

Deep Onshore

DEEP ONSHORE MODEL PRODUCTION SHARING CONTRACT

TABLE OF CONTENTS

ARTICLE 1  
\_\_DEFINITIONS..... 8

ARTICLE 2  
\_\_SCOPE..... 15

ARTICLE 3  
\_\_CONTRACT AREA..... 17

ARTICLE 4  
\_\_CONTRACT TERM..... 18

ARTICLE 5  
\_\_RELINQUISHMENTS..... 20

ARTICLE 6  
\_\_RETAINED EXPLORATION AREA..... 23

ARTICLE 7  
\_\_MINIMUM EXPLORATION WORK PROGRAMME..... 24

ARTICLE 8  
\_\_GUARANTEES..... 27

ARTICLE 9  
\_\_COORDINATION COMMITTEE..... 30

ARTICLE 10  
\_\_UNDERTAKING BY CONTRACTOR..... 31

ARTICLE 11  
\_\_ANCILLARY RIGHTS OF CONTRACTOR..... 36

ARTICLE 12  
\_\_ASSISTANCE BY THE MINISTER..... 37

ARTICLE 13  
\_\_DISCOVERY, COMMERCIALIZATION PROCEDURE..... 38

ARTICLE 14  
\_\_EXPLORATION WORK PROGRAMME..... 45

ARTICLE 15  
\_\_DEVELOPMENT AND PRODUCTION WORK PROGRAMMES AND BUDGETS..... 46

Deep Onshore	
ARTICLE <u>16</u>	
__NATURAL GAS.....	48
ARTICLE <u>17</u>	
__BOOKS OF ACCOUNT, FINANCIAL REPORTING, AUDIT, AND_COST VERIFICATION.....	52
ARTICLE <u>18</u>	
__ALLOCATION OF PRODUCTION, RECOVERY OF COSTS <sup>55</sup> AND EXPENSES, PRODUCTION SHARING AND_RIGHT OF EXPORT.....	55
ARTICLE <u>19</u>	
__MEASUREMENT OF PETROLEUM.....	62
ARTICLE <u>20</u>	
__VALUATION.....	64
ARTICLE <u>21</u>	
__FINANCIAL OBLIGATIONS.....	67
ARTICLE <u>22</u>	
__PAYMENT AND CURRENCY.....	71
ARTICLE <u>23</u>	
__MATERIALS AND EQUIPMENT IMPORT DUTIES.....	72
ARTICLE <u>24</u>	
__OWNERSHIP OF ASSETS.....	73
ARTICLE <u>25</u>	
__SUBCONTRACTORS, PERSONNEL AND TRAINING.....	75
ARTICLE <u>26</u>	
__STATE'S RIGHT OF REQUISITION.....	77
ARTICLE <u>27</u>	
__UNITIZATION.....	78
ARTICLE <u>28</u>	
__CONFIDENTIALITY.....	79
ARTICLE <u>29</u>	
__PIPELINES.....	81
ARTICLE <u>30</u>	
__INSURANCE.....	82
ARTICLE <u>31</u>	

Deep Onshore	
__ASSIGNMENT AND TRANSFER.....	83
ARTICLE <u>32</u>	
__APPLICABLE LAW.....	85
ARTICLE <u>33</u>	
__CONSULTATION, EXPERT DETERMINATION AND ARBITRATION.....	86
ARTICLE <u>34</u>	
__FORCE MAJEURE.....	88
ARTICLE <u>35</u>	
__NOTICES.....	89
ARTICLE <u>36</u>	
__TERMINATION.....	90
ARTICLE <u>37</u>	
__ABANDONMENT PROGRAMME, BUDGET AND ESCROW ACCOUNT.....	92
ARTICLE <u>38</u>	
__THE PETROLEUM ACT AND REGULATIONS.....	95
ARTICLE <u>39</u>	
__LOCAL CONTENT.....	96
ARTICLE <u>40</u>	
__MISCELLANEOUS.....	98

ANNEX A

CONTRACT AREA

GEOGRAPHICAL DESCRIPTION OF BLOCK --- ... ..	A-1
--	-----

ANNEX B

REPORTS TO BE SUBMITTED BY CONTRACTOR ... ..	B-1
--	-----

ANNEX C

Deep Onshore

ACCOUNTING PROCEDURE

ARTICLE 1										
GENERAL PROVISIONS	...	...	...	...	...	...	...	...	...	C-1
ARTICLE 2										
COSTS AND EXPENDITURES	...	...	...	...	...	...	...	...	...	C-4
ARTICLE 3										
COST CENTRES	...	...	...	...	...	...	...	...	...	C-12
ARTICLE 4										
VALUATION OF MATERIALS	...	...	...	...	...	...	...	...	...	C-15
ARTICLE 5										
RECEIPTS	...	...	...	...	...	...	...	...	...	C-17
ARTICLE 6										
NON-RECOVERABLE COSTS	...	...	...	...	...	...	...	...	...	C-18
ARTICLE 7										
INVENTORIES AND INVENTORY STATEMENT	...	...	...	...	...	...	...	...	...	C-20
ARTICLE 8										
PRODUCTION STATEMENT	...	...	...	...	...	...	...	...	...	C-22
ARTICLE 9										
COST RECOVERY STATEMENT	...	...	...	...	...	...	...	...	...	C-24
ARTICLE 10										
STATEMENT OF EXPENDITURES	...	...	...	...	...	...	...	...	...	C-25
ARTICLE 11										
CONTROL STATEMENTS AND OTHER ACCOUNTS	...	...	...	...	...	...	...	...	...	C-26
Article 12										
Local Content	...	...	...	...	...	...	...	...	...	C-27

