:

a) Amounts will be held in the local currency of Benin. Metric units and Barrels will be measures concerned by the present Appendix. The language of use will be French.

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b) Rules of accounting and financial procedures are directed so that neither the Minister nor the Contractor undergo exchange gains or losses at the expense of either Party. However, if an exchange gain or a loss is produced, it would be credited or debited to accounts foreseen by this Contract.

i) Receipts and expenses in Francs CFA or in American dollars will be converted on the basis of the average between the exchange rate for the sale and the exchange rate for the purchase of currencies in question, as published the last day of the previous month by the specialized magazines of the BCEAO or of the IMF.

ii) If an increase or reduction - isolated or cumulative -, of ten percent (10%) or more occurs in the exchange rate between the CFA Francs and American Dollars, during the course of any one month, the exchange rate to use would be the following:

(1) For the period from the first day of the month until the day when such increase or reduction occurs for the first time, the average of the official exchange rate for the purchase and the sale between the American Dollar and the CFA franc as published the last day of the previous month;

(2) For the period going from the day when this increase or reduction occurs for the first time until the end of the Month, the mean of the official exchange rate for the purchase and the sale between the American Dollar and the CFA Franc published the day when such an increase or reduction would take place.

1.5 PAYMENTS

a) All payments between Parties, except if stated otherwise, will be made according to the Contract and by the intermediary of a bank that will be designated by each of the Parties.

b) All the moneys due by one of the Parties, in virtue of the Contract, during any one Month, will be subjected at the time of the payment, for every day of the Month following their deadline, to a daily compound interest corresponding to the rate of the Contract + 1

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CHAPTER 2: COST AND EXPENDITURES

All expenses concerning the Oil Operations will be classified, and distributed as follows:

2.1 Costs of exploration including all direct costs and indirect charges for the oil exploration in the Contract Area, before obtaining the exploration Permit, notably:

a) The geophysical studies, geochemical, paleontological, geological, topographic and seismic studies and their respective interpretations.

b) The drilling and the coring of Exploration Wells and Appraisal Wells under the condition that these are not transformed into Development wells.

c) The manpower, and the material used for the drilling of Exploration Wells mentioned below including services there pertaining.

d) Facilities used exclusively for this goal including access roads.

e) The service costs relative to operations as described in the Section 2.4 of the present Chapter and agreed upon between the Minister and the Contractor.

f) The administrative and general expenses relative to Exploration Operations as described in the Section 2.5 of this Chapter, and agreed upon between the Minister and the Contractor.

g) All other contractual costs engaged before the beginning of the commercial production and that would not have been foreign in Section 2.2.

2.2 Investments for Production development including all expenses during the Operations of Development and Production, notably:

a) The drilling of Production Wells from a reservoir already discovered, whether these wells are dry or in production.

b) The completion of wells for the purpose of production.

c) The intangible costs of drilling such as the manpower, the consumables, and the services relative to the drilling and the deepening of wells for the purpose of production.

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d) Costs of development facilities such as pipelines, flexables, units of production and treatment, wellhead and bottom hole equipment of wells, systems for improved recovery, drilling platforms, facilities for the storage of hydrocarbons, terminals and jetties for exportation, harbors and their equipments and access roads for production activities.

e) Studies of engineering and design of installations for the field.

f) The service costs relative to Production Operations, described in Section 2.4 of this Chapter and as agreed upon between the Minister and the Contractor.

g) The administrative and general expenses relative to the operations described in Section 2.5 of the present Chapter and as agreed upon between the Minister and the Contractor.

h) All other Developmental expenses incurred before the beginning of the commercial production.

2.3 Operating costs including the expenses undertaken for the functioning of the Field, after the beginning of commercial production. These include notably:

Costs of electric energy supplies to power the Wells.

Expenses of upkeep and repair of machines, equipments and facilities.

Costs of treatment, transport and storage of the Raw Oil or of the Gas.

Costs of the production -- production control laboratory.

Cost of transportation on the ground, by sea and by air of personal and equipment.

Costs related to safety, to the security and the surveillance.

Costs of Well reconditioning.

Costs of insurance and certification

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2.4 Costs of services representing the direct, or indirect expenses of support services to the Oil Operations notably warehouses, jetties, ships, vehicles, rolling motorized transports, aerial transports, safety stations and fire stations, shops, water and sewers facilities, electric plants, lodgings, recreational and communal facilities as well as the furniture, tools and facilities used for these activities. Costs for one Calendar Year will include the totality of the costs committed in the said year for the rental, purchase and/or the building of such facilities as well as the committed yearly costs for their operation and upkeep. The totality of service costs will be distributed regularly, as stipulated above.

2.5 Administrative and general expenses abroad including:

a) all administrative and general expenses of the head office and offices including personnel costs.

b) expenses of services provided by the head office outside of Benin.

The totality of administrative and general expenses, distributed as stipulated above, will be defined every month of the Calendar Year by a Oil Cost percentage accumulated during said Calendar Year according to the following

scale:

of 0 to 10,000,000 of dollars	-	3%
subsequent 10,000,000 dollars	-	2%
in excess of 20,000,000 dollars	-	1%

CHAPTER 3: METHOD OF RECUPERATION OF THE CONTRACTOR COSTS

By virtue of the arrangements of the Contract, the Contractor shall take to his account all costs and expenses concerning the Oil Operations. They will be recoverable by the Contractor according to arrangements following:

3.1 Recoverable costs without approval of the Minister to operations previously programmed by the Contractor and approved by the Minister according to arrangements of the Contract.

They include: costs of exploration, costs of development, operating costs, costs of services and the general administrative expenses described respectively in sections 2.1; 2.2; 2.3; 2.4 and 2.5 hereinabove.

a) WITH REGARD TO PERSONNEL

The costs of the Contractor's employees affected to Benin and directly employed in conducting Oil Operations of temporary ' or permanent nature are taken in consideration under the following conditions:

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- (i) the total cost of salaries and wages.
- (ii) the reasonable costs incurred by the Contractor for sickness leave, disability benefits, living and lodging allowances, travel, bonuses and other generally applicable benefits to the salaries and wages as direct costs in the framework of the present Appendix, as well as the proportional costs relating to the benefits in employee favor such as, among others, life insurance and sickness-insurance, union, hospitalization, retirement, bonus and other similar benefits.
- (iii) expenses or contributions made regarding charges imposed by a public organism in favor of said employees.
- (iv) expenses for the transportation of employees, of equipment, of materials and of the necessary elements for the realization of the Oil Operations.
- (v) costs incurred by the Contractor for the relocation of employees to or from the Region of the Contract or in its neighborhood, whether they are affected in a permanent or temporary manner to the Oil operations.

When an employee is affected to other activities, other than that of the Oil Operations, costs of relocation must be imputed according to solid and generally accepted accounting principles .

The costs of relocation of employees and their family, the move of the personal effects and of the domestic articles of employees and their family and all other expenses according to practices of the oil industry.

Costs of relocation from the Region of the Contract or its neighborhood, toward another foreign place are not recoverable unless the foreign site is the usual place of residence of the employees.

b) WITH REGARD TO OFFICES, EQUIPMENTS AND VARIOUS FACILITIES:

- i) Costs caused by the utilization of offices, dependences, camps, storage depot, lodgings and other facilities of the Contractor in Benin and serving directly to the Oil Operations. If these facilities serve to other operations than the Oil Operations, and that it is not possible to define expenses as direct expenses tied to the Oil operations for which the service has been given, costs must be imputed to facilities to which the service has been given, in a systematic and reasonable manner.

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- ii) Costs caused by the acquisition, the rental, the installation, the exploitation, the repair and the maintenance of systems of communications, including the radio and VHF facilities used directly for operations.
- c) WITH REGARD TO PROVISION OF SERVICES
- i) Costs and expenses incurred regarding Consultants used for technical services and those of all other nature directly bound to the Oil operations including, among others, laboratory analyses, the industrial drawings, the geophysical and geological interpretations, the engineering and the processing of data, obtained from external sources.
 - ii) The costs invoiced for services provided by Affiliated companies must be competitive with services of the same quality provided by third parties.
- d) WITH REGARD TO THE MATERIAL AND EQUIPMENTS OF THE CONTRACTOR

For the assessment of the material and equipment provided by the Contractor from its own inventory or one of its Affiliated members, the values -"All," B" or "C" must be taken in consideration, according to the case, being understood that any value exceeding the just price of the market in Benin is not recognized:

- Material and new Equipments (Category "A")

The material and the new equipments are valued at the price of the corresponding commercial invoice increased by the supplementary costs of import, if the case arises, and of the other costs generally admitted by accounting techniques and practices.

- Material and used equipments (Category "B" and "C") . Are considered in the "B" category the material and facilities that are not new but that can be used without having to be refurbished; this material and these facilities are valued to seventy-five percent (75%) of the price of the new material and equipments.

Are considered in the "C" category facilities and the material which can be used for their initial function after an appropriate refurbishing. These equipments and materials are valued at fifty percent (50%) of the price of new equipments and materials.

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1-2)_ With regard to the acquisition of goods and equipments

- i) The cost of acquisition of goods and equipments from third parties must include expenses of custom agents, of transport, of loading and unloading and procedures of purchase, export or import duties and expenses caused by obtaining licenses as well as losses of equipments and goods in transit if these are not covered by an insurance. The accumulation of excess stocks must be reduced to the minimum, taking

into account the localization of sources of provisioning and the necessary time for the delivery of goods and equipments from distant locations.

- ii) All material bought by the Contractor in the conducting of Oil Operations will be inspected by the Government diligence before their use according to the regulations in force.
- iii) The Contractor not guaranteeing the material beyond the guarantee of the supplier or the manufacturer, any sums received by the Contractor from the suppliers, manufacturers or of their representatives in compensation for deficient materials or equipments will be written to the credit of the Contractor under the terms of the Contract and will be deducted from recoverable costs.

f) WITH REGARD TO INSURANCE COSTS

This means costs incurred by the Contractor or by an Affiliated Company to subscribe to an insurance policy in the framework of the, Operations and this on a competitive basis.

g) WITH REGARD TO TRAINING COSTS

This means expenses incurred by the Contractor for the training of its employees and for all other necessary training according to the Contract.

h) RENTAL COSTS ACCORDING TO ARTICLE 4 OF THE CONTRACT

3.2 RECOVERABLE COSTS UNDER RESERVE OF THE MINISTER'S APPROVAL

These are:

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a) Research and development costs for new equipment, materials and techniques intended for exploration, development and the production of Oil which are not included in the work program approved by the Minister.

b) Of costs and expenses not mentioned in the present Appendix and that are incurred during the Petroleum Operations .

c) Of interest charges incurred on loans received by the Contractor for the financing of the Petroleum Operations. All interest rates conform to the international financial market and agreed upon by both Parties are recoverable.

d) Rents, Charges and other taxes:

Rents, excluding the residences of the Contractor, taxes, contributions, duties, subscriptions and all other taxes and charges levied by the State concerning the Petroleum Operations and paid directly or indirectly by the Contractor, according to the clauses of the Contract.

e) Of costs and losses incurred as a consequence of events that are not foreseen by insurance as defined in the Contract, except in the case where costs and losses would be the exclusive result of a mistake or an act of gross carelessness by the Contractor or an Affiliated Company or one of its subcontractors.

f) Of legal costs and expenses relative to the Petroleum Operations.

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3.3 NON RECOVERABLE COSTS

These are:

a) Fines, supplements and adjustments for delay in the payment of duties or taxes prevailing in the country or adjustments for incorrect payment of these taxes provided that such a delay or incorrect payment is attributable to the Contractor.

b) Of import duties of goods and equipment not proving necessary to the Petroleum Operations, and for housing of non necessary personnel.

c) Of all costs and expenses incurred before the starting date of the Contract.

d) Of expenses pertaining to interests on credit for receivable.

e) Expenses made due to non fulfillment of the Contract obligations.

f) Of expenses pertaining to Petroleum Operations which are badly executed as a result of a major technical error by the Contractor or any of its subcontractors.

g) Of costs and expenses of all banking guarantee tied to the Contract.

h) Of grants in general.

i) Of advertisement expenses.

j) The costs of inventory taking in case of the Contractor rights transfer according to the Contract.

k) The commercialization costs of the Crude or its transport beyond the Delivery point.

l) The costs of appraisals and arbitrations described in the Contract.

m) Of the additional sum of 300% tied to Operations in Sole risks.

n) Of Commissions paid by the Contractor to intermediaries.

o) Of costs and expenses without accounting receipts.

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p) Of costs and expenses of goods or services exceeding the price of similar goods or services in the area of West Africa at the moment of their acquisition if circumstances didn't justify such costs and expense surplus.

CHAPTER 4: INVENTORIES AND ASSESSMENT OF ASSETS

4.1 The Contractor must hold the licences of real estate possessions and other assets used in the Petroleum Operations according to the normal accounting practices of the country and the International Oil industry.

4.2 At reasonable intervals, but at least once per year pertaining to mobile assets and at least every three (3) years for the case of real estate assets, the Contractor will make an inventory of the goods concerned by the Contract. At least thirty (30) days in advance, the Contractor will communicate in writing to the Minister its intention to make the said inventory; the Minister will be represented during the realization of this inventory. The Contractor will clearly express the principles used for the valuation of stocks.

4.3 The Minister can ask the Contractor for information on its assets at any time he judges necessary.

CHAPTER 5: REPORT OF ACTIVITIES DURING THE EXPLORATION PERIOD

5.1 During the exploration period, the Contractor will prepare for every trimester, a report of activities which includes:

the list with a detailed description of activities achieved during the aforesaid trimester. This report will be based on plans, maps, cross sections and all other data indicating the level of completion of the work being performed. the costs relative to the different activities mentioned above.

5.2 The activity report will be submitted to the Minister for approval within a time limit of thirty (30) days after the end of the trimester considered.

CHAPTER 6: PRODUCTION REPORT

6.1 Once the commercial production begins in the Contract Area, the Contractor shall prepare for every Trimester a production report for each exploitation zone which will include the following data;

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- a) The quantity of Crude oil produced and stored during the Trimester.
- b) The quantity of Crude Oil used for Petroleum Operations during the Trimester.
- c) The quantity of Crude Available at the end of the Trimester concerned .
- d) Parameters and performances of the reservoir; recordings of the logs and well tests and their interpretations; analyses of the fluids produced.

6.2 The production report for every Trimester will be submitted to the Minister for approval within the thirty (30) days following the end of the Trimester considered.

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CHAPTER 7: REPORT ON THE VALUE OF THE PRODUCTION

7.1 The Contractor shall prepare a report on the precise determination of the market value of the Crude produced and stored after losses relative to the Petroleum Operations during each Trimester. This report will contain the following data:

- a) The quantities sold and prices received by the Contractor as a result of its sales of Crude to third parties during the Trimester considered.
- b) Information obtained by the Contractor concerning the prices of Crude produced by the main producers and exporting countries including contract prices, discounts and bonuses, as well as the prices received on the spot markets.

7.2 The report on the value of the production, will be presented to the Minister for approval within the thirty (30) days following the Trimester.

CHAPTER 8: RECOVERABLE COSTS REPORT

8.1 The Contractor should prepare, for every Quarter, a report concerning the recoverable costs, a report which will contain the following information,:

- a) The recoverable Petroleum Costs, carried over if necessary, from the previous Quarter.

b) The recoverable Petroleum Costs of the Quarter considered.

c) The total amount of the recoverable Petroleum Costs for the Quarter considered described in the paragraphs above.

d) The quantity and the total value of the Crude Oil calculated by the Contractor for the Cost Oil during the Quarter.

e) The Petroleum Costs recovered during the Quarter considered .

f) The cumulative amount of Petroleum Costs recovered until the end of the Quarter considered.

g) The amount of recoverable Petroleum Costs which must be reported to the next Quarter.

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8.2 The report of the recoverable costs for each Quarter will be submitted to the Minister for approval within thirty (30) days following the end of each Quarter.

8.3 In spite of the obligation that it has to keep accounts in Francs CFA, the Contractor will keep a separate account in US Dollars for the determination of the Cost Oil.

