

ALCORN (PRODUCTION) PHILIPPINES, INC

19th Floor, Solid Bank Building
Cruz de Roxas, Makati, Metro Manila
Tel. 812 6021
Telex 22909 4547 64911

EVP-GM/010

January 12, 1987

Bureau of Energy Development
PNPC Complex, Merritt Road
Fort Bonifacio, Makati
Metro Manila

Attention: Atty. W. R. de la Paz
Director

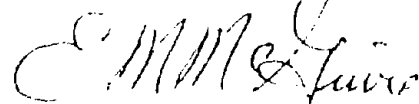
Gentlemen:

Attached is a copy of a "Basic Agreement" between Service Contract-6 and Service Contract-14. This Basic Agreement has been signed by all parties of Service Contract-14 and by Alcorn (Palawan) Production, Inc. as Operator on behalf of the Service Contract-6 Consortium.

This Basic Agreement was drawn up to facilitate the allocation of expenditures for the Matinloc to Cadlao pipeline.

Your approval of this Basic Agreement would be most appreciated.

Very truly yours,



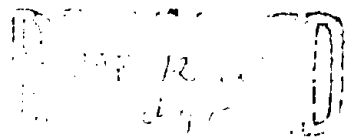
E. M. MCGUIRE
Executive Vice President
& General Manager

EMM/lyn

Attachment

cc: Atty. E. F. Hernandez - w/ attachment
Mr. O. de Venecia - " "
Dr. W. Brown - " "
Mr. R. O. Feliciano - " "
Mr. V. A. Walston - "

BUREAU OF ENERGY DEVELOPMENT
OFFICE OF THE DIRECTOR



BASIC AGREEMENT

THIS BASIC AGREEMENT is made this 5th day of May 1986 between ALCORN (PRODUCTION) PHILIPPINES, INC., ALCORN (PHILIPPINES) INC., ORIENTAL PETROLEUM & MINERALS CORPORATION, PHILIPPINE-OVERSEAS DRILLING AND OIL DEVELOPMENT CORPORATION, BASIC PETROLEUM & MINERALS, INC., AND LANDOIL RESOURCES CORPORATION (collectively the "Matinloc Oil Production Complex" Consortium - MOPC Consortium) and Alcorn (Palawan) Production, Inc. as Operator of Service Contract-6.

W I T N E S S E T H: That

WHEREAS, a pipeline will be constructed and laid by the Service Contract-6 Consortium which will connect the Cadlao Oil Field with the Matinloc Oil Production Complex for the purpose, among others, of extending the economic lives of both fields by reducing operating costs for both fields; and

WHEREAS, the MOPC Consortium desires to secure crude oil storage and offloading facilities and services;

NOW, THEREFORE, the parties hereto agree as follows:

1. Allocation of Costs and Payments - The necessary Operating Budget for Service Contracts 6 and 14 shall be agreed upon by the members of each Service Contract on a yearly basis. Such budget shall, among others, allocate expenditures for the pipeline, crude oil storage and offloading facilities and services which will be correspondingly charged through monthly cash calls.

2. Governing Law - This Agreement shall be governed by and interpreted for all purposes according to the laws of the Republic of the Philippines.

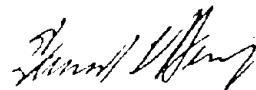
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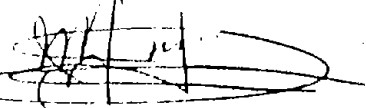
IN WITNESS WHEREOF, the undersigned have caused this Basic Agreement to be executed by their undersigned duly authorized representatives as of the date and year first above written.

MOPC CONSORTIUM CONFORME:

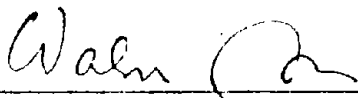
ORIENTAL PETROLEUM & MINERALS CORPORATION, a Philippine Corporation

By: 
Name: EDUARDO F. HERNANDEZ
Title: President

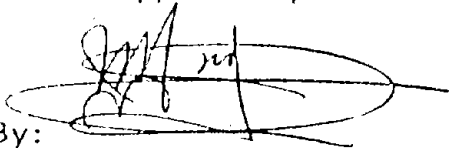
BASIC PETROLEUM & MINERALS INC., a Philippine Corporation

By: 
Name: MARIO M. USON
Title: Executive Vice-President

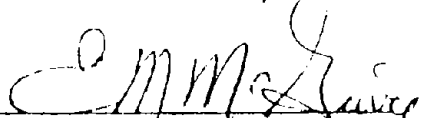
PHILIPPINE-OVERSEAS DRILLING & OIL DEVELOPMENT CORPORATION, a Philippine Corporation

By: 
Name: WALTER W. BROWN
Title: President

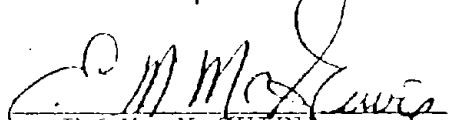
LANDOIL RESOURCES CORPORATION a Philippine Corporation