Deep Onshore

PRODUCTION SHARING CONTRACT

This Contract made this \_\_\_\_\_ day of \_\_\_\_\_ 2006 among the PRESIDENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO, His Excellency George Maxwell Richards, Intendant of State Lands (hereinafter referred to as "the President") of the FIRST PART, THE MINISTER OF ENERGY AND ENERGY INDUSTRIES, Senator the Honourable Dr. Lenny Saith (hereinafter referred to as "Minister") of the SECOND PART and ----- registered in the Republic of Trinidad and Tobago under the Companies Act and having a place of business at -- -----, the Republic of Trinidad and Tobago and ----- registered in Trinidad and Tobago under the Companies Act and having a place of business at ----- the Republic of Trinidad and Tobago (hereinafter collectively referred to as "Contractor") of the THIRD PART.

WHEREAS, pursuant to Section 6(3) of The Petroleum Act Chapter 62:01 of the Laws of the Republic of Trinidad and Tobago (hereinafter referred to as "the Act") Minister is authorized to enter into Production Sharing Contracts for the carrying out of Petroleum Operations upon such terms and conditions as the Cabinet may approve.

WHEREAS, Minister acting as the agent of the Government, is responsible for the collection of revenues accruing under this Contract.

AND WHEREAS, Minister, under Regulation 4 of the Petroleum Regulations made under the Act, issued on the day of, 2005, the Petroleum Regulations (Competitive Bidding) Order 2005 published as Legal Notice No. 9 of 2006 by which bids were invited for certain onshore and submarine areas described in the First Schedule therein.

AND WHEREAS, Contractor submitted a bid on \_\_\_\_\_, 2006 in accordance with and pursuant to the said Order.

AND WHEREAS, Contractor has represented to Minister that it has the requisite technical and financial capabilities to carry out Petroleum Operations and wishes to assist the Government in thoroughly evaluating the Petroleum potential and promptly and efficiently developing Petroleum resources discovered in the Contract Area.

Deep Onshore

AND WHEREAS, by Cabinet Minute No.----- dated ----- --, 2006 the Cabinet approved this Contract.

NOW therefore, in consideration of the premises, mutual covenants and conditions herein contained, it is hereby agreed as follows:

ARTICLE 1

DEFINITIONS

The following words and terms used in this Contract shall unless otherwise expressly specified in the Contract have the following respective meanings:

1.1 "Accounting Procedure" means the Accounting Procedure set out in Annex "C" hereto.

1.2 "Affiliate" means any entity directly or indirectly effectively controlling or effectively controlled by, or under direct or indirect effective common control with a specified entity or which is directly or indirectly controlled by a company or corporation that also directly or indirectly controls one of the parties comprising Contractor. For the purpose of this definition "control" when used with respect to any specified entity means the power to direct, administer and dictate policies of such entity (it being understood and agreed that it is not necessary to own directly or indirectly fifty percent (50%) or more of such entity's voting securities to have effective control over such entity, but ownership, direct or indirect, of fifty percent (50%) or more of such entity's voting securities shall automatically indicate effective control), and the terms "controlling" and "controlled" have meanings corresponding to the foregoing.

1.3 "Appraisal" or "Appraisal Programme" means all works carried out by Contractor following a Discovery of Petroleum in the Contract Area for the purpose of delineating one or more Petroleum reservoirs to which that Discovery relates in terms of thickness and lateral extent and in order to further define the quantity of recoverable Petroleum therein.

1.4 "Appraisal Area" means that area surrounding a Discovery encompassing the geological structure or feature of the Discovery and a reasonable margin not exceeding 0.5km as approved by Minister from time to time.

1.5 "Assessment Plan" means a plan submitted pursuant to Article 13.3 for the purpose of evaluating a Natural Gas Discovery in sufficient detail to be able to seek a market for the Natural Gas.

1.6 "Associated Natural Gas" means all Natural Gas produced



Deep Onshore

from any reservoir the predominant production of which is Crude Oil and which is separated from Crude Oil in accordance with normal oilfield practice including free gas cap, but shall exclude any liquid hydrocarbon extracted from such gas either by normal field separation, dehydration or in a gas plant.

1.7 "Available Crude Oil" means all Crude Oil produced and saved from the Contract Area and not used in Petroleum Operations.

1.8 "Available Natural Gas" means all Natural Gas produced and saved from the Contract Area and not used in Petroleum Operations.

1.9 "Available Petroleum" means all Available Crude Oil and Available Natural Gas.

1.10 "Barrel" means a unit of volume equal to forty-two (42) United States gallons, liquid measure, corrected to a temperature of sixty (60) degrees Fahrenheit and fourteen point seven (14.7) p.s.i.a.