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CHAPTER 9: STATEMENTS OF EXPENSES AND REVENUES

9.1 The Contractor should prepare for every Quarter, a statement of expenses and revenues made in the framework of the Contract. This statement will make the distinction between Exploration Costs, investment expenses, development and exploitation expenses, and Operating Costs, and it will identify the main categories of expenses corresponding to these. It will show notably:

a) Real expenses and revenues for the Quarter considered.

b) Cumulative expenses and revenues for the budget of the year considered.

c) The latest forecast of cumulative expenses till the end of the year.

d) Discrepancies between the estimated budget and realizations and their explanation.

9.2 The statement of expenses and revenues for every Quarter will be submitted to the Minister for approval within thirty (30) days following the end of the Quarter considered.

CHAPTER 10: YEARLY REPORT

The Contractor should prepare a yearly report that will be the synthesis of informations relating to the production, to costs recovery of costs, to revenues and expenses. Said report will be based on the real volumes of Oil produced and of the incurred expenses. From this report, any necessary adjustment will be done to payments made to the Parties according to the Contract. The yearly report for each Civil Year will be submitted to the Minister for approval within sixty (60) days after the end of said Year.

CHAPTER 11: YEARLY BUDGET

11.1 The Contractor shall prepare a yearly Budget that will make the distinction between Exploration Costs, Development and Exploitation Investment and Operating Costs to outline the following:

a) Forecast of expenses and revenues for the budgetary year according to the Contract.

b) Cumulative expenses and revenues to the end of said budgetary Year.

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c) Program showing the most important categories of expenses of development and exploitation investment for said budgetary Year.

d) For a budgetary item and provided that he respects the General program of the approved tasks, the Contractor is allowed to commit overrun expenses to the limit of ten percent (10%) of said item and said expenses must be justified. If this limit is exceeded, the Contractor will take all necessary arrangements to inform the Minister and to justify all overrun of expenses within thirty (30) days following its execution.

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11.2 The yearly Budget will be presented to the Minister within a time limit of ninety (90) days before the beginning of the year considered except for the first Year of the Contract where the aforesaid Budget will be submitted within a time limit of thirty (30) days after the Date of Commencement of the Contract.

CHAPTER 12: FORECASTS AND LONGTERM PLANS

The Contractor should prepare and should submit to the Minister the two (2) following long term plans:

12.1 PROGRAM OF EXPLORATION

During phases of Exploration, the Contractor will prepare a Program of Exploration for every phase starting from the Commencement Date of the Contract, program that will contain the following information:

a) Evaluations of Exploration Costs showing expenses for each of the Years of the program.

b) Seismic operation details for each Year.

c) Details of drilling activities programmed for each Year.

d) Details of the utilization and requirements for infrastructure for each Year.

The program of exploration will be reviewed each Year. The Contractor will prepare and will submit to the Minister, the first program of exploration within the sixty (60) days following the Commencement Date of the Contract. It will do thus each Year, within a time limit of forty-five (45) days, before the end of the Civil Year.

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12.2 DEVELOPMENT FORECASTS

The Contractor shall prepare triennial Development forecasts beginning the first day of January after the date of the first program of assessment has been approved by the Minister. The Contractor will prepare and will submit to the Minister development forecasts reviewed at least forty-five (45) days before each civil Year, as long as required by the Contract or by common agreement between Parties.

12.3 CHANGES IN PROGRAMS AND FORECASTS

The Minister and the Contractor agree that details of the Exploration Program and Forecasts of Development may require changes due to changing circumstances and results acquired. In this spirit, a revision of said programs and forecasts may be done annually.

CHAPTER 13: PROCEDURES FOR ACCOUNTING & FINANCIAL REVISIONS

The terms of accounting and financial procedures may be amended by agreement of both Parties. Amendments will be made in writing and will specify the date to which they will come into effect.

CHAPTER 14 DISAGREEMENT WITH THE CONTRACT

In the case of a difference between terms of the present Appendix and those of the Contract, those of the Contract will prevail.

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Appendix "E" Abandonment Procedure

The following procedure of dismantling of the offshore facilities indicates the steps to be implemented for the removal of the steel structures in water depths from 85 to 150 feet (26m to 46m).

I. MOBILIZATION

- -----

1. Obtain all approvals and authorizations pertaining to the abandonment of the facilities, and dump the structures into a deep water site.
2. Plug and abandon each well. Cut the guide tubular of each well 15 feet under the mud line.
3. Evacuate all hydrocarbons out of the tanks and reservoirs, and clean up with water all surface pipes, evacuation flowlines and pipelines.

II. DISMANTLING

- -----

1. Unhook and remove the mobile equipments and facilities.
2. Cut the feet and displace the bridge of the structure.
3. Cut the feet under the mudline and displace the jacket of the structure.
4. Drive back the jacket to an approved water depth.

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Exhibit 10.24

BETWEEN:

ADDAX PETROLEUM BENIN LIMITED

OF THE FIRST PART

- and -

ABACAN RESOURCES (BENIN) LTD.

OF THE SECOND PART

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made as of this 31st day of July, 1997.

B E T W E E N:

ADDAX PETROLEUM BENIN LIMITED, a company organized and existing under the laws of the Isle of Man and having its registered office at Victory House, Prospect Hill, Douglas, Isle of Man (hereinafter referred to as the "Vendor")

OF THE FIRST PART

- and -

ABACAN RESOURCES (BENIN) LTD., a company organized and existing under the laws of the Bahamas and having its registered office at Suite 303, Anbacher House, East Sheet North, Nassau, Bahamas (hereinafter referred to as the "Purchaser")

OF THE SECOND PART

WHEREAS the Ministry of Energy of the Republic of Benin under a Letter of Intent dated 8th March, 1996 expressed its intention to entrust the Vendor with the redevelopment and exploitation of Seme Offshore and Onshore as well as the exploration Block 1 (outside Seme) ("Block 1") subject to finalising the negotiations of the Production Sharing Contract (the "Block 1 Contract") and the Interministerial Commission on behalf of the Republic of Benin and the Vendor have agreed on certain terms ("Terms") for the Contract, as detailed in the Annex to the above Letter of Intent, also dated March 8, 1996;

AND WHEREAS, one prerequisite of the Terms requires the Vendor to produce to the Government of the Republic of Benin ("Government") a contractual partnership relating to the Vendor's position as contractor under the contract;

AND WHEREAS, the Government has accepted the Purchaser as partner of the Vendor in its role as Co-contractor;

AND WHEREAS, on 1st February, 1997, the Vendor and the Purchaser have jointly entered into the Block 1 Contract with the Government providing for the exploitation and exploration of Block 1;

AND WHEREAS, on February 1, 1997 the Vendor and the Purchaser have jointly entered into a second Production Sharing Contract (the "Block 4 Contract") with the Government providing for the exploitation and exploration of Block 4;

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AND WHEREAS the Purchaser and the Vendor constitute the "Contractor" under both the Block 1 Contract and the Block 4 Contract and the Contractor is defined in both these contracts as the "Consortium Addax Petroleum-Abacan Benin";

AND WHEREAS pursuant to a Purchase Agreement dated April 23, 1997 (the "Purchase Agreement"), the Vendor and the Purchaser agreed, inter alia, that the Purchaser would acquire from the Vendor an additional 35% interest in the Contracts, that the Purchaser would pay 100% of certain of the costs payable by the Vendor and the Purchaser under the Contracts, and that the Purchaser would act as operator under the Contracts, but the parties have not completed such purchase;

AND WHEREAS the Vendor and the Purchaser had previously determined that they will jointly conduct the activities that may be carried on within the Republic of Benin through Addax Petroleum Benin S.A. ("Addax S.A.") a company registered under the laws of the Republic of Benin;

AND WHEREAS the Vendor desires to sell all of its remaining interest in Block 1 and Block 4, and under the Block 1 Contract and Block 4 Contract to the Purchaser, and the Purchaser desires to purchase all of such interest from the Vendor;

AND WHEREAS the Vendor desires to sell and convey all of the Shares of Addax S.A. to the Purchaser, and the Purchaser wishes to purchase such Shares, upon the terms and conditions herein set forth;

NOW THEREFORE in consideration of the premises and of the covenants, warranties, representations, agreements and payments herein set forth and provided for, the parties hereto covenant and agree as follows:

ARTICLE I
INTERPRETATION

1.1 DEFINITIONS

In this Agreement (including the recitals hereto, this clause and each

appendix):

(a) "ASSETS" means the 50% interest owned by the Vendor in Block 1 and Block

4 and its 50% interest in and to all property, assets and rights in the
Contracts, being all of the Vendor's right, title and interest in and to Block
1, Block 4 and the Contracts;

(b) "BANK" means Cr dit Suisse. CH 1211 Geneva 70, Account number:

0251/529981/102/50 Reference: "Jacques Python/Benin";
-

(c) "BLOCK 1" means Block 1 and Seme located in the territorial waters of

the Republic of Benin, as more particularly described in the Block 1 Contract;

(d) "BLOCK 1 CONTRACT" means "Le Contrat pour l'Exploration et

l'Exploitation P troli res Block Offshore No. 1 et Seme" dated February 1, 1997
between the Government and the Parties, a true copy of which is annexed hereto
as Appendix "A" and an English language translation of which is annexed hereto
as Appendix "B";

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(e) "BLOCK 4" means Block 4 located in the territorial waters of the

Republic of Benin, as more particularly described in the Block 4 Contract;

(f) "BLOCK 4 CONTRACT" means "Le Contrat pour l'Exploration et

l'Exploitation P troli res Block Offshore Profond No. 4" dated February 1, 1997
between the Government and the Parties, a true copy of which is annexed hereto
as Appendix "C" and an English language translation of which is annexed hereto
as Appendix "D";

(g) "CFAF" means franc de la communaut francaise en Afrique;

(h) "CONSENT" means the written consent of the Government to the purchase

and sale contemplated in this Agreement, such consent to be in a form and on
terms satisfactory to both the Vendor and the Purchaser;

(i) "CONTRACT AREAS" means collectively the Contract Areas defined and

identified as such in each of the Contracts;

(j) "CONTRACTS" means collectively the Block 1 Contract and the Block 4

Contract;

(k) "CLOSING" means the transfer of the Assets by the Vendor to the

Purchaser and the payment by the Purchaser to the Vendor of the purchase
consideration therefor, and the completion of all matters incidental thereto;

(l) "CLOSING DATE" means the date on which Closing is to occur pursuant to

clause 5.2;

(m) "EFFECTIVE TIME" means the time at which the Closing is complete;

(n) "PARTY" or "PARTIES" means a party or the parties to this Agreement and their respective successors and assigns;

(o) "PLACE OF CLOSING" means the offices of Maître Nicolas de Gottrau, Geneva, located at 9 rue Massot, Switzerland, Telephone: 41 22 1346 4645, Fax: 41 22 1346 85 76;

(p) "PURCHASE PRICE" shall have the meaning ascribed thereto in clause 2.2;

(q) "SHARES" means all of the issued and outstanding shares in the share capital of Addax S.A., which consists of as at the date hereof 2,500 shares in the share capital of Addax S.A.;

(r) "TIME OF CLOSING" means the time on the Closing Date at which the Closing occurs; and

(s) "VENDOR'S SOLICITOR" means the law firm of Maître de Gottrau, Geneva, 9 rue Massot, Switzerland, acting on behalf of Maître Jaques Python

1.2 INCORPORATION OF APPENDICES

Appended hereto are the following appendices:

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- A - Block 1 Contract
- B - Block 1 Contract - English Version
- C - Block 4 Contract
- D - Block 4 Contract - English Version
- E - Trust Letter

All appendices hereto are incorporated into and form part of this Agreement by this reference as fully as though contained in the body of this Agreement. References to "the Agreement" or "this Agreement" in an appendix means this Purchase and Sale Agreement.

1.3 APPENDIX REFERENCES

Wherever any provision of any appendix to this Agreement conflicts with any provision of the body of this Agreement, the provisions of the body of this Agreement shall prevail.

1.4 HEADINGS

The headings of clauses and subclauses herein and in the appendices are inserted for convenience of reference only and shall not affect or be considered to affect the construction of the provisions hereof.

1.5 PERSONS

In this Agreement references to persons include corporations, companies, partnerships, trustees, trusts, unincorporated associations, individuals and other entities of a similar nature and references to the masculine gender include the feminine and neuter genders.

2.1 SALE

The Vendor agrees to sell, assign and transfer the Assets and the Shares to the Purchaser, and the Purchaser agrees to purchase the Assets and Shares from the Vendor, in accordance with and subject to the terms and conditions set forth in this Agreement.

2.2 PRICE

The purchase price (herein called the "Purchase Price") to be paid by the Purchaser to the Vendor for the Assets and the Shares is an aggregate One Million Three Hundred Seventy Five Thousand U.S. Dollars (\$1,375,000 U.S.). Subject to Clause 2.3, the Purchase Price shall be paid at Closing by banker's draft.

2.3 DEPOSIT

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(a) Deposit At the time of execution and delivery of this Agreement, the

Purchaser shall pay an amount of Four Hundred Thousand U.S. Dollars (\$400,000 U.S.) (which amount is hereinafter called the "Deposit") to the Vendor's Solicitor, to be held by the Vendor's Solicitor in an interest-bearing deposit in trust for the Vendor and the Purchaser to be applied in accordance with the terms of this clause 2.3.

(b) At Closing If Closing occurs, the Deposit together with all interest

earned thereon shall be deemed to be paid over to the Vendor in partial satisfaction of the Purchaser's obligation to pay the Purchase Price, at Closing.

(c) Forfeiture If Closing does not occur solely or primarily because the

Purchaser has wrongfully terminated this Agreement, or has wrongfully repudiated or failed to perform one or more of its obligations hereunder, the Vendor shall be entitled to the Deposit and all interest earned thereon on the Closing Date. The Deposit and such interest shall thereupon be forfeited to the Vendor as liquidated damages, and constitute a genuine pre-estimate by the Vendor and the Purchaser of liquidated damages suffered or to be suffered by the Vendor by virtue of the failure of the Purchaser to close and complete the transaction contemplated herein in accordance with the terms of this Agreement.

(d) Return of Deposit If Closing does not occur solely or primarily for any

reason or circumstance including the termination of this Agreement pursuant to subclause 5.2(b)(i) or (ii) other than one described in subclause (c) and, without restricting the generality of the foregoing, if closing does not occur because the Government does not provide the consent as contemplated in this Agreement, the Purchaser shall be entitled to the return of the Deposit and all interest earned thereon, and the Vendor shall on the Closing Date pay the Deposit and such interest back to the Purchaser.