By: 
Name: MARIO M. USON
Title: Executive Vice President

ALCORN (PRODUCTION) PHILIPPINES, INC., a Delaware Corporation

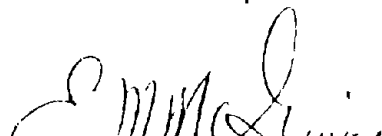
By: 
Name: E. M. McGUIRE
Title: Executive Vice President

ALCORN (PHILIPPINES), INC. a Delaware Corporation

By: 
Name: E. M. McGUIRE
Title: Executive Vice President

SERVICE CONTRACT-6 OPERATOR CONFORME:

ALCORN (PALAWAN) PRODUCTION, INC. a Delaware Corporation

By: 

FARM-OUT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Agreement is made and entered into by and between:

ALCORN (PHILIPPINES), INC., and ALCORN (PALAWAN), INC. both U.S. corporations duly authorized to do business in the Philippines with offices at the Solidbank Building, 777 Paseo de Roxas, Makati, Metro Manila, Philippines, represented in this act by its duly authorized Executive Vice President & General Manager, E. M. McGUIRE, hereinafter called ALCORN;

- AND -

ORIENTAL PETROLEUM & MINERALS CORPORATION, a corporation duly organized in accordance with Philippine laws, with principal offices at Corinthian Plaza, Paseo de Roxas, Makati, Metro Manila, Philippines, represented in this act by its duly authorized President, EDUARDO F. HERNANDEZ, hereinafter called ORIENTAL;

W I T N E S S E T H: That

WHEREAS, last August 28, 1986, in Houston, Texas, ALCORN and ORIENTAL entered into a Memorandum of Agreement, under which ORIENTAL provided valuable consideration and under certain terms and conditions, ALCORN assigned and conveyed certain interests in Service Contract No. 6 and Service Contract No. 14 with the Republic of the Philippines.

NOW, THEREFORE, pursuant to said Agreement, ALCORN hereby conveys to ORIENTAL: (1) 35% of the 50% working interest in Service Contract No. 6 held by Amoco Philippines at the time such corporation was acquired from Amoco Production Company (Amoco) by ALCORN (Palawan) on February 5, 1986; (2) 35% of the 39.375% working interest in the Matinloc Oil Production Lease and 35% of the 52.483% working interest in the NIDO Oil Lease both pursuant to Service Contract No. 14 and held by PCSI at the time such corporation was acquired by ALCORN (Philippines) on December 5, 1985; and (3) 35% of the 8-1/3% interest of Husky in Service Contract No. 6 acquired by ALCORN (Palawan) from Husky.

Upon approval by the Bureau of Energy Development of this assignment, the parties will own the following undivided working interest in all rights and obligations under the Service Contract.

	<u>SERVICE CONTRACT-14</u>		<u>SERVICE CONTRACT-6</u>	
	<u>Nido</u>	<u>Matinloc</u>		<u>Cadlao</u>
Alcorn (Production) Philippines, Inc.	34.114%	25.724%	Alcorn (Palawan) Production, Inc.	32.500%
Alcorn (Philippines), Inc.	-	32.932%	Alcorn (Palawan), Inc.	30.416%
Oriental Petroleum & Minerals Corp.	51.415%	16.851%	Oriental Petroleum & Minerals Corp.	20.417%

In the event of silence, conflict or inconsistency between the terms of this agreement and the foregoing Memorandum of Agreement executed in Houston, Texas, the parties hereby agree that the said Memorandum of Agreement will prevail.

IN WITNESS WHEREOF, the parties hereto have hereunto signed these presents this 30th day of Sept, 1986 at

ALCORN (PHILIPPINES), INC.
ALCORN (PALAWAN), INC.
(ALCORN)

L.M. McGuire
L. M. MCGUIRE
Executive Vice President
General Manager

ORIENTAL PETROLEUM &
MINERALS CORPORATION
(ORIENTAL)

BY: *Eduardo F. Hernandez*
EDUARDO F. HERNANDEZ
President

Signed in the presence of:

[Signature]

A. Osguent

REPUBLIC OF THE PHILIPPINES)
(MUNICIPALITY OF MAKATI)) S.S.
city of Manila

BEFORE ME, a Notary Public for and in the Municipality of Makati, Metro Manila, Philippines, this 30th day of Sept, 1986, personally appeared the following:

L.M. MCGUIRE, with Passport No. Z3060259, issued at Manila, on December 14, 1982, the duly authorized Executive Vice President & General Manager of Alcorn (Philippines), Inc. and Alcorn (Palawan), Inc.; and

EDUARDO F. HERNANDEZ, with Res. Cert. A-17724711, issued at Makati, on April 14, 1986, the duly authorized President of Oriental Petroleum & Minerals Corporation;

both known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed and the free and voluntary act and deed of the corporations they respectively represent.

WITNESS MY HAND AND SEAL on the date and place first above-mentioned.

[Signature]
NOTARY PUBLIC

Doc. No. 11 ;
Page No. 4 ;
Book No. 7 ;
Series of 1986.

JAIME M. VIBAR
Notary Public
Until December 31, 1987
PTR No. S739161/1-7-86/Makati
OBP No. 208857/1-8-86/11