1.11 "Calendar Quarter" means a period of three (3) consecutive Months beginning on the first day of January, April, July, or October.

1.12 "Calendar Year" means a period of twelve (12) consecutive Months beginning on the first day of January and ending on the following thirty first day of December in the same year.

1.13 "Commercial Discovery" means a Discovery that Contractor proposes to develop and produce under the terms of the Contract.

1.14 "Commercial Production" means regular and continuous production of Petroleum from a Production Area pursuant to an annual production schedule approved under Article 15.

1.15 "Contract" or "Production Sharing Contract" means this Contract and any subsequent amendments.

1.16 "Contract Area" means the area specified in Article 3 hereof and delineated on the map set out in Annex A, as modified and reconfigured from time to time in accordance with the stipulations of this Contract.

1.17 "Contractor" means -----

Deep Onshore

-----and includes its/their respective successors and permitted assignees.

1.18 "Contract Year" means a period of twelve (12) consecutive months within the term of this Contract, beginning on the Effective Date or any anniversary thereof.

1.19 "Coordination Committee" means the committee composed of representatives of Minister and Contractor constituted in accordance with Article 9.

1.20 "Cost Recovery" means the recovery of costs and expenses in accordance with Article 18.7.

1.21 "Crude Oil" means any hydrocarbon produced from the Contract Area which at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.) is in a liquid state at the wellhead or separator, or distillate and condensate which is extracted from gas or casing-head gas in a plant.

1.22 "Development" or "Development Operations" or "Development Work" shall include but not be limited to:

(i) all the operations and activities under the Contract with respect to the drilling of wells other than Exploration Wells and Appraisal wells, the deepening, plugging back, completing and equipping of such wells, together with the design, construction and installation of such equipment, pipelines or lines, installations, production units and all other systems relating to such wells as may be necessary in conformity with sound oilfield and generally prevailing environmental practices in the international Petroleum industry;

(ii) all operations and activities relative to the servicing and maintenance of pipelines, lines, installations, production units and all related activities for Production and management of wells.

1.23 "Development Plan" means the plan for the development of a Commercial Discovery, as provided in Article 13.

1.24 "Discovery" means any Petroleum not previously known to have existed, which is recovered at the surface in a flow measurable by conventional Petroleum industry testing methods.

Deep Onshore

1.25 "Effective Date" means the date on which this Contract has been signed by all Parties.

1.26 "Energy Equivalent Basis" means the equivalent of Natural Gas in Barrels of Crude Oil with 5,800 standard cubic feet of Natural Gas being equivalent to one Barrel of Crude Oil.

1.27 "Exploration" or "Exploration Operations" means operations which shall include but not be limited to such geological, geophysical, and other surveys and any interpretation of data relating thereto, and the drilling of such shot holes, core holes, stratigraphic tests, Exploration Wells for the Discovery of Petroleum, Appraisal of Discoveries and other related operations.

1.28 "Exploration Period" means the period not exceeding six (6) Contract Years from the Effective Date divided into up to three (3) phases, as provided for in Article 4.1.

1.29 "Exploration Well" means any well drilled with the objective of confirming a geologic trap in which Petroleum has not been previously discovered.

1.30 "Field" means an area within the Contract Area consisting of a Petroleum reservoir or multiple Petroleum reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic conditions from which Petroleum may be produced commercially.

1.31 "Government" shall mean the Government of the Republic of Trinidad and Tobago.

1.32 "Local Content" means the local component of goods, services and human resources employed in the conduct of Petroleum Operations under this Contract.

1.33 "Local Content Policy" means the policy of the Government with respect to Local Content.

1.34 "Local Enterprise" means a person, firm or entity performing works, services and/or supplying goods and materials to Contractor, whether as a Sub-contractor or otherwise, whose business enterprise is incorporated or otherwise organised under the laws of Trinidad and Tobago and whose principal place of business is in Trinidad and Tobago and which is effectively owned

Deep Onshore  
and controlled by nationals of Trinidad and Tobago.

1.35 "Local Goods" means materials and/or equipment mined, grown or produced in Trinidad and Tobago, whether through manufacturing or processing. An article, which is produced by manufacturing or processing, must differ substantially in its basic characteristics, purpose or utility from any of its imported components. Manufactured goods would be considered to be of local origin if the total cost of the local materials, labour and services used to produce the item constitute not less than fifty (50) percent of the cost of the finished product.

1.36 "Local Services" means works or services performed or supplied by a Local Enterprise.

1.37 "Measurement Point" means the location specified in the approved Development Plan within or outside of the Contract Area where the Petroleum is metered and delivered to Minister and Contractor.

1.38 "Minimum Exploration Programme" means the Exploration work to which Contractor has committed itself for each phase of the Exploration Period in accordance with Article 7.

1.39 "Minister" means the member of Cabinet to whom responsibility for matters related to Petroleum is assigned and his duly authorized delegates pursuant to Section 5 of the Act.

1.40 "Ministry" means the ministry in the Government to which responsibility for matters related to Petroleum is assigned.

1.41 "Month" or "Calendar Month" means any of the twelve months of the Calendar Year.