(e) Dispute If the Vendor's Solicitor is notified by the Purchaser, or

otherwise becomes aware or determines, that there is a dispute between the Vendor and the Purchaser as to entitlement to all or part of the Deposit and the interest earned thereon, the Vendor shall, unless the Vendor and the Purchaser otherwise agree in writing prior to the Closing Date, pay the Deposit and interest thereon (or that portion thereof as to which there is a dispute as to entitlement) into the High Court of Justice in London, England.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

3.1 VENDOR'S REPRESENTATIONS AND WARRANTIES

The Vendor hereby represents, warrants and covenants to and with the Purchaser that:

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(a) Corporate Standing of the Vendor The Vendor is a company duly organized and validly subsisting under the laws of the Isle of Man and is duly qualified to do business as a corporation under the laws of Benin;

(b) Requisite Authority of the Vendor (i) the Vendor has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and (ii) the execution and delivery of this Agreement and the consummation of the transaction contemplated herein by the Vendor have been duly authorized by all necessary corporate action on the part of the Vendor;

(c) No Conflicts The execution and delivery of this Agreement and the consummation of the transaction contemplated herein by the Vendor will not violate nor be in conflict with, or constitute a material default under, any material provision of any agreement or instrument to which the Vendor is a party or is bound, or, so far as it is aware, any judgment, decree, order, law, statute, rule, licence, regulation, ordinance or any other law applicable to the Vendor;

(d) Execution of Documents (i) this Agreement has been duly executed and delivered by the Vendor and all other documents executed and delivered by the Vendor pursuant hereto shall have been duly executed and delivered by the Vendor and (ii) this Agreement does and such documents will, constitute legal, valid and binding obligations of the Vendor enforceable in accordance with their respective terms;

(e) No Default under Laws The Purchaser has not received any notice of and so far as it is aware is not in, default or violation of any order, rule, regulation, writ, injunction or decree of any court or governmental authority or any statute to the extent that any such default or violation would materially and adversely affect the operation or ownership of any of the Assets;

(f) Title to Assets (i) the Vendor has not done any act or thing whereby any of the Assets have been or will be sold or otherwise alienated and (ii) the Assets are or will at Closing be free and clear of all liens, charges, encumbrances, royalties, burdens, production payments, profits interests and adverse claims whatsoever created by, through or under the Vendor;

(g) Quiet Enjoyment Subject to the rents, covenants, conditions and stipulations in the Contracts and all other agreements pertaining to the Assets, and on the Vendor's part thereunder to be paid, performed and observed, if Closing occurs (i) the Purchaser may continue to hold and enjoy the Assets, for the residue of their respective terms and all renewals or extensions thereof, for the Purchaser's own use and benefit without any interruption of or by the Vendor or any other person whomsoever claiming or to claim by, through or under the Vendor and (ii) the Vendor binds itself to warrant and defend all and

singular the Assets, against all persons whomsoever claiming or to claim the same or any part thereof or any interest therein by, through or under the Vendor;

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(h) Judgments, Lawsuits or Claims There are no material judgments

unsatisfied against the Vendor or any material consent decrees or injunctions to which the Vendor is subject and there are no material proceedings, actions or lawsuits in existence, or so far as the Vendor is aware, threatened or asserted, against the Vendor with respect to any of the Assets;

(i) Shares (i) the Vendor has or will have at the Time of Closing good,

marketable, beneficial and recorded title to the Shares purported to be owned by the Vendor, and such Shares are free of all mortgages, charges, liens, pledges, claims, security interests and agreements and other encumbrances of whatsoever nature and no person, firm or corporation has any agreement or option or right capable of becoming an agreement or option for the purchase from the Vendor of any of the Shares except as provided herein, and the Vendor has good right, full power and absolute authority to sell and assign its Shares to the Purchaser for the purpose and in the manner as provided in this Agreement. Such Shares are not subject to any shareholder, pooling, escrow or similar agreements; (ii) no consents of, filings with or approval or any governmental or regulatory body authority is required by the Vendor for its sale and transfer of its Shares to the Purchaser, except as contemplated herein; and (iii) the Vendor is not obligated to obtain the written consent of any person to the transaction contemplated by this Agreement other than from those persons from whom consent has, or prior to the Time of Closing, will be obtained.

(j) Due Incorporation and Capitalization of Addax S.A. (i) Addax S.A. has

been duly registered with the "Tribunal de Commerce" of Cotonou, on September 20, 1996 and is in good standing with respect to the filing of all returns and notices required thereby; (ii) as of the date hereof the authorized and issued share capital of Addax S.A. consists of 2,500 shares each with a value of 10,000 CFAF. The total paid in share value amounts to 25,000,000 CFAF; (iii) as at the date hereof and at the Time of Closing there are not and will not be, any outstanding subscriptions, options, rights, warrants or other agreements or commitments obligating Addax S.A. to sell or issue any additional shares or securities of any class of Addax S.A. or any securities convertible into any shares of any class of Addax S.A.; (iv) Addax S.A. has not authorized delivery of or delivered any application for amendment to its charter documents as at the date hereof.

(k) Subsidiaries and Securities Addax S.A. has no subsidiary corporations

and owns no shares or securities of any other entity, and there are no agreements of any nature to acquire any subsidiary or business or to acquire howsoever any other business.

(l) Dividends Addax S.A. has not authorized the payment or declaration of

any distribution on or in respect of any of its shares or securities by way of dividend, redemption, purchase, return of capital or otherwise.

(m) Business Addax S.A. has not carried on any business or operations of

any kind, and has no assets or liabilities, and will not have any assets or liabilities at the Time of Closing.

(n) Remuneration of Officers, Etc. No payments have been made or authorized

by Addax S.A. to its officers, directors, shareholders or employees, or former officers, directors, shareholders or employees, or to any person or company not dealing at arm's length with it.

(o) Capital Expenditures No capital expenditures have been made or

authorized by Addax S.A

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(p) Employees, Officers, Directors, Managers, Consultants The Vendor

guarantees that all employees, officers and directors of Addax S.A. will resign at the Closing.

3.2 PURCHASER'S REPRESENTATIONS AND WARRANTIES

The Purchaser hereby represents, warrants and covenants to and with the Vendor that:

(a) Corporate Standing The Purchaser is a corporation duly organized and

validly subsisting under the laws of the Bahamas and is duly qualified to do business as a corporation under the laws of Benin;

(b) Requisite Authority (i) the Purchaser has all requisite power and

authority to enter into this Agreement and to perform its obligations hereunder and (ii) the execution and delivery of this Agreement and the consummation of the transaction contemplated herein by the Purchaser have been duly authorized by all necessary corporate action on the part of the Purchaser;

(c) No Conflicts The execution and delivery of this Agreement and the

consummation of the transaction contemplated herein by the Purchaser will not violate nor be in conflict with, or constitute a material default under any material provisions of any agreement or instrument to which the Purchaser is a party or is bound, or, so far as it is aware, any judgment, decree, order, law, statute, rule, license, regulation, ordinance or any other law applicable to the Purchaser;

(d) Execution of Documents (i) this Agreement has been duly executed and

delivered by the Purchaser and all other documents executed and delivered by the Purchaser pursuant hereto shall have been duly executed and delivered by the Purchaser and (ii) this Agreement does, and such documents will, constitute legal, valid and binding obligations of the Purchaser enforceable in accordance with their respective terms; and

(e) No Default under Laws The Vendor has not received any notice of and so

far as it is aware is not in, default or violation of any order, rule, regulation, writ, injunction or decree of any court or governmental authority or any statute to the extent that any such default or violation would materially and adversely affect the operation or ownership of any of the Assets.

3.3 NO MERGER

The covenants, representations, warranties and indemnities set forth in this Agreement shall be deemed to apply to all assignments, conveyances, transfers and documents conveying the Assets from the Vendor to the Purchaser. There shall not be any merger of any covenant, representation or warranty in such assignments, transfers or documents notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

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Notwithstanding anything to the contrary herein expressed or implied, it is acknowledged that the covenants, representations and warranties set forth in clause 3.1 and 3.2 are relied upon by the Purchaser and the Vendor respectively as being true on the date hereof and on the Closing Date and shall be deemed to have been repeated at the Closing as being true in all material respects on the Closing Date. Notwithstanding the Closing and deliveries of covenants, representations and warranties in any other agreements or certificates at Closing or prior or subsequent thereto or investigations by the parties hereto or their counsel, the representations and warranties set forth in clauses 3.1 and 3.2 shall survive Closing for the benefit of the parties hereto for a period which shall end two (2) years after the Closing Date. All other covenants, representations and warranties set forth herein shall survive Closing for the benefit of the parties hereto for the longest period permitted by law.

3.5 CLAIMS

If after Closing a party becomes aware of any facts which give rise to a claim under any of the provisions of this Agreement, it shall forthwith notify the other party hereto in writing of such facts and the provisions under which the particular claim may arise. No claim may be made or legal proceedings commenced in respect of a particular claim under clause 3.1 or 3.2 by a party hereto thereunder unless such a notice in respect of the particular claim has been given by the party advancing or who may advance the particular claim within the said two (2) year period and legal proceedings shall not be commenced in respect of a claim prior to the expiry of 30 days after the party against whom the claim is made has received written notice as aforesaid, unless before the expiry of the said 30 day period, the said two (2) year period will expire.

ARTICLE IV CLOSING CONDITIONS

4.1 VENDOR'S CONDITIONS

The obligation of the Vendor to sell the Assets to the Purchaser is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

(a) Representations True All representations and warranties of the

Purchaser contained in this Agreement shall be true in all material respects at and as of the Closing Date and the Purchaser shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by the Purchaser at or prior to the Closing Date;

(b) Payment The Purchaser shall have tendered in the form stipulated herein

the total amount payable at Closing by the Purchaser to the Vendor; and

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(c) Consents All consents, waivers, permissions and approvals required in

connection with the sale and purchase contemplated herein shall have been obtained, including the Government Consent.

The conditions of this clause 4.1 shall be for the benefit of the Vendor and may, without prejudice to any of its rights hereunder, be waived by the Vendor in writing, in whole or in part, at any time. In case any of the said

conditions shall not be complied with, or waived by the Vendor, at or before the Closing Date, the Vendor may rescind or terminate this Agreement by written notice to the Purchaser.

4.2 PURCHASER'S CONDITIONS

The obligation of the Purchaser to purchase the Assets from the Vendor is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

(a) Representations True All representations and warranties of the Vendor

contained in this Agreement shall be true in all material respects at and as of the Closing Date and the Vendor shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by the Vendor at or prior to the Closing Date; and

(b) Government Consent The Government shall have provided the Consent to

the purchase and sale in the manner contemplated in this Agreement, by August 31, 1997, or at the election of the Purchaser September 30, 1997.

The conditions of this clause 4.2 shall be for the benefit of the Purchaser and may, without prejudice to any of its rights hereunder, be waived by the Purchaser in writing, in whole or in part, at any time. In case any of the said conditions shall not be complied with, or waived by the Purchaser at or before the Closing Date, the Purchaser may rescind or terminate this Agreement by written notice to the Vendor.

ARTICLE V CLOSING

5.1 PRE-CLOSING

At 9:00 a.m. (local Geneva time) on the last business day prior to the Closing Date, the Vendor and the Purchaser shall meet at the Place of Closing and shall execute and place in escrow with the Vendor's solicitors all of the documents referred to in clause 5.4 and all other documents required hereunder to be delivered at Closing other than any payments required hereunder. The aforementioned documents shall be withdrawn from escrow at Closing for delivery to the parties in accordance with this Agreement. The Vendor shall not be required to execute at Closing any document of a type described in clause 5.4 unless a draft of the particular document in final form has been delivered to it not later than two business days prior to the Closing Date.

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5.2 CLOSING

(a) Closing shall occur at the Place of Closing at 6:00 p.m. (local Geneva time) on the later of: (i) August 31, 1997; or (ii) the day that is the tenth business day after both the Vendor and the Purchaser have been advised that the Government has granted its Consent to the transaction contemplated by this Agreement; or

(b) If the Consent is not received by August 31, 1997, then the Purchaser shall either: (i) terminate this Agreement, in which case the Deposit and interest shall be refunded to the Purchaser without set-off or deduction as provided for in subclause 2.3(d); or (ii) extend the term of this Agreement for an additional 30 days. If the Purchaser extends the term of this Agreement for an additional thirty (30) days but the Consent is not received by September 30, 1997, then after September 30, 1997 the Purchaser may terminate this Agreement, in which case the Deposit and interest shall be refunded to the Purchaser

without set-off or deduction as provided for in subclause 2.3(d).

5.3 COVENANTS

Each of the parties hereto covenants and agrees with the other party hereto to use all reasonable efforts until Closing to take or refrain from taking all actions with the intent that the closing conditions set forth in Article IV herein shall be satisfied, the representations and warranties herein made by it shall be true and correct and all covenants and agreements herein made by it shall have been performed.

5.4 CONVEYANCES

At Closing, the Vendor shall deliver to the Purchaser, and the Purchaser shall deliver to the Vendor, all transfers, assignments and novation agreements, conveyances and bills of sale with respect to the Assets and Shares as may be reasonably required by the Vendor or the Purchaser for the purpose of giving effect to this Agreement. It will not be necessary for any such documents to have been executed prior to or to be executed at Closing by any parties thereto other than the Vendor and the Purchaser. The Vendor shall co-operate with the Purchaser to enable the Purchaser to secure execution of all such documents by such other parties after Closing. If Closing occurs, the Purchaser shall thereupon be liable for and shall perform as they become due all obligations in respect of the Assets arising, occurring or relating to any period after the Effective Time including without limitation the payments of all royalties under the Contracts and the performance of all obligations under all operating agreements relating to the Assets, notwithstanding that parties other than the Vendor and the Purchaser may not have executed documents referred to in this clause 5.4.

5.5 POSSESSION, ETC.

Possession of and title to the Assets and Shares will pass at Closing.

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5.6 DATA AND RECEIPTS

At the Closing the Vendor shall deliver to the Purchaser all data, interpretations and records which the Vendor has acquired upon Operator's consent and/or for and on behalf of the joint account under the Block 1 Contract and Block 4 Contract.

The parties acknowledge that, pursuant to the Block 1 Contract and the Block 4 Contract, the Government of Benin is the owner of certain data. In the event that the Government of Benin shall require delivery of any data to which it is entitled under the Block 1 and Block 4 Contract, the Vendor shall deliver such data either to the Government or to the Purchaser to hold as custodian pursuant to the terms of the Block 1 Contract and Block 4 Contract.

5.7 CHANGE OF CORPORATE NAME

Upon closing of the purchase and sale of the Shares, the Purchase shall cause the name of Addax S.A. to be renamed to Abacan Petroleum Operations (Benin) S.A. and obtain a new registered seat in Cotonou, Benin, such changes to occur as soon as reasonably possible following the Closing.

ARTICLE VI GENERAL

6.1 REMEDIES

If a party hereto improperly fails to perform any of its obligations hereunder, the other party shall be entitled to all remedies available to it

under this Agreement, at law, in equity or otherwise, expressly including without limitation specific performance. The exercise by a party hereto of any particular remedies shall not preclude the party from seeking, exercising or invoking any other remedy available to it. The aforementioned remedies are cumulative, and not mutually exclusive or dependent upon each other.

6.2 FURTHER ASSURANCES

At Closing and thereafter as may be necessary or desirable, and without further consideration, the parties hereto shall execute, acknowledge and deliver such other instruments and shall take such other action as may be necessary to carry out their respective obligations under this Agreement.

6.3 CONSTRUCTION

The Agreement herein shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with English law. Each party hereto accepts the jurisdiction of the High Court of Justice in London and all courts of appeal therefrom without reference to arbitration.

6.4 TIME

Time shall be of the essence in this Agreement.

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6.5 NOTICES

The address for notice of each of the parties hereto shall be as follows:

(a) by mail or delivery:

Vendor: Addax Petroleum Benin Limited
9, rue du Valais
CH 1202, Geneve, Switzerland
Attention: President

Purchaser: Abacan Resources (Benin) Limited
7th Floor, Folawiyo Plaza
38 Warehouse Road
Apapa, Lagos, Nigeria
Attention: President

(b) by telephone or telecopier:

Purchaser: Telephone: 234 1545 0283
Fax: 234 1545 0301

Vendor: Telephone: 44 22 741 5010
Fax: 44 22 741 5020

Either of the parties hereto may from time to time change its address for notice herein by giving written notice to the other party hereto. Any notice may be served by delivery to a party hereto or by mailing the same by prepaid post in a properly addressed envelope addressed to the party hereto at its address for notice hereunder or by telecopier to the telecopier number for notice hereunder. Any notice given by delivery to a party hereto shall be deemed to be given and received on the date of such delivery. Any notice given by mail shall be deemed to be given and received on the sixth day (except Saturdays, Sundays, statutory holidays and days upon which postal service in England is interrupted) after the mailing thereof. Any notice given by telecopier shall be deemed to be given and

received on the day that it is sent.

6.6 PRIOR AGREEMENTS AND AMENDMENTS

Upon Closing being completed, this Agreement shall supersede and replace any and all prior agreements between the parties hereto relating to the sale and purchase of the Assets or any portion and may be amended only by written instrument signed by the parties hereto. For greater certainty, this Agreement shall not terminate the rights of the Parties under the Purchase Agreement dated April 23, 1997 such that if this Agreement does not close the Parties will be returned to the same positions they were in as of the date prior to the execution of this Agreement. If this Agreement is completed, the Purchaser shall not be under any obligation to make the payment required to be made under the April 23, 1997 Purchase Agreement, as it is acknowledged that the 35% interest that is the subject of that Purchase Agreement is a part of the 50% interest being acquired pursuant to this Agreement.