1.42 "Natural Gas" means all Petroleum which at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 p.s.i.a.) is in a gaseous state, including wet gas, dry gas, and residue gas remaining after the extraction, processing or separation of liquid Petroleum from wet gas, as well as non-Petroleum gas or gases produced in association with liquid or gaseous Petroleum.

1.43 "Natural Gas Field" means a Field from which more than fifty percent (50%) per cent of the estimated reserves on an Energy Equivalent Basis is Natural Gas at surface conditions.

Deep Onshore

1.44 "Non-associated Natural Gas" means all gaseous hydrocarbons produced from gas reservoirs, and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas.

1.45 "Operator" means the entity or one of the entities comprising Contractor which is in charge of the day to day activities of Contractor under this Contract. The initial Operator shall be ----- . No change in the Operator shall take effect unless it has been approved by Minister.

1.46 "Party" or "Parties" means Minister and Contractor and does not include any Subcontractor(s).

1.47 "Petroleum" means all natural organic substances composed of carbon and hydrogen. This includes Crude Oil and Natural Gas, and all other mineral substances, products, by-products and derivatives that are found in conjunction with such substances.

1.48 "Petroleum Operations" means the Exploration Operations, the Development Operations, the Production Operations, and all other activities related thereto carried out under this Contract, but excludes mining operations involving the extraction of Petroleum from bituminous shales, tar sands, asphalt or other like deposits.

1.49 "Petroleum Regulations" means the regulations made pursuant to the Act.

1.50 "Production Area" means the portion of the Contract Area specified in an approved Development Plan under Article 13.8.

1.51 "Production" or "Production Operations" shall include but not be limited to operations and all activities related thereto carried out for Petroleum production after Minister's approval of the Development Plan, such as extraction, injection, stimulation, treatment, transportation, storage, lifting, and related operations, but does not include any storage or transportation beyond the Measurement Point.

1.52 "Quarter" means a period of three (3) consecutive Months.

1.53 "Shallow Marine Block" means an acreage in which a

Deep Onshore  
minimum of fifty (50%)percent of the area is located in water depth  
of less than one thousand metres.

1.54 "State" means the Republic of Trinidad and Tobago.

1.55 "Subcontractor" means a specialized person, firm or  
entity contracted by Contractor to carry out specific work relative  
to Petroleum Operations under the supervision of and for the  
account of Contractor.

1.56 "Taxable Production Sharing Contract" means the agreement  
in which each entity comprising Contractor is required to directly  
discharge its liability for Withholding Tax, Petroleum Profits Tax,  
Unemployment Levy, Green Fund Levy and any other taxes, or  
impositions, other than Supplemental Petroleum Tax, Petroleum  
Impost, Royalty, and Petroleum Production Levy.

1.57 "Transfer" shall include the following, whether voluntary  
or involuntary and whether effected by operation of law, or  
otherwise, any transfer of ownership or any part thereof of any  
entity comprising Contractor by sale, merger, consolidation,  
reorganisation or liquidation or any change in ownership or voting  
rights in a company or legal entity.

1.58 "Transferee" shall mean any person to whom any Transfer  
is made.

1.59 "Work Programme" means a programme itemizing the  
Petroleum Operations to be conducted with respect to the Contract  
Area and the time schedule for accomplishing such operations.

ARTICLE 2

SCOPE

2.1 This is a Production Sharing Contract, the object of which is the Exploration, Appraisal, Development and Production of Petroleum in the Contract Area and the provision of required infrastructure within and outside of the Contract Area up to the Measurement Point, all at Contractor's sole risk and expense.

2.2 Subject to the terms and conditions of the Contract, Minister hereby appoints Contractor as the exclusive agent to conduct Petroleum Operations in the Contract Area during the term of the Contract. It is hereby understood and agreed that nothing in this Contract shall confer ownership of Petroleum in strata to Contractor.

2.3 Contractor shall be responsible to Minister for the execution of such Petroleum Operations in accordance with the provisions of the Contract. Without prejudice to Contractor's position as an independent contractor hereunder, the work to be done by Contractor shall be subject to the general supervision and review of Minister in accordance with the Contract.

2.4 In performing Petroleum Operations, Contractor shall provide the requisite financial resources and employ the highest industry standards, scientific methods, procedures, technologies and equipment accepted in the international Petroleum industry.

2.5 Contractor shall comply with the Local Content Policy of Trinidad and Tobago in effect as may be varied from time to time. In performing Petroleum Operations under the Contract, Contractor shall provide for the maximum utilization of services and facilities available from Local Enterprises. Contractor shall employ with priority local personnel in all aspects of Petroleum Operations.

2.6 Contractor shall receive no compensation for its services, nor any reimbursement of its expenditures under the Contract, except for the share of Petroleum from the Contract Area to which it may become entitled under Article 18. If there is no Commercial Discovery in the Contract Area or if Contractor's share of the production achieved from Production Areas within the Contract Area developed by Contractor is insufficient to reimburse Contractor, Contractor shall bear its own losses.

Deep Onshore



Deep Onshore

ARTICLE 3

CONTRACT AREA

3.1 The Contract Area as of the Effective Date of the Contract comprises a total area of approximately -----  
----- (---,---) hectares,  
as described in Annex "A" attached hereto and delineated in the map  
which forms part thereof.

3.2 Except for the rights expressly provided by the Contract,  
no right is granted in favour of Contractor to the surface area,  
sea-bed, sub-soil or to any natural resources or aquatic resources.

ARTICLE 4

CONTRACT TERM

4.1 The Exploration Period shall be for a period not exceeding six (6) Contract Years from the Effective Date, divided into:

- a first phase of ----- (-) years
- an optional second phase of -----(-) years and
- an optional third phase of ----- (-) years

Contractor's right to enter the next phase is subject to it having fulfilled its obligations for the then current phase.

4.2 Contractor shall notify Minister of its election to enter the next phase at least ninety (90) days prior to expiration of the then current phase. If Contractor does not so elect to enter the next phase, this Contract shall terminate as provided herein under terms and conditions to be agreed by Minister and Contractor at the end of the then current phase, with respect to any portion of the Contract Area not included in:

- (a) a Production Area;
- (b) Appraisal Areas subject to an extension pursuant to Article 4.3;
- (c) areas retained for a market development phase pursuant to Article 16.2;
- (d) areas retained for Exploration pursuant to Article 6.1; and
- (e) any areas then pending approval or then in dispute under Article 33.

4.3 Where insufficient time is available during the Exploration Period to complete the commercialization determination under an Appraisal Programme approved under Articles 13.2 or 13.4, Contractor shall have the right, upon written application to Minister not less than ninety (90) days before the end of the Exploration Period, to an extension of the term with respect to the

Deep Onshore

Appraisal Area until the date on which the evaluation report on such Discovery is due under Article 13.2 (d) or 13.4 (d).

4.4 In the event of a Commercial Discovery, the term of the Contract shall be twenty-five (25) years from the Effective Date with respect to the Production Area corresponding to such Commercial Discovery; provided, however, if the Commercial Discovery relates to a Natural Gas Field, the term of the Contract shall be twenty-five (25) years from the Effective Date plus the period of any market development phase granted and utilized in accordance with Article 16.2 and any extension granted in accordance with Article 16.6, with respect to the Production Area corresponding to such Natural Gas Field.

4.5 Contractor may request by notice to Minister at least one (1) year prior to the end of the term of the Contract to extend the duration of the Contract with respect to any Production Area for up to an additional five (5) years on terms and conditions to be mutually agreed between Minister and Contractor.

4.6 The Minister may grant further five (5) year extensions in the same manner as has been laid down in Article 4.5.

4.7 At the request of Contractor or Minister, the provisions of this Contract may be reviewed or renegotiated five years prior to the termination of the initial Contract term referred to in Article 4.4 provided that the Contract Profit Ratio is less than one (1) or greater than three and one half (3.5). The Contract Profit Ratio shall be taken as the cumulative value of Contractor's Profit Petroleum divided by the cumulative value of Cost Recovery Petroleum.

ARTICLE 5

RELINQUISHMENTS

5.1 Subject to Article 5.2, the Contract Area shall be reduced by:

(a) at least forty percent (40%) of the original Contract Area, not later than the end of the first phase of the Exploration Period;

(b) at least fifty percent (50%) of the original Contract Area (inclusive of areas previously relinquished), not later than the end of the second phase of the Exploration Period;

(c) all portions of the original Contract Area, not later than the end of the Exploration Period under Article 4.1 with the exception of:

(i) Production Areas;

(ii) Appraisal Areas subject to an extension under Article 4.3;

(iii) Natural Gas Discovery areas retained for a market development phase under Article 16.2; and

(iv) Exploration areas retained in accordance with Article 6.1;

(d) any Appraisal Area subject to an extension under Article 4.3 that is not declared a Commercial Discovery, by the end of the extension under Article 4.3;

(e) any Natural Gas Discovery area retained pursuant to Article 16.2 that is not declared a Commercial Discovery, by the end of the market development phase granted under Article 16.2;

(f) any Production Area, not in Commercial Production by the end of five (5) years after declaration of Commercial Discovery for such area, within thirty (30) days after Minister's request for such relinquishment, and

(g) any Exploration area retained pursuant to Article 6.1 for

Deep Onshore

which no approved Exploration Work Programme for such area is committed.

5.2 Subject only to Articles 5.1(f) and 5.6, Contractor shall not be required pursuant to Article 5.1 to relinquish any portion of the Contract Area designated as a Production Area.

5.3 Unless the Contract Area is earlier surrendered or the Contract terminated, Contractor shall furnish Minister with a description of the boundaries of the part to be relinquished not less than ninety (90) days in advance of the deadline for the relinquishment prescribed in Article 5.1.

5.4 The area designated under Article 5.3 for relinquishment shall be as far as practicable rectangular bounded by lines running due north and south and due east and west, having the longer side no more than three (3) times the shorter side. Unless Minister specifically consents, no individual block relinquished shall be less than thirty percent (30%) of the total area being relinquished at such time.