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6.7 ENTIRE AGREEMENT

This Agreement (including all appendices hereto) states and comprises the entire agreement between the parties hereto. There is no representation, warranty or collateral agreement relating to the sale and purchase of the Assets except as expressly set forth herein.

6.8 ENUREMENT

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors, receivers, receiver-managers, trustees and permitted assigns.

6.9 ASSIGNMENT

Neither party hereto may assign this Agreement or any of its rights or obligations hereunder without first obtaining the consent of the other party hereto.

6.10 COUNTERPART EXECUTION

This Agreement may be executed and delivered in counterparts and, if so executed and delivered, the execution and delivery of a counterpart by each of the parties hereto shall constitute execution and delivery of this Agreement.

6.11 SEVERABILITY

If any provision of this Agreement or the application thereof to any person or in any circumstances shall be held to be invalid, the remaining provisions of this Agreement, and the application of the particular provision to persons and in circumstances other than those as to which it had been held to be invalid, shall not be affected by the invalidity.

6.12 WAIVER

The failure of any party to insist upon strict performance of a provision of this Agreement, irrespective of the length of time for which the failure continues, shall not constitute a waiver of the party's right to demand strict compliance thereafter. No consent or waiver, express or implied, to or of any breach or default in the performance of any provision of this Agreement shall constitute a consent or waiver to or of any other breach or default.

6.13 AMENDMENT

No amendment to this Agreement shall be valid unless it is in writing and

signed by the parties hereto.

6.14 CURRENCY

All amounts of money referred to herein and all payments hereunder shall be in United States dollars.

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6.15 PUBLIC ANNOUNCEMENTS

The parties shall cooperate with each other in relaying information concerning this Agreement and the transaction herein contemplated and shall furnish to and discuss with the other party drafts of all press and other releases prior to publication; and in particular, without limiting the generality of the foregoing, the Purchaser shall not without the express written consent of the Vendor reveal in any such release the identity of the Vendor or the value of the transaction herein contemplated. Nothing contained in this clause shall prevent a party at any time from furnishing any information to any governmental agency or regulatory authority or to the public if required to do so by any applicable law or regulation.

IN WITNESS WHEREOF the seals of the parties hereto have been affixed and this Agreement has been delivered by their duly authorized officers on the date first above written.

ADDAX PETROLEUM BENIN LIMITED

Per: /s/ Peter J. Fleimish

PETER J. FLEIMISH, GENERAL MANAGER

ABACAN RESOURCES (BENIN) LTD.

Per: /s/ Wade Cherwayko

WADE G. CHERWAYKO - PRESIDENT

Per: /s/ Tunde Folawiyo

TUNDE FOLAWIYO - VICE-PRESIDENT

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APPENDIX A
BLOCK 1 CONTRACT

French Text - Not required to be filed

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APPENDIX B
BLOCK 1 CONTRACT
(ENGLISH VERSION)

This document has been filed as Exhibit 10.23 to the Form 10-KSB dated effective

March 1, 1999.

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APPENDIX C
BLOCK 4 CONTRACT

French Version - Not required to be filed.

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APPENDIX D
BLOCK 4 CONTRACT
(ENGLISH VERSION)

This document has been filed as Exhibit 10.22 to the Form 10-KSB dated effective March 1, 1999.

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APPENDIX E
TRUST LETTER

July, 1997

ON BEHALF OF MA TRE JACQUES PYTHON:
MA TRE NICOLAS DE GOTTRAU
9 RUE MASSOT
GENEVA,
SWITZERLAND

Dear Sirs:

The undersigned, Abacan Resources (Benin) Ltd. (herein referred to as the "Purchaser"), and Addax Petroleum Benin Limited (herein referred to as the "Vendor"), are parties to a certain Purchase and Sale Agreement, dated July, 1997 between the Purchaser and the Vendor (herein referred to as the "Agreement") a true copy of which is attached hereto as Schedule "A". In connection with the Closing of the transactions contemplated in the Agreement the Purchaser has placed on deposit with you the sum of \$400,000.00 (U.S.) (herein referred to as the "Funds"), in trust, with interest to follow principal, pursuant to the terms hereof and thereafter to be held in trust by you as follows:

- a) If the Closing occurs \$400,000.00 (U.S.) together with all interest earned thereon shall be released to the Vendor at the Closing; or
- b) If the Closing does not occur \$400,000.00 (U.S.) together with all interest earned thereon shall be released to the Purchaser on September 1, 1997, or October 1, 1997 if the Purchaser has elected to extend the Closing pursuant to Clause 5.2 (b) of the Agreement.

7. Unless you have been advised otherwise in writing jointly by both parties, you shall be at liberty and hereby directed to release the Funds in accordance with the provisions hereof and the parties hereto agree to such release thereof. You shall be entitled to release the Funds only on the joint instructions made either by fax, letter or by courier and signed by the President of the Purchaser, Mr. Wade Cherwayko and the President of the Vendor, Mr. Marc Lorenceau jointly.

8. You shall have no duties or obligations other than those specifically set forth herein.

9. You shall not be obligated to take any legal action hereunder which might, in your judgment, involve any expense or liability unless you shall have been furnished with reasonable retainer or indemnity in respect thereof by the undersigned, or any one thereof.

10. You are not bound in any way by any other contract or agreement between the parties hereto whether or not you have knowledge thereof or of its terms and conditions and your only duty, liability and responsibility shall be to hold and deal with the Funds as herein directed.

11. You shall be entitled to assume that any instruction, notice and evidence received by you pursuant to these instructions from either of the undersigned has been duly executed by the party by whom it purports to have been signed and you shall not be obligated to inquire into the sufficiency or authority of any signatures appearing on such notice or evidence.

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12. The undersigned jointly and severally covenant and agree to indemnify you and to hold you harmless against loss, liability or expense incurred without negligence or bad faith on your part arising out of or in connection with the administration of your duties hereunder, including the costs and expenses of defending you against any claim or liability arising therefrom.

13. In the event of any disagreement between any of the parties to these instructions or between them or any of them and any other person, resulting in adverse claims or demands being made in connection with the Funds, or in the event that you, in good faith, are in doubt as to what action you should take hereunder, you may, at your option, refuse to comply with any claims or demands on you, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists, and in any such event, you shall not be or become liable in any way or to any person for your failure or refusal to act, and you shall be entitled to continue so to refrain from acting until (i) the rights of all parties shall have been finally adjudicated by the High Court of Justice in London and all courts of appeal therefrom or (ii) all differences shall have been adjusted and all doubt resolved by agreement among all of the interested parties, and you shall have been notified thereof in writing signed by all such parties. Your rights under this paragraph are cumulative of all other rights which you may have by law or otherwise.

14. For the purpose of these instructions, the addresses of the undersigned are as set out in the Agreement.

15. The terms of these instructions are irrevocable by the undersigned unless revocation is consented to in writing by all of the undersigned.

16. The terms herein shall be binding upon you and your successors in the practise of law and upon the undersigned and the respective successors and assigns to the undersigned.

17. Unless otherwise set forth herein to the contrary, all terms as used herein shall have the same meaning as ascribed to them in the Agreement.

18. You shall be entitled, upon notice to the undersigned, to assign your rights and obligations under this agreement to a member of the Law Society of Switzerland residing in and practising law in the city of Geneva, provided that such assignment shall not be effective unless and until such assignee has agreed in writing to assume such obligations.

19. Any dispute out of or in connection with this trust letter between the Vendor's Solicitor on one side and the Purchaser and the Vendor on the other side should be construed and interpreted under the law of Switzerland, Canton

Geneva, and shall be settled under the jurisdiction of the Court of Geneva, Switzerland.

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Please confirm the arrangement herein provided by signing below.

Yours very truly,

ABACAN RESOURCES (BENIN) LTD.

Per:/s/ Wade Cherwayko

ADDAX PETROLEUM BENIN LIMITED

Per:/s/ Peter Fleimish

The undersigned agrees to hold and deal with the Funds in accordance with the above instructions.

Dated at the City of Geneva, Switzerland, as of the day of July, 1997.

ON BEHALF OF MA TRE JACQUES PYTHON:
MA TRE NICOLAS DE GOTTRAU

Per:/s/ Nicholas de Gottrau

[AUTHORIZED SIGNATURE]

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Exhibit 10.25

CONVEYANCE AGREEMENT

THIS AGREEMENT made the 30th day of September, 1997.

BETWEEN:

ADDAX PETROLEUM BENIN LIMITED, a company organized and existing under the laws of the Isle of Man and having its registered

office at Victory House, Prospect Hill, Douglas Isle of Man
(hereinafter referred to as the "Vendor")

OF THE FIRST PART

- and -

ABACAN RESOURCES (BENIN) LTD., a company organized and existing under the laws of the Bahamas and having its registered office at Suite 303, Anbacher House, East Street North, Nassau, Bahamas (hereinafter referred to as the "Purchaser")

OF THE SECOND PART

WHEREAS the Assignor is a party to those agreements (collectively called the "Agreements") described in Schedule A hereto;

AND WHEREAS by virtue of the Agreements, the Assignor holds an interest in Concession Block 1 and Concession Block 4, both being located in the Republic of Benin.

AND WHEREAS the Assignor wishes to convey and assign all of its right, title, interest and estate in and to the Agreements to the Assignee;

NOW THEREFORE in consideration of the premises hereto and the mutual covenants and agreements herein set forth, the parties hereto mutually covenant and agree as follows:

1. The Assignor hereby assigns, transfers, sets over and conveys to the Assignee all of its right, title, interest and estate in and to the Agreements, TO HAVE AND TO HOLD the same unto the Assignee for the Assignee's sole and exclusive use and benefit absolutely.

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2. The Assignee hereby accepts the within conveyance and assignment and covenants and agrees with the Assignor that it shall be bound by, observe and perform the covenants, duties and obligations contained in the Agreements to be observed and performed by the Assignor, to the extent that such covenants, duties and obligations relate to a period, or arise, as the case may be, on or after September 1, 1997 (the "Effective Date"), it being the intent and purpose of the parties hereto that the Assignee shall hold all of the rights and interests conferred in the Agreements from and after the Effective Date, for its exclusive use and benefit absolutely.

3. The Assignor covenants and agrees with the Assignee that it shall and will, from time to time and at all times hereafter, at the request of the Assignee, execute such further documents and assurances and do all such further acts as may be reasonably required for the purpose of confirming and giving effect to the transfer of all interests and rights of the Assignor to the Assignee under and pursuant to the Agreements.

4. Nothing herein contained shall be construed as a release of the Assignor from any obligation or liability under the said Agreement which obligation or liability had accrued prior to the Effective Date.

5. This Agreement may be executed in as many counterparts as are necessary and, when a counterpart has been executed by each party, all counterparts together shall constitute this Agreement.

6. This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed and delivered this Agreement as of the day and year first above written.

ADDAX PETROLEUM BENIN LIMITED

Per: /s/ Marc Lorenceau

ABACAN RESOURCES (BENIN) LTD.

Per: /s/ Wade Cherwayko

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SCHEDULE A attached to and forming part of an ASSIGNMENT AND NOVATION AGREEMENT made the 30th day of September, 1997, between Addax Petroleum Benin Limited, as Assignor, and Abacan Resources (Benin) Ltd., as Assignee.

AGREEMENTS

1. "Le Contrat pour l'Exploration et l'Exploitation Petrolieres - Block Offshore No. 1 et Seme" dated February 1, 1997.

2. "Le Contrat pour l'Exploration et l'Exploitation Petrolieres - Block Offshore Profond No. 4" dated February 1, 1997.

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Exhibit 10.26

THIS AGREEMENT made effective as of the 18th day of July, 1996.

BETWEEN:

LIBERTY TECHNICAL SERVICES LTD., a body corporate, incorporated under the laws of the Commonwealth of Bahamas, with an office in Lagos, Nigeria (hereinafter called the "Corporation")

-and-

TEXADA HOLDINGS LTD., of Nassau, Bahamas (hereinafter called the "Consultant");

CONSULTING SERVICES AGREEMENT

RECITALS:

A. The Corporation is principally engaged in the business of exploration and development of oil and gas properties located principally in Nigeria, Africa;

B. The Corporation is desirous of engaging the consulting services and expertise of the Consultant on the terms, conditions and for the consideration as hereinafter set forth; and

C. The parties desire to enter into this Agreement to set forth the terms pursuant to which the Consulting Services will be provided to the Corporation and the respective rights and obligations of the parties hereto.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto mutually covenant and agree as follows:

ARTICLE 1
CONTRACT FOR SERVICES

1.01 Subject to the prior termination of this Agreement as hereinafter provided, the Corporation hereby agrees to contract for and retain the services of the Consultant (hereafter the "Consulting Services") which Consulting Services are to be provided in accordance with the terms and provisions hereof.

1.02 The Consultant covenants and agrees with the Corporation that it shall, for the duration of this Agreement provide an individual having satisfactory professional qualifications and working credentials (the "Named Representative") to perform the Consulting Services. Where the context so requires, any reference to the performance of the Consulting Services shall imply that the Name Representative shall perform such services on the Consultant's behalf. The Consultant appoints Thomas Horricks as the Named Representative under this agreement. The Consultant may not change the Named Representative without the express consent of the Corporation. The Corporation shall not be responsible or liable for the payment of any compensation (except as specifically set out herein) to the Named Representative.

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1.03 The Consultant shall be responsible for and shall have such authority as is consistent with the position of Drilling Manager of the Corporation, subject to the power, direction and control of the board of directors of the Corporation (the "Board") or the Operating Committee of the Corporation (the "Operating Committee").

1.04 Notwithstanding Article 1.03 hereof, the Consulting Services shall include the services set forth below, and which Consulting Services shall be provided on the basis of the following terms and conditions:

- (a) the Consultant shall control, supervise, manage and direct the operations of the Corporation, as they relate to the planning, drilling, testing and completion of oil and gas wells. The duties of the Consultant shall include the following:
 - (1) assist in all well planning and implementation activities being performed by the Corporation;
 - (2) manage, oversee and where applicable, co-ordinate and control well construction and related services being provided in respect of wells to be drilled by or on behalf of the Corporation;

- (3) preparation of all well AFE's including the tracking of such AFE's during drilling, testing and completion operations;
 - (4) subject to the prior approval of the Operating Committee, procurement of equipment and services as reasonably required for the drilling and testing of wells;
 - (5) management, supervision and reporting to Operating Committee of day to day operations respecting the drilling and testing of each well;
 - (6) collection and archiving of all data and other information obtained from each well during drilling and testing operations;
 - (7) provision of regular drilling and other related reports to the Operating Committee on a daily basis during drilling and testing operations or at such other times as may be requested by the Operating Committee;
 - (8) liaise and provide assistance to other employees/consultants of the Corporation as required or directed by the Operating Committee.
- (b) in addition to the duties set forth above, the Consultant shall assume, obey, implement and execute such duties, directions, responsibilities, procedures, policies and lawful orders as may be determined or given by the Board or Operating Committee from time to time and report results of same as may from time to time be determined by the Board or Operating Committee;

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- (c) the Consultant shall faithfully, honestly and diligently serve the Corporation and cooperate with the Corporation and utilize maximum professional skill and care to ensure that all services rendered hereunder are to the satisfaction of the Corporation, acting reasonably, and to provide any other services not specifically mentioned herein, which are in the best interests of the Corporation are maintained;
- (d) the Named Representative's title shall be Drilling Manager;
- (e) the Consultant will, subject to the prior approval of the Board or Operating Committee, arrange for the Named Representative to join in or participate with organizations, clubs, associations or groups that may provide good business contacts and learning facilities for the benefit of the Corporation.