5.5 Article 5.4 shall also apply where a Contractor voluntarily surrenders a part of the Contract Area.

5.6 Contractor shall relinquish rights to conduct Petroleum Operations in a Production Area upon request of Minister where, for reasons other than force majeure or scheduled maintenance under an approved Work Programme and budget, Contractor has ceased normal production of such Production Area for more than one hundred and eighty (180) consecutive days.

5.7 No relinquishment shall relieve Contractor of accrued, but unfulfilled obligations under the Contract. In the event that Contractor desires to relinquish its rights hereunder in all of the Contract Area without having fulfilled all accrued Minimum Work Programme under Article 7, Contractor or its guarantor shall pay Minister prior to the date of such proposed total relinquishment an amount equal to the remaining amount of the non-discharged guarantees under Article 8 corresponding to such accrued, but unfulfilled work obligations.

5.8 Prior to relinquishment of any area, Contractor shall perform all necessary abandonment programme activities in accordance with the highest internationally accepted petroleum industry standards to restore such area as nearly as possible to

Deep Onshore

the condition in which it existed on the Effective Date, including removal of such facilities, equipment or installations as Minister may instruct, and shall take action necessary to prevent hazards to human life, property and the environment which may be caused by its facilities, equipment or installations.

ARTICLE 6

RETAINED EXPLORATION AREA

6.1 Where Contractor declares a Commercial Discovery in the Contract Area during the Exploration Period specified in Article 4.1 or any extension as provided for under Article 4.3, Contractor shall have the option, exercisable by notice to Minister at least one hundred and twenty (120) days before the relinquishment required under Article 5.1(c), to retain up to twenty percent (20%) of the original Contract Area or an area to be mutually agreed by Minister and Contractor if justified by Contractor's Work Programme for ongoing Exploration. The notice to Minister:

(a) shall specify the coordinates of the Exploration area selected for retention, which shall be comprised of no more than two (2) separate rectangular blocks that comply with the specifications stated in Article 5.4; and

(b) shall contain Contractor's proposed Exploration Work Programme and budget corresponding to such area for the balance of the current Calendar Year and the next two Calendar Years.

Provided Minister approves the Exploration Work Programme and budget submitted with the aforementioned notice, Contractor shall have the right to conduct Petroleum Operations in the retained Exploration area for the approved period.

6.2 If Contractor wishes to retain any portion of the Exploration area selected under Article 6.1 beyond the date for which an agreed programme is committed, Contractor shall propose, for Minister's approval, an Exploration Work Programme and budget for the next two (2) Calendar Year periods. Such proposal shall be presented to Minister at least ninety (90) days before the end of the period for which an Exploration Work Programme has been approved.

6.3 Notwithstanding the guarantees committed to under Article 8, Contractor shall complete the Work Programme as agreed to under this Article.

ARTICLE 7

MINIMUM EXPLORATION WORK PROGRAMME

7.1 Contractor shall commence Exploration Operations hereunder within ninety (90) days after the Effective Date. Such Exploration Operations shall be diligently and continuously carried out in accordance with the best current international Petroleum industry practice for the duration of the Exploration Period.

7.2 During the first phase of the Exploration Period, Contractor shall carry out at least the following Minimum Exploration Programme:

(a) Geological:

Evaluate, integrate and map all data related to the Contract Area.

(b) Geophysical:

(i) Acquire and process to industry standards at least -----  
----- (-----) square kilometres of 3D seismic resulting  
in full fold coverage of approximately -----  
(-----), with shooting to commence within fifteen (15) months  
after the Effective Date.

(ii) Evaluate, integrate and map all seismic data related to  
the Contract Area.

(c) Drilling:

Drilling of at least --- Exploration Wells, to depths of at least -  
----- (----) metres, true vertical depth with spudding of  
the first such well to be not later than thirty (30) Months after  
the Effective Date.

7.3 During the optional second phase of the Exploration Period, Contractor shall carry out at least the following Minimum Exploration Programme:

(a) Geological:

Evaluate, integrate and map all data related to the Contract Area.



Deep Onshore

(b) Geophysical:

(i) Acquire and process to industry standards at least -----  
----- (-----) square kilometers of 3D seismic resulting  
in full fold coverage of approximately -----  
(-----) square kilometres.

(ii) Evaluate, integrate and map all seismic data related to  
Contract Area.

(c) Drilling:

Drilling of at least --- Exploration Wells, to depths of at least -  
----- (----) metres, true vertical depth.

7.4 During the optional third phase of the Exploration  
Period, Contractor shall carry out at least the following Minimum  
Exploration Programme:

(a) Geological:

Evaluate, integrate and map all data related to the  
Contract Area.

(b) Geophysical:

(i) Acquire and process to industry standards at least -  
----- (-----) square kilometers of 3D seismic  
resulting in full fold coverage of approximately -----  
----- (-----) square kilometres.

(ii) Evaluate, integrate and map all seismic data related  
to Contract Area.

(c) Drilling:

Drilling of at least --- Exploration Wells, to depths of at  
least ----- (----) metres, true vertical depth.

7.5 For purposes of the Minimum Exploration Programme under  
Articles 7.2 through Article 7.4:

Deep Onshore

(a) The obligations related to the second phase or third phase of the Exploration Period will accrue only if Contractor elects to enter such subsequent phase by notice pursuant to Article 4.1.

(b) In the event that an Exploration Well attains the minimum depth requirement in a prospective zone, Contractor shall be required to continue drilling to a depth which will ensure penetration of and allow for the proper testing of the entire prospective zone, provided such further drilling is technically feasible.

(c) Additional line kilometres of seismic and additional Exploration Wells beyond the minimum required for any phase of the Exploration Period may be carried forward to satisfy the respective seismic and drilling obligations of a subsequent phase of the Exploration Period.

7.6 Neither Appraisal wells, seismic surveys nor any other Petroleum Operations carried out as part of an Appraisal Programme or Assessment Plan approved under Article 13 shall discharge Contractor of obligations in respect of the Minimum Exploration Programme.

ARTICLE 8

GUARANTEES

8.1 Within seven (7) days after the Effective Date of the Contract, upon commencement of each subsequent phase of the Exploration Period entered into under Article 4 and within seven (7) days of approval being granted for an Exploration Work Programme under Article 6 or for any additional Exploration or Appraisal Work Programme pursuant to Article 13.6(c), Contractor shall provide Minister with irrevocable guarantees from a guarantor of financial substance acceptable to Minister for an amount equal to:

- (a) the respective amounts specified in Article 8.2, of carrying out the Work Programmes under Articles 6, 7 and 13.6(c); and
- (b) the sum of two hundred thousand (200,000) dollars in the currency of the United States of America for the performance of any obligation under the Contract other than those covered by the guarantees under (a) above.

Such guarantees shall be in a form and substance acceptable to Minister.

8.2 The respective amounts of the guarantees for obligations arising out of Work Programmes referred to in Article 8.1 shall be:

- (a) For the first phase of the Exploration Period - US\$-----
- (b) For the second phase of the Exploration Period - US\$-----
- (c) For the third phase of the Exploration Period - US\$-----
- (d) For any retained Exploration area, the estimated cost of the Work Programme that Contractor commits itself to carry out under Article 6.
- (e) For any additional Exploration or Appraisal Work Programme, pursuant to Article 13.6(c), the estimated cost of the Work Programme that Contractor commits itself to carry out

Deep Onshore  
under Article 13.6(c) from time to time.

8.3 Upon delivery to the issuing guarantor of a certificate from Contractor countersigned on behalf of Minister by a duly authorized official that the corresponding items of work have been completed in accordance with the Contract and that all technical data related thereto has been delivered to Minister the guarantee(s) shall be reduced in accordance with the following schedule:

(a) by an amount of ----- (-----  
----) US dollars upon completion of  
the first phase.

(b) by an amount of ----- (-----  
----) US dollars upon completion of the second phase.

(c) by an amount of ----- (-----  
----) US dollars upon completion of the third phase.

(d) by an amount equal to the estimated cost of the Work Programme agreed to under Article 6.

(e) by an amount equal to the estimated cost of the Work Programme agreed to under Article 13.6 (c) from time to time.

8.4 Where Contractor has failed to perform in accordance with this Contract all or any part of accrued Work Programmes:

- a) at the end of any phase of the Exploration Period,
- b) at the end of an approved period in respect of a retained Exploration area pursuant to Article 6, or
- c) at the end of an approved period in respect of an additional Exploration or Appraisal Work Programme pursuant to Article 13.6(c), or
- d) upon termination of this Contract,

Contractor or its guarantor shall on demand from Minister immediately pay Minister the entire remaining amount of such outstanding guarantee or guarantees.

8.5 Contractor shall deliver to Minister within seven (7)

Deep Onshore

days after the Effective Date of the Contract in a form acceptable to Minister an undertaking from the ultimate parent company that such parent company shall provide all technical and financial resources that its subsidiary may require to meet on a timely basis Contractor's obligations under the Contract.

ARTICLE 9

COORDINATION COMMITTEE

9.1 Within ten (10) days after the Effective Date, a Coordination Committee composed of four (4) members, two (2) of whom shall be appointed by Minister and two (2) by Contractor, shall be established. A Party, by at least ten (10) days' notice to the other Party, may replace one or more of its members on the Coordination Committee. The chairman of the Coordination Committee shall be appointed by Minister from the members appointed by him, and the secretary shall be named by Contractor from among its appointees. Additional representatives of either Party may attend meetings as observers or alternate members.

9.2 The mandate of the Coordination Committee is to assist Contractor in its activities under this Contract by providing a forum for a continuous dialogue and flow of information between Contractor and Minister regarding Contractor's planned activities and progress related to the Contract Area. The Committee shall review proposals for revisions to agreed Work Programmes and budgets and periodically evaluate Contractor's progress in respect of approved Work Programmes, budgets, local content initiatives and other matters related to Petroleum Operations under this Contract.

9.3 Ordinary meetings of the Coordination Committee shall be held quarterly in Port of Spain, or any other location agreed by the Parties. Special meetings of the Coordination Committee may be called on reasonable notice by either Party for the purpose of considering any major development or problems in Petroleum Operations.

9.4 The secretary's minutes of a meeting shall be prepared, and circulated within fourteen (14) days after adjournment of the meeting. A copy of such minutes shall be delivered to each of the Parties for information and appropriate action.