1.05 The Consultant agrees that the Named Representative will be required to devote the whole of his time, attention and best efforts to further the business and interests of the Corporation during the period of this Agreement to the exclusion of any and all other employment. Nothing herein shall prohibit the Consultant or the Named Representative from being a shareholder in any corporation whose common shares are traded publicly on a stock exchange. The Named Representative shall not be entitled to be a director for any other company without the prior consent of the Corporation.

1.06 The Consultant acknowledges and agrees that the Consulting Services are of such a nature that regular business hours may be impossible. The Consultant understands that it and the Named Representative may be required to provide the Consulting Services in excess of eight (8) hours per day or five days (5) per week, and on evenings, weekends and holidays. The Consultant agrees that the consideration herein set forth shall be in full and complete satisfaction for the Consulting Services to be provided hereunder, no matter when and how

performed and the Consultant releases the Corporation from any additional obligation for pay or other compensation, whatsoever which it might have by reason of any existing or future legislation or otherwise.

1.07 The Consulting Services shall be carried out and performed in Calgary, Alberta or such other places as may be mutually agreed upon between the Consultant and the Corporation.

ARTICLE 2
TERM OF CONTRACT

2.01 Subject to prior termination pursuant to the terms contained in Article 9 hereof, the term of this Agreement respecting the provision of the Consulting Services shall be for a period of three years commencing September 1, 1996 (the "Commencement Date") to and including August 31, 1999 (the "Expiry Date"). The first 90 days following the Commencement Date of this Agreement shall be the "Probation Term" during which time the Consultant shall be subject to the termination provisions contained in Article 9.01(a) hereof and such other terms and conditions set forth throughout this Agreement.

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2.02 This Agreement may be renewed from time to time for a further one (1) year term or such other term as the parties may agree, upon the written consent of both parties hereto.

ARTICLE 3
COMPENSATION AND EXPENSES INCURRED BY CONSULTANT

3.01 The Corporation shall pay the following fees (the "Consulting Fees") to the Consultant in respect of the provision of the Consulting Services:

- (a) the sum of United States dollars Ten Thousand Eight Hundred and Thirty Four (U.S.\$10,834) dollars per month (being U.S.\$130,000 per annum) from the Commencement date until the Expiry Date of this Agreement or until this Agreement is terminated in accordance with Article 9.01 herein.

The Consulting Fees shall be payable on the last day of each month during the term hereof.

3.02 In addition to the Consulting Fees, the Consultant or, at its discretion, the Named Representative shall receive 155,000 incentive stock options (the "Stock Options") to purchase common shares of Abacan Resource Corporation ("Abacan"), being the parent company of the Corporation. The Stock Options are to be issued pursuant to and in accordance with the terms of the incentive stock option plan of Abacan Resource Corporation (the "Plan") at an exercise price of Cdn.\$5.35 per common share, exercisable on or before five (5) years from the date hereof. The issuance and exercise price of the Stock Options shall at all times be subject to the terms of the Plan and applicable regulatory and stock exchange approval. The Corporation may change the number or price of the Stock Options issuable herein in accordance with the requirements of the applicable regulatory authority or stock exchange, and any such changes shall hereafter be binding upon the Consultant without additional consideration. Provided that this Agreement has not been previously terminated by the Corporation in accordance with the terms hereof, the Stock Options granted hereby shall vest to the Consultant or the Named Representative as follows:

- (a) 55,000 Stock Options on December 1, 1996;
- (b) 50,000 Stock Options on August 31, 1998;

(c) 50,000 Stock Options on August 31, 1999.

The Stock Options will be issued in accordance with the usual form of stock option agreement currently in use by Abacan with such changes as counsel for Abacan may advise in order to reflect the terms contained herein. The Corporation acknowledges that in the event of termination of this agreement pursuant to Article 9.01(d) (death of the Named Representative), all unvested stock options shall immediately vest to the Consultant or the Named Representative (as the case may be) on the date of termination.

3.03 In addition to the compensation set forth in Articles 3.01 and 3.02 herein, the Corporation shall pay the Consultant a premium of U.S.\$300 per day for each day the Named Representative is outside the continental United States and Canada for business purposes. The premium does not apply to days ("Travel Days") where the Named Representative is en-route by air to the business destination where the Named Representative elects to travel to the business destination in business class or equivalent. The premium will be payable in respect of Travel Days if the Named Representative elects to fly economy class or its equivalent.

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3.04 In addition to the other compensation set forth herein, the Corporation shall pay the Consultant a one-time Pension Compensation Payment of U.S. \$30,000 on September 1, 1996, in lieu of the Name Representative's loss of pension plan from his previous employer. The Consultant shall be responsible for and promptly pay any foreign and domestic taxes that may become payable in respect of the Pension Compensation Payment.

3.05 In addition to the compensation set forth herein, the Corporation shall pay for and on behalf of the Consultant the following costs and expenses:

- (a) corporate vehicle required for business purposes;
- (b) one half of the costs of a term life insurance policy for the Named Representative in the amount of U.S.\$500,000, with a double indemnity provision in the event of accidental death. The Consultant is to arrange for the aforesaid life insurance policy, the terms of which are to be pre-cleared by the Corporation.

3.06 The Consultant shall be responsible for and shall pay any and all domestic or foreign income or related taxes that may become payable by virtue of receiving compensation for the provision of the Consulting Services.

3.07 The Consultant and the Named Representative are authorized to incur reasonable expenses in or about the provision of the Consulting Services hereunder, including living expenses of the Named Representative while absent from his city of employment, travel and meeting expenses. Subject to approval, the Corporation shall reimburse the Consultant for all such business expenses, provided the Consultant or the Named Representative presents to the Corporation the following:

- (a) A monthly expense report in a form acceptable to the Corporation completed by the Consultant at the end of each calendar month:
 - (i) stating the amount of the expenditure;
 - (ii) the time, place, and designation of the type of entertainment and travel or other expense incurred by the Consultant;
 - (iii) the business reason for the expenditure and to the extent possible, the nature of the business benefit derived or expected to be derived as a result of the expenditure;

(iv) the names, occupations, addresses, and other information concerning each person who was entertained, sufficient to establish a business relationship to the Corporation.

(b) Documentary evidence to be appended to the monthly expense report, such as a receipt or a paid bill, that states sufficient information to establish the amount, date, place, and the essential character of the expenditure, for each expenditure.

3.08 The Named Representative shall be expected to travel on the Corporation's behalf as required from time to time. Such travel shall be made in accordance with the Corporation's domestic and international travel policies. The Corporation acknowledges that all international travel will be business class or equivalent and when not available, economy class or its equivalent.

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3.09 In the event the Named Representative is assigned overseas, the Corporation will reimburse the Consultant for reasonable in-transit expenses for the Named Representative and his dependants, such as meals, limousine and taxi fares, tips, en-route accommodation, etc. for the initial assignment overseas, transfer between foreign assignments and return to the Named Representative's home of record. Included in the in-transit expenses will be an allowance of one hundred (100) pounds weight for "unaccompanied air baggage" for the initial assignment overseas, transfer between foreign assignments and return to the Consultant's home of record. The Consultant shall provide an expenditure report to the Corporation in respect of such expenses.

3.10 The Named Representative may be issued a corporate credit card of the Corporation (the "credit card"). The Consultant confirms that the credit card is supplied to be used exclusively to cover costs of business travel, accommodation and meals incurred by the Named Representative while on business for the Corporation outside of the city or location of his current assignment. All expenditures incurred on the credit card shall be submitted to the Corporation along with an expense report prepared by the Consultant or Named Representative setting forth:

- (a) the date and place of expenditure;
- (b) the business reason for the trip abroad, including details of work done while outside city or location of his current assignment;
- (c) the names of persons entertained while outside his city or location of current assignment.

The Consultant agrees that the Named Representative will surrender the corporate credit card to the Corporation immediately upon request and in any event, at the Expiry Date of this Agreement.

ARTICLE 4
REVIEW OF COMPENSATION

4.01 Subject to renewal as herein provided, the remuneration payable pursuant to Article 3.01 hereof may be reviewed annually by the Board or Operating Committee on or before the anniversary date hereof, at which time the Board shall consider such matters as it may consider relevant and shall determine, in its absolute discretion, whether to maintain or increase the annual remuneration payable by the Corporation to the Consultant hereunder. In the event the Board or Operating Committee elects to amend the Consultant's remuneration, such an amendment shall not effect the other provisions set forth in this Agreement.

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ARTICLE 5
INCAPACITY OF NAMED REPRESENTATIVE

5.01 The Corporation agrees that the Named Representative shall be entitled to reasonable time from service:

- (a) without loss of compensation payable to the Consultant, due to sickness or injury or other incapacity on the part of the Named Representative directly associated with the provision of the Consulting Services to the Corporation;
- (b) without compensation being paid to the Consultant due to sickness or pre-existing injury or medical condition on the part of the Named Representative on the effective date of this Agreement;
- (c) without compensation being paid to the Consultant for a voluntary medical procedure on the part of the Named Representative, provided that the prior consent of the Corporation is obtained.

5.02 Nothing herein shall prohibit the Corporation, during of the term of any such incapacity of the Named Representative referred to herein from terminating the services of the Consultant in accordance with Article 9.01 herein.

5.03 The Consultant shall, prior to the end of the Probation Term, advise the Corporation in writing of any pre-existing medical condition, injury or sickness on the part of the Named Representative that could prevent the Named Representative from fully and effectively performing the Consulting Services on behalf of the Consultant for the term of this Agreement.

5.04 The Consultant shall, prior to the end of the Probation Term, require the Named Representative to submit to a full medical examination with a practitioner of the Corporation's choice, all at the Corporation's cost.

5.05 The Consultant acknowledges that the Named Representative may, from time to time and without notice, be required by the Corporation to submit to tests and related procedures relating to the use of illicit or illegal drugs. The Consultant shall enter into an agreement with the Named Representative requiring the Named Representative to voluntarily submit to such tests when requested in a co-operative manner. The Consultant waives any and all claims or actions against the Corporation and its affiliates in respect of the requirement of such tests whatsoever that he might have by reason of any existing or future legislation and shall obtain a similar waiver from the Named Representative upon request of the Corporation.

5.06 In the event the Consultant insures the Named Representative through the Corporation or through a group plan provided by the Corporation for loss of income as a result of disability and the Consultant receives compensation or disability income pursuant thereto, then the amount of remuneration which the Consultant is otherwise entitled to receive hereunder during the period of illness or incapacity on the part of the Named Representative shall be reduced by the amount of compensation or disability income paid by such insurer to the Consultant or Named Representative and the Consultant covenants and agrees that it shall immediately advise the Corporation from time to time of the receipt of any such disability income paid by such insurer to the Consultant or the Named Representative.

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ARTICLE 6

CONFIDENTIAL INFORMATION

6.01 The Consultant covenants and agrees that during the term hereof and for a period of three (3) years thereafter, it will keep in strict confidence and shall not use, directly or indirectly, for any other purpose other than for the purpose of providing services hereunder, all knowledge, information (whether oral or written) and materials obtained or acquired during the course of its providing services hereunder relating to the Corporation or their business and affairs. Other than information disclosed or divulged to the Board or Operating Committee and duly authorized officers and employees of the Corporation, the Consultant will not disclose, divulge, publish or transfer, or authorize or permit anyone else to disclose, divulge, publish or transfer or use to his own advantage any such knowledge, materials, business data or other information obtained pursuant to this Agreement or which relate in any manner to the business and affairs of the Corporation, without the prior written consent of the Corporation, which consent may not be arbitrarily or unreasonably withheld. The Consultant shall obtain an undertaking of confidentiality from the Named Representative in the form of Schedule "A" attached.

6.02 The obligation of the Consultant or the Named Representative as identified in Article 6.01 hereof shall not apply to such knowledge, information, material or business data obtained pursuant to this Agreement or relating in any manner to the business affairs of the Corporation which:

- (a) was demonstrably known to the Consultant prior to receipt thereof pursuant to this Agreement;
- (b) is available to the public in the form of written publication;
- (c) shall have become available to the Consultant or the Named Representative in good faith from a third party who has a bona fide right to disclose same; and
- (d) that information which is required to be disclosed to any federal, provincial, state or local government or governmental branch, board, agency or instrumentality necessary to comply with relevant timely disclosure laws or regulatory authorities, including stock exchanges having jurisdiction in respect of securities of the Corporation.

ARTICLE 7

VACATION

7.01 The Named Representative shall be entitled to one (1) thirty day (inclusive of business days and weekends) vacation (the "Vacation Period") for each year throughout the term of this Agreement and any and all renewals thereof, provided that the Named Representative shall not be entitled to take any vacation time until following the expiry of the Probation Term. The Consultant shall continue to receive the Consulting Fees during the Vacation Term.

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ARTICLE 8

NON-ASSIGNABILITY

9.01 This contract for Consulting Services and all other rights, benefits, and privileges herein conferred may not be assigned by the Consultant without the express written consent of the Corporation.

ARTICLE 9

TERMINATION

1.30 Notwithstanding the term of this Agreement as set forth in Article 2.01 hereof, this Agreement and the Consulting Services being provided shall be terminable by the Corporation upon the occurrence of any one of the following events:

- (a) at any time without notice or additional compensation during the Probation Term;
- (b) except in the case of termination for cause, at any time following the Probation Term, upon the provision to the Consultant of ninety (90) days written notice (or payment in lieu thereof) of its intention to terminate this Agreement;
- (c) at any time by the Corporation, without notice, or additional compensation for cause. "Cause" shall, without limiting its meaning in common law, include the conviction of the Consultant or the Named Representative for an indictable criminal offence, the failure of a medical examination or drug test, or the breach by the Consultant or the Named Representative of any of the covenants or terms of this Agreement;
- (d) immediately upon the death of the Named Representative provided that the Corporation agrees to pay the Consultant the equivalent of three month's Consulting Fees;
- (e) immediately upon the Consultant or the Named Representative becoming bankrupt or making an assignment for the benefit of creditors in general without additional compensation;
- (f) immediately upon the Corporation becoming bankrupt or making an assignment for the benefit of credits in general or ceasing to carry on business for a period greater than six (6) months; and
- (g) immediately upon confirmation of permanent incapacity due to permanent illness, injury or disability on the part of the Named Representative. For the purposes hereof, "permanent incapacity" means illness, injury or disability on the part of the Named Representative incurred while performing the Consulting Services for the Corporation that in the opinion of an independent medical expert acceptable to the Consultant (or his legal personal representative) and the Corporation will prevent the Named Representative from performing his duties or providing the Consulting Services on behalf of the Consultant for a period longer than six (6) consecutive months. Should the Named Representative become permanently incapacitated and this agreement is terminated for this reason, the Corporation shall pay the Consultant the equivalent of three months Consulting Fees. All unvested stock options shall vest to the Consultant or the Named Representative (as the case may be) on the termination date in the event of termination due to permanent incapacity.

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9.02 Subject to Article 10.04, in the event this Agreement is terminated in accordance with the provisions of Article 9.01 hereof, the Consultant shall not be entitled to additional remuneration payable by the Corporation hereunder from and after the date of termination except as specifically provided in Article 9.01 herein. In the event the Named Representative is relocated overseas, the Corporation shall pay for reasonable in-transit expenses to enable the Named Representative to return to his home jurisdiction as set out in Article 3.08 upon the termination of this Agreement.

10.01 In the event of:

- (a) a change of control of the Corporation or Abacan (as such term is customarily used in the Securities Act, Alberta) through ownership of its common shares; or
- (b) a change in all or substantially all of the Board of the Corporation or Abacan; or
- (c) the Corporation or Abacan merging, amalgamating or re-organizing with another corporation that is not an affiliate with the Corporation or Abacan; or
- (d) the sale of all or substantially all of the assets or undertakings of the Corporation, the Corporation shall provide the Consultant with Notice of such events (the "Change of Control Event").

10.02 Not later than 30 days following the completion of the Change of Control Event contemplated in Article 10.01(a), (b) or (c), the Corporation or its successor shall advise the Consultant whether the Consultant Services are still required.

10.03 Should notice be provided that the Consultant's services are still required after the Change of Control Event, the Consultant, Corporation or the successor shall continue to be bound by the terms of this agreement.

10.04 Should the Change of Control Event be pursuant to Article 10.01(d) or should notice be provided that the Consultant's services are no longer required after the Change of Control Event, in accordance with Article 10.02 herein, or should the services of the Consultant be terminated within 30 days of the Change of Control Event (other than in accordance with Article 9.01(c)),

- (a) the Consultant shall be entitled to a lump sum payment upon termination of the equivalent of three months Consulting Fees; and
- (b) all unvested stock options shall immediately vest to the Consultant or the Named Representative (as the case may be) effective as of the Change of Control Event.

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ARTICLE 11
CONFLICT OF INTEREST

11.01 The Consultant covenants and agrees with the Corporation that during the term hereof and for a period of three (3) years thereafter, it will not, either individually or in partnership or jointly or in conjunction with any person or association, syndicate, as principal, agent, shareholder, or in any other manner whatsoever carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used by any person or persons, including, without limitation, any individual, firm, association, syndicate, company, corporation, or other business enterprise, engaged in or concerned with or interested in any business or any part thereof presently carried on by the Corporation with respect to their business or any other business at any time during the term hereof carried on by the Corporation, without the prior written consent of the Corporation which consent will not be arbitrarily or unreasonably withheld. The Consultant shall obtain an equivalent undertaking from the Named Representative in the form of Schedule "B" attached.

11.02 During the period identified in Article 11.01, the Consultant shall not solicit, engage in, assist or have an interest in or be connected with any person, firm or corporation soliciting any customer known or ought to be known to the Consultant to be a customer or business associate of the Corporation.

11.03 During the period identified in Article 11.01, the Consultant shall not induce, entice or attempt to obtain the withdrawal from the Corporation of any employee or management personnel either before or after the termination of this Agreement.

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11.04 If the Corporation ceases to carry on business for a continuous period of six (6) months or more, then the provisions of Article 6 and Article 11 hereof shall be null and void and shall cease to have any force and effect after the expiration of the aforesaid period of time.

ARTICLE 12
NOTICES

12.01 All notices required or allowed to be given under this Agreement shall be made either personally or by mailing same by prepaid registered post, addressed as hereinafter set forth or to such other address as may be designated from time to time by such party in writing, and any notice mailed as aforesaid shall be deemed to have been received by the addressees thereof on the fifth business day following the day of mailing:

Corporation: Liberty Technical Services Ltd.
7th Floor, Folawiyo Plaza
38 Warehouse Road, Apapa, Lagos
Nigeria
Fax: (234) 1-545-0301

with a copy to: Abacan Resource Corporation
1750, 800 - 5th Avenue S.W.
Calgary, Alberta
T2P 3T6
Fax: (403) 269-3944

Consultant: Texada Holdings Ltd.
64 Tradewinds Building
Bay Street
P.O. Box N-8220
Nassau, Bahamas
Attention: Bruce C. Bell
Tel: (809) 322-8020
Fax: (809) 328-7330

Any party may from time to time change its address for service hereunder on written notice to the other parties. Any notice may be served by hand delivery or by mailing same by prepaid, registered post, in a properly addressed envelope, addressed to the party to whom the notice is to be given at its address for service hereunder.

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ARTICLE 13
SEVERABILITY

13.01 Each provision of this Agreement is declared to constitute a separate and distinct covenant and to be severable from all other such separate and

distinct covenants. If any covenant or provision herein is determined to be void or unenforceable in whole or in part, it will not be deemed to affect or impair the enforceability or validity of any other covenant or provision of this Agreement or any part thereof.

ARTICLE 14
RELIEF

14.01 The parties to this Agreement recognize that a breach by the Consultant or Named Representative of any of the covenants herein contained would result in damages to the Corporation and that the Corporation could not adequately be compensated for such damages by monetary award. Accordingly, the Consultant agrees that in the event of any such breach, in addition to all other remedies available to the Corporation at law or in equity, the Corporation will be entitled as a matter of right to apply to a court of competent equitable jurisdiction of such relief by way of restraining order, injunction, decree or otherwise, as may be appropriate to ensure compliance with the provisions of this Agreement.

ARTICLE 15
WAIVER

15.01 The parties agree that all restrictions in this Agreement are necessary and fundamental to the protection of the Corporation and are reasonable and valid, and all defences to the strict enforcement of Article 6 and Article 11 hereof by the Corporation are hereby waived by the Consultant.

ARTICLE 16
GENERAL

16.01 The parties hereto agree that they have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement and it is expressly agreed that no implied covenant, condition, term or reservation or prior representation or warranty shall be read into this Agreement relating to or concerning the subject matter hereof or any matter or operation provided for herein.

16.02 The provisions of this Agreement will enure to the benefit of and be binding upon the successors and assigns of the Corporation and Consultant respectively.

16.03 Wherever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine or a body politic or corporate and vice versa where the context of the parties hereto so require.

16.04 Time is of the essence hereof.

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16.05 This Agreement shall be construed and interpreted in accordance with the laws of England and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of such jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date and year first above written.

LIBERTY TECHNICAL SERVICES LTD.

Per: /s/ Wade Cherwayko

Wade G. Cherwayko, President

TEXADA HOLDINGS LTD.

Per: /s/ Bruce Bell

Bruce C. Bell

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Schedule "A"

Undertaking of Confidentiality

In consideration of the execution of a Consulting Services Agreement between Texada Holdings Ltd. (the "Consultant") and Liberty Technical Services Ltd. (the "Corporation"), the undersigned covenants and agrees with the Consultant and the Corporation as follows:

1. That during the term of the Consulting Services Agreement and for a period of three (3) years thereafter, I will keep in strict confidence and shall not use, directly or indirectly, for any other purpose other than for the purpose of providing services thereunder, all knowledge, information (whether oral or written) and materials obtained or acquired during the course of the provision of the services under the Consulting Services Agreement on behalf of the Consultant relating to the Corporation or its business and affairs. Other than information disclosed or divulged to the Board or Operating Committee and duly authorized officers and employees of the Corporation, I will not disclose, divulge, publish or transfer, or authorize or permit anyone else to disclose, divulge, publish or transfer or use to his own advantage any such knowledge, materials, business data or other information obtained pursuant to this Agreement or which relate in any manner to the business and affairs of the Corporation, without the prior written consent of the Corporation, which consent may not be arbitrarily or unreasonably withheld.

2. My obligation of confidentiality as identified above shall not apply to such knowledge, information, material or business data obtained pursuant to this Agreement or relating in any manner to the business affairs of the Corporation which:

- (a) was demonstrably known by me prior to the effective date of the Consulting Services Agreement;
- (b) is available to the public in the form of written publication;
- (c) shall have become available to me in good faith from a third party who has a bona fide right to disclose same; and
- (d) that information which is required to be disclosed to any federal, provincial, state or local government or governmental branch, board, agency or instrumentality necessary to comply with relevant timely disclosure laws or regulatory authorities, including stock exchanges having jurisdiction in respect of securities of the Corporation.

Dated this ____ day of August, 1996

/s/ Thomas Horricks

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Schedule "B"

Undertaking of Non-Competition

In consideration of the execution of a Consulting Services Agreement between Texada Holdings Ltd. (the "Consultant") and Liberty Technical Services Ltd. (the "Corporation"), the undersigned covenants and agrees with the Consultant and the Corporation as follows:

1. That during the term of the Consulting Services Agreement and for a period of three (3) years thereafter, I will not, either individually or in partnership or jointly or in conjunction with any person or association, syndicate, as principal, agent, shareholder, director, officer, employee or in any other manner whatsoever carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit my name or any part thereof to be used employed by any person or persons, including, without limitation, any individual, firm, association, syndicate, company, corporation, or other business enterprise, engaged in or concerned with or interested in any business or any part thereof presently carried on by the Corporation with respect to its business or any other business at any time during the term hereof carried on by the Corporation, without the prior written consent of the Corporation which consent will not be arbitrarily or unreasonably withheld.

2. During the period identified above, I shall not solicit, engage in, assist or have an interest in or be connected with any person, firm or corporation soliciting any customer known or ought to be known by me to be a customer or business associate of the Corporation.

3. During the period identified above, I shall not induce, entice or attempt to obtain the withdrawal from the Corporation of any employee or management personnel either before or after the termination of this Agreement.

Dated this ____ day of August, 1996

/s/ Thomas Horricks

Thomas Horricks

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EXHIBIT 10.27

THIS AGREEMENT made effective as of the 10th day of February, 1998.

BETWEEN

ABACAN RESOURCE CORPORATION, a body corporate, incorporated under the laws of

the Province of Alberta, Canada (hereinafter called the "Corporation")

-and-

TIMOTHY T. STEPHENS, of the City of Houston, Texas (hereinafter called the "Employee");

EMPLOYMENT SERVICES AGREEMENT

RECITALS:

A. The Corporation is principally engaged in the business of exploration and development of oil and gas properties located principally in Nigeria, Africa;

B. The parties desire to enter into this Agreement to set forth the terms pursuant to which the Employee's services will be provided to the Corporation and the respective rights and obligations of the parties hereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto mutually covenant and agree as follows:

ARTICLE 1.
CONTRACT FOR SERVICES

1.01 Subject to the earlier termination of this Agreement as hereinafter provided, the Corporation hereby agrees to contract for and engage the services of the Employee as the President and Chief Executive Officer of the Corporation (hereafter the "Employment Services") details of which are described herein all in accordance with the terms and provisions hereof.

1.02 The Employee shall be responsible for and shall have such authority as is consistent with the position of President and Chief Executive Officer of the Corporation with the full power and authority to control, supervise, manage and direct the day to day business and affairs of the Corporation except such matters and duties as by law must be transacted or performed by the board of directors and/or the shareholders of the Corporation, all subject to the power, direction and control of the board of directors of the Corporation (the "Board").

1.03 Notwithstanding Clause 1.02 hereof, the Employment Services shall include the services set forth below, and which services shall be provided on the basis of the following terms and conditions:

(a) the Employee shall control, supervise, manage and direct all of the business affairs of the Corporation;

(b) in addition to the duties set forth above, the Employee shall assume, obey, implement and execute such duties, directions, responsibilities, procedures, policies and lawful orders as may be determined or given by the Board of the Corporation from time to time and report results of same as may from time to time be determined by the Board of the Corporation;

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(c) the Employee shall perform such duties and may exercise such powers as may from time to time be assigned to or vested in him by the by-laws of the Corporation;

(d) the Employee shall faithfully, honestly and diligently serve the Corporation and cooperate with the Corporation and utilize maximum professional

skill and care to ensure that all services rendered hereunder are to the satisfaction of the Corporation, acting reasonably, and to provide any other services not specifically mentioned herein, but which by reason of his capability he knows or ought to know to be necessary to ensure that the best interests of the Corporation are maintained;

(e) the Employee's title with the Corporation shall be President and Chief Executive Officer;

(f) the Employee will, subject to the prior approval of the Board, join in or participate with organizations, clubs, associations or groups that may provide good business contacts and learning facilities for the benefit of the Corporation.

1.04 The Employee agrees to devote all or substantially all of his time, attention and best efforts necessary to further the business and interests of the Corporation during the period of this Agreement to the exclusion of any and all other employment except as may specifically be approved by the directors of the Corporation. Nothing herein shall prohibit the Employee from being a shareholder in any corporation whose common shares are traded publicly on a stock exchange.

1.05 The Employee acknowledges and agrees that the Employment Services are of such a nature that regular business hours may be impossible. The Employee understands that he may be required to provide the employment services in excess of eight (8) hours per day or five days (5) per week and on evenings, weekends and holidays. The Employee agrees that the consideration to be paid or which is granted to the Employee as set forth herein shall be in full and complete satisfaction for his work and Employment Services to be provided hereunder, no matter when and how performed and the Employee releases the Corporation from any obligation for pay or other compensation, whatsoever which it might have by reason of any existing or future legislation or otherwise.

1.06 The Employment Services to be carried out and performed by the Employee shall be carried out and performed in Houston, Texas, or such other places as may be mutually agreed between the Employee and the Corporation.

ARTICLE 2.
TERM OF CONTRACT

2.01 Subject to prior termination pursuant to the terms contained in Article 9, the term of this Agreement for the provision of the Employment Services shall be for a period of three (3) years from and including February 10, 1998 (the "Effective Date") up to and including February 9, 2001 (the "Expiry Date").

2.02 This Agreement may be renewed from time to time by the Corporation prior to the Expiry Date for a further one (1) year term or terms or such other term as the parties may agree upon the written consent of both parties hereto.

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2.03 Should this Agreement not be renewed by the Corporation on or before the Expiry Date, the Corporation shall, on the Expiry Date, pay the Employee a one-time departure fee (the "Departure Fee") equal to one (1) year Employment Fees. The Departure Fee shall be the only compensation payable to the Employee in the event of non-renewal of this Agreement by the Corporation, and the Employee expressly confirms that upon payment of the Departure Fee, he is not entitled to any other compensation, severance payment, Employment Fees or termination fees whatsoever arising out of the non-renewal of this Agreement. Nothing herein shall however prevent the Employee from exercising any or all stock options that may have vested to him during the term hereof in accordance with the provisions of the applicable stock option agreement, which shall provide that Employee will have 90 days from date of termination within which to

exercise such vested options.

ARTICLE 3.
COMPENSATION AND EXPENSES INCURRED BY EMPLOYEE

3.01 The Corporation agrees that commencing the Effective Date, the Corporation shall pay the following fees (the "Employment Fees") to the Employee in respect of the provision of the Employment Services:

(a) the sum of United States dollars Two Hundred and Twenty-Five Thousand (\$225,000.00) dollars per annum, payable in bi-monthly instalments of \$ 9,375 (the "bi-monthly instalment") from the Commencement Date until the Expiry Date of this Agreement or until the date this Agreement is terminated in accordance with Article 9.01 herein, provided however that for the month of February 1998, the monthly payment shall be 18/28 of the monthly instalment;

3.02 In addition to the payment of the Employment Fees, the Employee shall be entitled to receive 1,000,000 incentive stock options (the "Stock Options") to purchase common shares of the Corporation. The stock options will be issued pursuant to and in accordance with the terms of the incentive stock option plan of the Corporation, shall be at an exercise price per common share of \$3.25 (Canadian dollars) which is the closing trading price for the Corporation's shares on The Toronto Stock Exchange on February 10, 1998. The options shall vest as follows:

- (i) one-third (a) immediately;
- (ii) one-third (a) on February 10, 1999; and
- (iii) one-third (a) on February 10, 2000.

The issuance and exercise price of the stock options shall at all times be subject to applicable regulatory and stock exchange approval.

3.03 The Employee shall be responsible for and shall pay any and all foreign income or related taxes that may become payable by virtue of receiving compensation for the provision of services contemplated herein.

3.04 The Employee is authorized to incur reasonable expenses in or about the provision of his services hereunder, including living expenses while absent from his city of employment and travel and meeting expenses. The Corporation shall reimburse the Employee for all such business expenses upon provision of satisfactory proof of such expenses to the Corporation.

3.05 The Employee shall be expected to travel on the Corporation's behalf as required from time to time. Such travel shall be made in accordance with the Corporation's domestic and international travel policies. The Corporation acknowledges that all international travel will be first class or equivalent and when not available, business class or its equivalent.

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3.06 The Employee may receive a corporate credit card of the Corporation (the "credit card"). The Employee confirms that the credit card is supplied to be used exclusively to cover costs of business travel, accommodation and meals incurred by the Employee while on business for the Corporation outside of the city or location of his current assignment. All expenditures incurred on the credit card shall be submitted to the Corporation along with proof of such expenditures in a form acceptable to the Corporation. The Employee agrees to surrender the corporate credit card to the Corporation immediately upon request and in any event, at the Expiry Date or Termination Date of this Agreement.

REVIEW OF COMPENSATION

4.01 Subject to renewal as herein provided, the remuneration payable pursuant to Article 3.01 hereof may be reviewed annually by the Board of the Corporation on or before the anniversary date hereof, at which time the Board shall consider such matters as it may consider relevant and shall determine, in its absolute discretion, whether to maintain or increase the annual remuneration payable by the Corporation to the Employee hereunder. The Corporation shall not be entitled to reduce the annual cash compensation payable hereunder. In the event the Board elects to amend the Employee's remuneration, such an amendment shall be in writing and shall not effect the other provisions set forth in this Agreement.

ARTICLE 5.
INCAPACITY

5.01 The Employee shall be entitled to reasonable time from service:

(a) without loss of compensation, due to sickness or injury or other incapacity directly associated with the provision of the Employment Services to the Corporation;

(b) without compensation due to sickness or pre-existing injury or medical condition on the effective date of this Agreement;

(c) without compensation for a voluntary medical procedure, provided that the prior consent of the Corporation is obtained.

5.02 Nothing herein shall prohibit the Corporation, during the term of any such incapacity referred to herein from terminating the services of the Employee in accordance with Article 9.01 herein.

5.03 Health Benefits

The Corporation will pay the premiums for a newly created medical plan for Employee, which shall provide coverage for medical expenses for Employee and his family, such plan to include major medical coverage underwritten by a recognized provider in the United States. Policy documents govern benefit entitlement. Further, whether self-insured or included as part of the medical coverage, expenses for Employee and Employee's family dental bills will also be included. If self-insured, Employee will submit such expenses as part of monthly expense reports.

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ARTICLE 6.
CONFIDENTIAL INFORMATION

6.01 The Employee covenants and agrees that during the term hereof and for a period of one (1) year thereafter, he will keep in strict confidence all knowledge, information (whether oral or written) and materials obtained or acquired during the course of his providing Employment Services hereunder relating to the Corporation or its business and affairs. Other than information disclosed or divulged to the Board and duly authorized officers and employees of the Corporation, the Employee will not disclose, divulge, publish or transfer, or authorize or permit anyone else to disclose, divulge, publish or transfer or use to his own advantage any such knowledge, materials, business data or other information obtained in the course of providing the Employment Services, pursuant to this Agreement or which relate in any manner to the business and

affairs of the Corporation, without the prior written consent of the Corporation, which consent shall not be unreasonably withheld.

6.02 The obligation of the Employee as identified in Article 6.01 hereof shall not apply to such knowledge, information, material or business data obtained pursuant to this Agreement or relating in any manner to the business affairs of the Corporation which:

(a) was demonstrably known to the Employee prior to receipt thereof pursuant to this Agreement;

(b) is available to the public in the form of written publication;

(c) shall have become available to the Employee in good faith from a third party who has a bona fide right to disclose same; and

(d) that information which is required to be disclosed to any federal, provincial, state or local government or governmental branch, board, agency or instrumentality necessary to comply with relevant timely disclosure laws or regulatory authorities, including stock exchanges having jurisdiction in respect of securities of the Corporation.

6.03 The Employee covenants and agrees that during the term and any extensions or renewals hereof, the Employee shall maintain the terms of this Agreement strictly confidential and shall not disclose the terms of this Agreement to any other party or entity, except Employee's attorney or legal counsel.

ARTICLE 7.

VACATION

7.01 The Employee shall be entitled to four (4) weeks paid vacation (the "Vacation") for each year throughout the term of this Agreement and any and all renewals thereof. The Vacation shall be taken from time to time at the discretion of the Employee upon the provision of reasonable notice to the Corporation.

ARTICLE 8.

NON-ASSIGNABILITY

8.01 This Agreement for Employment Services and all other rights, benefits, and privileges herein conferred are personal to the Employee and accordingly may not be assigned by the Employee.

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ARTICLE 9.

TERMINATION

9.01 Notwithstanding the term of this Agreement as set forth in Article 2.01 hereof, this Agreement and the Employment Services being provided shall be terminable by the Corporation upon the occurrence of any one of the following events, the date of such termination to be hereafter called the "Termination Date":

(a) except in the case of termination for Cause under Article 9.01(b) or as a result of the death of the Employee under Article 9.01(c) hereunder, at any time prior to the Expiry Date, upon payment to the Employee of the Departure Fee;

(b) at any time by the Corporation, without notice, or additional compensation for Cause. For the purposes herein, "Cause" shall, without limiting its meaning in common law, include the conviction of the Employee for an indictable criminal offence or the breach by the Employee of any of the covenants or terms of this Agreement;

(c) immediately upon the death of the Employee provided that the Corporation agrees to pay the Employee's estate the equivalent of one years' Employment Fees on the Termination Date;

(d) immediately upon the Employee becoming bankrupt or making an assignment for the benefit of creditors in general without additional compensation;

(e) immediately upon confirmation of permanent incapacity due to permanent illness, injury or disability on the part of the Employee. For the purposes hereof, "permanent incapacity" means illness, injury or disability on the part of the Employee incurred while performing the Employment Services for the Corporation that in the opinion of an independent medical expert acceptable to the Employee (or his legal personal representative) and the Corporation will prevent the Employee from performing his duties or providing the Employment Services on behalf of the Employee for a period longer than six (6) consecutive months. Should the Employee become permanently incapacitated and this agreement is terminated for this reason, the Corporation shall pay the Employee the equivalent of one years' Employment Fees on the Termination Date.

9.02 Subject to Article 10.04, in the event this Agreement is terminated in accordance with the provisions of Article 9.01 hereof, the Employee shall not be entitled to other payments from the Corporation other than all stock options as provided for in Section 3.02, from and after the Termination Date except as specifically provided in Article 9.01 herein.

9.03 Notwithstanding any other provision of this Agreement, Employee may terminate this Agreement at any time upon giving thirty (30) days written notice to the Corporation.

ARTICLE 10.

CHANGE OF CONTROL, MERGER, AMALGAMATION, SALE OF ASSETS

10.01 In the event of:

(a) a change of control of the Corporation (as such term is customarily used in the Securities Act, Alberta) through ownership of its common shares including a "takeover bid", an "exempt takeover bid", "issuer bid" or an "exempt issuer bid"; or

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(b) a change in a majority of the members of the Board of the Corporation or the removal of the Employee as an officer or director of the Corporation; or

(c) the Corporation merging, amalgamating or re-organizing with another corporation that is not an affiliate with the Corporation; or

(d) the sale of all or substantially all of the assets or undertakings of the Corporation;

the Corporation shall provide the Employee with notice of such events (the "Change of Control Event").

10.02 Not later than 30 days following the completion of the Change of Control Event contemplated in Article 10.01(a), (b) or (c), the Corporation or its successor shall confirm with the Employee whether the Employment Services of the Employee continue to be required by the Corporation or its successor.

10.03 Should confirmation be provided that the Employment Services continue to be required after the Change of Control Event, the Employee and the successor Corporation shall continue to be bound by the terms of this agreement provided that any change to the title, duties or responsibilities of the Employee with the Corporation after the Change of Control Event shall, at the option of the Employee, be deemed to be Termination and subject to Article 10.04 below, with the Change of Control Event being the Termination Date for the purposes hereof. All unvested Stock Options shall immediately vest to the Employee effective as of the date of Change of Control Event.

10.04 Should at the time of the Change of Control Event notice be provided in accordance with Article 10.02 herein that the Employment Services no longer be required after the Change of Control Event, this Agreement shall be deemed to be terminated by the Corporation on the date of the Change of Control Event and the Employee shall be entitled to compensation equal to the accelerated amount of all remaining payments under this Agreement. All unvested Stock Options shall immediately vest to the Employee effective as of the date of Change of Control Event.

ARTICLE 11.
INDEMNIFICATION

11.01 The Corporation hereby agrees to indemnify and hold harmless Employee from and against any and all losses, claims, damages, liabilities (or actions or other proceedings commenced or threatened in respect thereof), any expenses that arise out of, result from or in any way relate to this Agreement and Employee's service as an officer and director of the Corporation, and to reimburse Employee upon his demand, for any legal or other expenses incurred in connection with any investigation, defending or participating in any such loss, claim, damage, liability, action or other proceeding, other than any of the foregoing claimed to the extent incurred by reason of the gross negligence of willful misconduct of the Employee.

ARTICLE 12
NOTICES

12.01 All notices required or allowed to be given under this Agreement shall be made either personally or by mailing same by prepaid registered post, addressed as hereinafter set forth or to such other address as may be designated from time to time by such party in writing, and any notice mailed as aforesaid shall be deemed to have been received by the addressees thereof on the fifth business day following the day of mailing:

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<PAGE>

Corporation:	Abacan Resource Corporation #140, 14811 St. Mary's Lane Houston, Texas 77079
Fax:	(281) 721-0560
Employee:	Timothy T. Stephens 3263 Reba Drive Houston, Texas U.S.A.
Fax:	(713) 522-0807

Any party may from time to time change its address for service hereunder on written notice to the other parties. Any notice may be served by hand delivery or by mailing same by prepaid, registered post, in a properly addressed

envelope, addressed to the party to whom the notice is to be given at its address for service hereunder.

ARTICLE 13.
SEVERABILITY

13.01 Each provision of this Agreement is declared to constitute a separate and distinct covenant and to be severable from all other such separate and distinct covenants. If any covenant or provision herein is determined to be void or unenforceable in whole or in part, it will not be deemed to affect or impair the enforceability or validity of any other covenant or provision of this Agreement or any part thereof.

ARTICLE 14.
RELIEF

14.01 The parties to this Agreement recognize that a breach by the Employee of any of the covenants herein contained would result in damages to the Corporation and that the Corporation could not adequately be compensated for such damages by monetary award. Accordingly, the Employee agrees that in the event of any such breach, in addition to all other remedies available to the Corporation at law or in equity, the Corporation will be entitled as a matter of right to apply to a court of competent equitable jurisdiction of such relief by way of restraining order, injunction, decree or otherwise, as may be appropriate to ensure compliance with the provisions of this Agreement.

ARTICLE 15.
WAIVER

15.01 The parties agree that all restrictions in this Agreement are necessary and fundamental to the protection of the Corporation and are reasonable and valid, and all defences to the strict enforcement of Article 6 and Article 11 hereof by the Corporation are hereby waived by the Employee.

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ARTICLE 16.
GENERAL

16.01 The parties hereto agree that they have expressed herein their entire understanding and agreement concerning the subject matter of this Agreement and it is expressly agreed that no implied covenant, condition, term or reservation or prior representation or warranty shall be read into this Agreement relating to or concerning the subject matter hereof or any matter or operation provided for herein.

16.02 The provisions of this Agreement will enure to the benefit of and be binding upon the heirs, executors, administrators and legal personal representatives of the Employee and the successors and assigns of the Corporation respectively.

16.03 Wherever the singular or masculine or neuter is used in this Agreement, the same shall be construed as meaning the plural or feminine or a body politic or corporate and vice versa where the context of the parties hereto so require.

16.04 Time is of the essence hereof.

16.05 This Agreement shall be construed and interpreted exclusively in accordance with the laws of England and each of the parties hereto hereby

irrevocably attorns to the jurisdiction of the courts of such jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date and year first above written.

ABACAN RESOURCE CORPORATION

Per: /s/ James Harvie

James Harvie
Chief Operating Officer

Witness as to the signature of
Timothy T. Stephens

/s/ Timothy T. Stephens

TIMOTHY T. STEPHENS

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<SEQUENCE>33

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EXHIBIT 10.28

ABACAN RESOURCE CORPORATION

STOCK OPTION PLAN

1. PURPOSE

The purpose of the Stock Option Plan (the "Plan") of Abacan Resource Corporation, a body corporate incorporated under the Business Corporations Act (Alberta) (the "Corporation"), is to advance the interests of the Corporation or any of its subsidiaries or affiliates by encouraging the directors, officers, employees and consultants of the Corporation or any of its subsidiaries or affiliates to acquire shares in the Corporation, thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation or any of its subsidiaries or affiliates and furnishing them with additional incentive in their efforts on behalf of the Corporation or any of its subsidiaries or affiliates in the conduct of their affairs.

2. ADMINISTRATION AND GRANTING OF OPTIONS

The Plan shall be administered by the Board of Directors of the Corporation, or if appointed, by a special committee of directors appointed from time to time by the Board of Directors of the Corporation (such committee, or if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "Committee") pursuant to rules of procedure fixed by the Board of Directors.

The Committee may from time to time designate directors, officers, employees and consultants of the Corporation or any of its subsidiaries or affiliates (the "Participants") to whom options to purchase common shares of the Corporation may be granted and the number of common shares to be optioned to each, provided that the total number of common shares to be optioned shall not exceed the number provided in clauses 3 and 4 hereof.

3. SHARES SUBJECT TO PLAN

Subject to adjustment as provided in Section 15 hereof, the shares to be offered under the Plan shall consist of shares of the Corporation's authorized but unissued common shares. If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purpose of this Plan. The aggregate number of shares to be delivered upon the exercise of all options granted under the Plan (the "Options") shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction.

(a) Maximum Number Subject to adjustment as provided in Section 15 hereof,

the aggregate number of common shares which may be reserved for issuance under the Plan shall not exceed 18,750,000 common shares.

(b) Restrictions Notwithstanding anything else herein contained:

i) the number of common shares which may be reserved for issuance under the Plan and under any other employee stock option plans of the Corporation to insiders (as defined in the Securities Act (Ontario)) of the Corporation, and of any affiliate or subsidiary of the Corporation, shall not exceed 10% of the outstanding issue (as hereinafter defined);

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ii) the number of common shares which may be issued within a one year period pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation shall not exceed 10% of the outstanding issue;

iii) the number of common shares which may be issued pursuant to the Plan and under any other employee stock option plans of the Corporation to any one individual shall not exceed 5% of the outstanding issue; and

iv) the number of common shares which may be issued within a one year period pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation to any one insider of the Corporation, or of any affiliate or subsidiary of the Corporation, and such insider's associates shall not exceed 5% of the outstanding issue.

For the purposes of this subsection "outstanding issue" means the number of common shares outstanding on a non-diluted basis, subject to applicable adjustments as provided for in the by-laws and rules of any stock exchange having jurisdiction. For the purposes of this subsection "outstanding issue" is determined on the basis of the number of common shares that are outstanding immediately prior to the share issuance in question, excluding common shares issued pursuant to share compensation arrangements over the preceding one year period. For the purposes of this subsection, an entitlement granted prior to the grantee becoming an insider may be excluded in determining the number of shares issuable to insiders.

4. NUMBER OF OPTIONED SHARES

The number of shares subject to an Option to a Participant shall be determined by the Committee, but no Participant shall be granted an Option which exceeds the maximum number of shares permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction.

5. VESTING

The Committee may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist. Notwithstanding the terms of any agreement granting Options pursuant to the Plan, all Options shall be deemed to have vested immediately prior to a change of control of the Corporation.

For the purposes of this section, "change of control" means any purchase and sale of a sufficient number of voting securities so as to materially affect the control of the Corporation.

6. MAINTENANCE OF SUFFICIENT CAPITAL

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of shares as will be sufficient to satisfy the requirements of the Plan.

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7. PARTICIPATION

The Committee shall determine to whom Options shall be granted, the terms and provisions of the respective Option agreements, the time or times at which such Options shall be granted, and the number of shares to be subject to each Option. An individual who has been granted an Option may, if he is otherwise eligible, and if permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction, be granted an additional Option or Options if the Committee shall so determine.

8. EXERCISE PRICE

The exercise price of the shares covered by each Option shall be determined by the Committee. The exercise price shall be not less than the price permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction.

The option price per common share shall be determined by the Board at the time any option is granted but in no event shall such price be lower than the Market Price (as hereinafter defined) at the time of the grant.

"Market Price" means:

(a) at any time during which the common shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE"), the closing sale price for board lots of common shares on the TSE on the business day immediately prior to the date of grant or if there is no sale of board lots of common shares on such day, then the five-day weighted average trading price of the common shares on the TSE;

(b) at any time during which the common shares are not listed and posted for trading on the TSE, but are quoted on any other stock exchange, the closing sale price for board lots of common shares on such exchange on the business day immediately prior to the date of grant of the Option, or if there is no sale of board lots of common shares on such day, then the average of the bid and asked prices on such exchange for the business day immediately prior to the date of grant of the Option, or if there are no bid and asked prices on such exchange on such day, then the five-day weighted average of the closing sale prices for board lots of common shares on such exchange based on the five business days immediately prior to the date of grant of the Option; and

(c) at any other time, the fair market value of the common shares, as determined by the Board, with due regard being had to any over-the-counter sale prices, asked and bid prices, volume quotations, value of assets and liabilities of the Corporation, and income and prospects of the Corporation, as the Board shall in its sole discretion determine to be relevant.

9. DURATION OF OPTION

Each Option and all rights thereunder shall be expressed to expire on the date set out in the Option agreements and shall be subject to earlier termination as provided in paragraphs 11 and 12.

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10. OPTION PERIOD, CONSIDERATION AND PAYMENT

(a) The Option period shall be a period of time fixed by the Committee, not to exceed the maximum period permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction, provided that the Option period shall be reduced with respect to any Option as provided in Sections 11 and 12 covering cessation as a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates or death of the Participant.

(b) Except as set forth in Sections 10(c), 11 and 12, no Option may be exercised unless the Participant is at the time of such exercise a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates.

(c) Notwithstanding any other provision to the contrary, an Option granted to a consultant in connection with specific services provided or to be provided by that consultant shall be exercised only after the date of completion of such service and prior to 30 days following the date of completion of such service.

(d) The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such shares with respect to which the Option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any shares subject to an Option under this Plan, unless and until the certificates for such shares are issued to such persons under the terms of the Plan.

11. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT

If a Participant shall cease to be a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates for any reason (other than death), the Participant may but only within 90 days next

succeeding the Participant's ceasing to be a director, officer, employee or consultant, exercise the Participant's Option to the extent that the Participant was entitled to exercise it at the date of such cessation.

Nothing contained in the Plan nor in any Option granted pursuant to the Plan shall confer upon any Participant any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any of its subsidiaries or affiliates.

12. DEATH OF PARTICIPANT

In the event of the death of a Participant, the Option previously granted to him shall be exercisable only within the twelve months next succeeding such death and then only:

(a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and

(b) if and to the extent that the Participant was entitled to exercise the Option at the date of the Participant's death.

13. RIGHTS OF OPTIONEE

No person entitled to exercise an Option shall have any of the rights or privileges of a shareholder of the Corporation in respect of any shares issuable upon exercise of such Option until certificates representing such shares shall have been issued and delivered.

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14. PROCEEDS FROM SALE OF SHARES

The proceeds from sale of shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Committee may determine and direct.

15. ADJUSTMENTS

Appropriate adjustments in the number of common shares optioned and in the option price per share, as regards Options granted or to be granted, may be made by the Committee in its discretion to give effect to adjustments in the number of common shares of the Corporation resulting subsequent to the approval of the Plan by the Committee from subdivisions, consolidations or reclassification of the common shares of the Corporation, the payment of stock dividends by the Corporation or other relevant changes in the capital of the Corporation.

16. TRANSFERABILITY

All benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferrable or assignable unless specifically provided herein. During the lifetime of a Participant any benefits, rights and Options may only be exercised by the Participant.

17. AMENDMENT AND TERMINATION OF PLAN

The Committee may, at any time, suspend or terminate the Plan. The board may also at any time amend or revise the terms of the Plan, subject to regulatory approval, PROVIDED that no such amendment or revision shall alter the terms of any Options theretofore granted under the Plan.

18. NECESSARY APPROVALS

The ability of the Options to be exercised and the obligation of the Corporation to issue and deliver shares in accordance with the Plan is subject to any approvals which may be required from the shareholders of the Corporation, any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and any Option exercise price paid to the Corporation will be returned to the Participant.

19. PRIOR PLANS

The Plan shall entirely replace and supersede prior share option plans, if any, enacted by the Board of Directors of the Corporation or its predecessor corporations and all stock options reserved for issuance or granted pursuant to any such prior share option plans shall be deemed to be reserved for issuance or granted pursuant to the provisions of the Plan.

20. EFFECTIVE DATE OF PLAN

The Plan has been adopted by the Committee subject to the approval of any stock exchange on which the shares of the Corporation are to be listed or other regulatory body having jurisdiction and, if so approved, the Plan shall become effective upon such approvals being obtained.

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IN WITNESS WHEREOF the Corporation has caused its corporate seal to be affixed hereto in the presence of its officers duly authorized in that behalf as of the 20th day of June, 1997.

ABACAN RESOURCE CORPORATION

Per:/s/ Wade Cherwayko

Wade G. Cherwayko, President

Per:/s/ Derrick Armstrong

Derrick R. Armstrong, Secretary

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STOCK OPTION AGREEMENT

THIS AGREEMENT made effective as of the 2nd day of June, 1998.

BETWEEN:

_____, an individual residing in _____ (herein referred to as the "Optionee")

- and -

ABACAN RESOURCE CORPORATION, a body corporate, having an office in Calgary, Alberta (herein referred to as the "Corporation")

WHEREAS:

1. the Corporation is incorporated under the laws of the Province of Alberta, having an authorized capital consisting of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value;

2. the Optionee is an employee, consultant, officer or director of the Corporation or a wholly owned subsidiary of the Corporation;

3. the Board of Directors of the Corporation has agreed to grant unto the Optionee an option to purchase an aggregate of _____ (_____) common shares of its authorized unissued share capital in consideration of the ongoing services and contributions to the Corporation or subsidiaries of the Corporation by the Optionee or an associate or affiliate of the Optionee; and

4. the granting of such option to the Optionee was authorized by the Board of Directors effective May 22, 1998;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and mutual covenants hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which the parties hereto have agreed as set forth herein.

ARTICLE I
DEFINITIONS

1.01 In this Agreement the following terms shall have the following meanings:

(a) "Agreement", "herein", "hereto", "hereof" and similar expressions means this Agreement, and includes any Agreement amending this Agreement or any Agreement or instrument which is supplemental or ancillary hereof;

(b) "Board" means the board of directors of the Corporation;

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(c) "Expiration Date" means _____;

(d) "Option Shares" means the Shares the Optionee is entitled to purchase under a Share Option;

(e) "Share" means a common share of the Corporation as constituted at the date hereof;

(f) "Share Option" means an option to purchase _____ (_____) Treasury Shares from and after the applicable Vesting Date, which are granted to the Optionee pursuant to this Agreement, and includes any portion of that Option;

(g) "Treasury Share" means a theretofore unissued Share which is purchased directly from the Corporation by or for the account of the Optionee; and

(h) "Vesting Date" means the date after which the respective Share Option granted pursuant to this Agreement may be exercised, as more particularly set forth in paragraph 2.01 hereof. No Share Option may be exercised prior to the applicable Vesting Date thereof. Notwithstanding anything else contained herein, if a "take-over bid", an "exempt take-over bid", "issuer bid" or an "exempt issuer bid" is made in respect of the Shares of the Corporation or any class of securities convertible or exchangeable into Shares of the Corporation, each of the respective Vesting Dates shall be deemed to be amended to be the date upon which the "offer to acquire" is made. The terms "take-over bid", "exempt take-over bid", "issuer bid", "exempt issuer bid" and "offer to acquire" used herein have the meanings ascribed to them in the Securities Act (Alberta).

1.02 In this Agreement, the masculine gender shall include the feminine gender and the singular shall include the plural and vice versa wherever the context requires.

ARTICLE II
SHARE OPTION

2.01 The Corporation hereby grants to the Optionee, subject to the terms and conditions hereinafter set out, an irrevocable and non-assignable option to purchase at any time or from time to time after the respective Vesting Date and on or before the Expiration Date, _____ (_____) common shares of the Corporation, in instalments as set forth below:

(a) from and after the Vesting Date of _____, up to and including the Expiration Date, the Optionee shall be entitled to purchase _____ (_____) Option Shares at a price of Cdn. \$ _____ per common share; and

(b) from and after the Vesting Date of _____, up to and including the Expiration Date, the Optionee shall be entitled to purchase _____ (_____) Option Shares at a price of Cdn. \$ _____ per common share.

2.02 At 4:30 p.m., Calgary time, on the Expiration Date, the Share Option shall forthwith expire and terminate and be of no further force or effect whatsoever as to such of the Option Shares in respect of which the Share Option hereby granted have not then been exercised.

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ARTICLE III
CURRENCY DURING TERM OF EMPLOYMENT

3.0 (a) If prior to the Expiration Date, the Optionee's position as a consultant to or a director, an officer or an employee of the Corporation or a subsidiary of the Corporation, as the case may be, is terminated by reason of the death of the Optionee, the Share Option may be exercised during the period expiring the earlier of the Expiration Date or one year after such date of death provided that the respective Vesting Date has occurred. In the event of the Optionee's death, the rights of the Optionee under the Share Option may be exercised by the person or persons to whom the Optionee's rights under the Share Option shall pass by will or applicable law or, if no such person has such

right, by the Optionee's executors or administrators, subject to the time limitations as aforesaid.

(b) If prior to the Expiration Date, the Optionee's position as a consultant to or a director, an officer or an employee of the Corporation or a subsidiary of the Corporation, as the case may be, is terminated for any reason other than the death of the Optionee, any Share Options that have vested to the Optionee may be exercised during the period expiring the earlier of the Expiration Date or thirty (30) days following the date of such termination.

ARTICLE IV
MATERIAL CHANGE

4.01 In the event that, prior to the Expiration Date or exercise in full of the Share Option, the outstanding share capital of the Corporation shall be subdivided or consolidated into a greater or lesser number of Shares, or, in the event of the payment of a stock dividend by the Corporation, or in the event that all of the shareholders of the Corporation are granted the right to purchase additional Shares of the Corporation, the number and price of Option Shares remaining subject to the Share Option hereunder shall be increased or reduced accordingly, as the case may be.

4.02 If, prior to the Expiration Date or exercise in full of the Share Option granted hereby, the Corporation shall, at any time arrange with or merge into another corporation, the Optionee will thereafter receive, upon the exercise of the Share Option, the securities or properties to which a holder of the number of Shares then deliverable upon the exercise of the Share Option would have been entitled upon such arrangement or merger, and the Corporation will take steps in connection with such arrangement or merger as may be necessary to assure that the provisions hereof shall thereafter be applicable, in relation to any securities or property thereafter deliverable upon the exercise of the Option granted hereby. A sale of all or substantially all of the assets of the Corporation for consideration, (apart from the assumption of obligations), consisting primarily of securities shall be deemed to be an arrangement or merger for the foregoing purposes.

ARTICLE V
CHANGE OF CONTROL

5.01 In the event of:

(a) a change of control of the Corporation (as such term is customarily used in the Securities Act, (Alberta) through ownership of its common shares, including a "take-over bid", an "exempt take-over bid", "issuer bid" or an "exempt issuer bid"; or

<PAGE>

(b) a change in all or substantially all of the members of the Board of directors of the Corporation; or

(c) the Corporation merging, amalgamating or re-organizing with another company that is not an affiliate of the Corporation; or

(d) the sale of all or substantially all of the assets or undertakings of the Corporation

(a "Change of Control Event") all unvested Share Options shall immediately vest to the Optionee effective as of the date of the Change of Control Event.

ARTICLE VI

RESERVATION OF TREASURY SHARES

6.01 The Corporation shall at all times during the term of this Agreement, reserve and keep available a sufficient number of Treasury Shares to satisfy the requirements hereof.

ARTICLE VII
RESTRICTION ON ASSIGNMENT

7.01 The Share Option granted hereby are, insofar as the Optionee is concerned, personal and non-assignable and neither this Agreement nor any rights in regard thereto shall be transferable or assignable except upon the death of the Optionee pursuant to Clause 3.01 hereof.

ARTICLE VIII
EXERCISE OF THE SHARE OPTION

8.01 After the respective Vesting Date, the Share Option may be exercised by the Optionee in accordance with the provisions hereof in whole or in part, from time to time, by delivery of written notice of such exercise and by tendering the pay-ment therefor in cash or by certified cheque to the Corporation at its principal office or registered office in Calgary, Alberta. Such notice shall state the number of the Option Shares with respect to which the Share Option or Share Option are then being exercised. The Share Option shall be deemed for all purposes to have been exercised to the extent stated in such notice upon delivery of the notice and a tender of payment in full, notwithstanding any delay in the issuance and delivery of the certificates for the Shares so purchased.

8.02 Notwithstanding anything else to the contrary, Option Shares shall always be granted and exercised in accordance with applicable securities legislation, including the Securities Act of 1933, as amended, and the rules and regulations thereunder.

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ARTICLE IX
RIGHTS OF THE OPTIONEE PRIOR TO EXERCISE DATE

9.01 The Share Option herein granted shall not entitle the Optionee to any rights whatsoever as a shareholder of the Corporation with respect to any Shares subject to the Share Option until they have each been exercised in accordance with Clause 8.01 and Option Shares have been issued as fully paid and non-assessable.

ARTICLE X
FURTHER ASSURANCES

10.01 The parties hereto covenant that they shall and will from time to time and at all times hereafter do and perform all such acts and things and execute all such additional documents as may be required to give effect to the terms and intention of this Agreement.

ARTICLE XI
INTERPRETATION

11.01 It is understood and agreed by the parties hereto that questions may arise as to the interpretation, construction or enforcement of this Agreement and the parties are desirous of having the Board of the Corporation determine any such question of interpretation, construction or enforcement. It is therefore understood and agreed by and between the parties hereto that any question arising under the terms of this Agreement as to interpretation, construction or enforcement shall be referred to the Board of the Corporation and their majority decision shall be final and binding on both of the parties hereto.

ARTICLE XII
ENTIRE AGREEMENT

12.01 This Agreement supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the subject matter hereof and represents the entire agreement between the parties relating to the subject matter hereof.

ARTICLE XIII
ENUREMENT

13.01 Subject to the other provisions hereof, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

<PAGE>

13.02 This Agreement shall continue to constitute a binding obligation of the Corporation notwithstanding any change of control of its voting securities during the term hereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SIGNED AND DELIVERED)
in the presence of:)
)
)
)
)
)

Witness

ABACAN RESOURCE CORPORATION

Per: _____

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COMPUTATION OF PER SHARE EARNINGS

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Shares Outstanding	114370836

Shares Outstanding (Fully Diluted) (2)	125334953

Basic Earnings per Share	\$ 0.11

Basic Earnings per Share (Fully Diluted)	\$ 0.11

<FN>
 (1) Based on Canadian GAAP.
 (2) Consists of 9,764,117 exercisable stock options at prices ranging from Cdn \$0.28 to Cdn \$12.15 per share; 600,000 options at \$0.91 per share; 100,000 broker warrants at U.S. \$7.50 per share and 500,000 broker warrants at \$3.40 per share.

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EXHIBIT 21.1

SUBSIDIARIES

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2.	LIBERTY TECHNICAL SERVICES LTD.	BAHAMAS
3.	WEST AFRICAN RESOURCE CORPORATION	BAHAMAS
4.	ABACAN RESOURCES (BENIN) LIMITED	BAHAMAS
5.	ABACAN RESOURCES (DELTA) LIMITED	BAHAMAS
6.	ABACAN TECHNICAL SERVICES LTD.	BAHAMAS
7.	ABACAN POWER BENIN LIMITED	BAHAMAS
8.	ABACAN RESOURCES (NIGERIA) LTD.	NIGERIA
9.	AGBARA RESOURCES LIMITED	BAHAMAS
10.	ANGUS INTERNATIONAL RESOURCES LTD.	BAHAMAS
11.	PROFILE INTERNATIONAL LTD.	BAHAMAS
12.	ABACAN-ADDAX BENIN CONSORTIUM S.A.	BENIN
13.	ABACAN SERVICES (U.K.) LIMITED	UK
14.	ABACAN SERVICES (USA) LIMITED	TEXAS

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ABACAN RESOURCES CORPORATION DECEMBER 31, 1998 FORM 10-KSB AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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</DOCUMENT>

</SEC-DOCUMENT>

-----END PRIVACY-ENHANCED MESSAGE-----