9.5 The Coordination Committee may from time to time designate one or more technical committees, composed of specialists appointed by the Parties to assist as required.

ARTICLE 10

UNDERTAKING BY CONTRACTOR

10.1 Resident Representative: Within thirty (30) days after the Effective Date Contractor shall designate a representative residing in Trinidad and Tobago who shall have full authority to represent it in respect of matters related to the Contract and to receive notices addressed to Contractor.

10.2 Office: Within ninety (90) days after the Effective Date, Contractor shall establish and maintain an office in Trinidad and Tobago with sufficient competence and capacity to conduct and perform Petroleum Operations in accordance with the terms of this Contract.

10.3 Conduct of Petroleum Operations: Contractor shall conduct Petroleum Operations hereunder in a continuous, diligent, and workmanlike manner, in accordance with applicable law and the Contract, and the best current international petroleum industry practices and environmental standards applicable from time to time in similar circumstances, all designed to achieve efficient and safe Exploration and Production of Petroleum and to maximize the ultimate economic recovery of Petroleum from the Contract Area. In this regard, Contractor shall ensure that all materials, equipment, technologies and facilities used in Petroleum Operations comply with the best engineering and environmental standards accepted in the international petroleum industry, and are kept in good working order.

10.4 Local Content Commitment: Contractor shall comply with the Local Content Policy of Trinidad and Tobago in effect from time to time. In performing Petroleum Operations under the Contract, Contractor shall provide for the maximum utilization of goods, services and facilities available in Trinidad and Tobago in accordance with the provisions of Article 25.2. Contractor shall employ with priority local personnel in all aspects of Petroleum Operations and shall undertake the training and development of such personnel in accordance with the provisions of Article 25.6. The Work Programmes and budgets submitted and reported pursuant to Articles 14 and 15 should indicate Contractor's estimate of the Local Content component of ongoing Petroleum Operations.

10.5 Notification of Work: Contractor shall provide Minister with regular and complete information concerning all Petroleum

Deep Onshore

Operations and shall present to Minister prior to execution of specific work information relative thereto.

10.6 Records: Contractor shall prepare and maintain in Trinidad and Tobago at all times during the term of the Contract accurate and current records of its Petroleum Operations hereunder.

10.7 Reports: In accordance with Annex "B", Contractor shall submit to Minister detailed daily drilling reports and monthly physical progress reports covering in reasonable detail all the activities carried out under this Contract, as well as all other reports as may be required by Minister.

10.8 Comprehensive Technical and Commercial Evaluation: Within ninety (90) days after completion of the Minimum Exploration Programmes under Articles 7.2, 7.3 and 7.4 respectively, and Work Programmes under Articles 6 and 13, Contractor shall prepare and present to Minister a comprehensive technical and commercial evaluation of the Petroleum potential of those portions of the Contract Area for which Exploration Operations and other activities have been performed or evaluated by the work conducted.

10.9 Data: Contractor shall provide Minister in accordance with Annex "B" any and all data, reports, samples, information, interpretation of such data and all other information or work product pertaining to the Contract Area including in particular all data for which the cost was recorded by Contractor as a cost of Petroleum Operations. Contractor may retain for use in Petroleum Operations hereunder copies of technical data. All original data shall be delivered by Contractor to Minister not later than the end of the term of the Contract. Subject to the prior approval of Minister, Contractor may:

- (a) export original data;
- (b) retain for use in Petroleum Operations hereunder original technical data;
- (c) export for processing or laboratory examination or analysis, samples or other original materials, provided that samples equivalent in size and quality or, where such material is capable of reproduction, copies of equivalent quality have first been delivered to Minister.



Deep Onshore

10.10 Inspection by Minister:

(a) Contractor shall enable at all reasonable times the duly authorized representatives of Minister and other agencies of the Government to inspect any part of Petroleum Operations and all facilities, installations, offices, records, books or data related to Petroleum Operations.

(b) All duly authorized representatives of Minister and other agencies of the Government agree to abide by the posted or published safety rules of Contractor during such inspections.

10.11 Use of Facilities: Contractor shall provide facilities to a reasonable number of duly authorized representatives of Minister and other agencies of the Government to perform their duties and obligations in relation to this Contract, including in the case of field operations, transportation, lodging, food and other amenities at equal conditions as those supplied by Contractor to its own staff.

10.12 Loss or Damage: Contractor shall bear responsibility in accordance with applicable law for any loss or damage to third parties caused by its employees' or Subcontractors' wrongful or negligent acts or omissions and indemnify Minister and the Government against all claims and liabilities in respect thereof.

10.13 Legal Proceedings: Contractor shall give Minister timely notice of any legal proceedings in relation to this Contract.

10.14 Environment, Pollution, Safety: While conducting Petroleum Operations and in accordance with the highest sound and current international Petroleum industry practice, Contractor shall take and ensure that its Subcontractors and agents take necessary measures for safety of life; conservation of property, crops, fish, wildlife and navigation; protection of the environment; prevention of pollution; and safety and health of personnel, including but not limited to:

(a) ensuring security areas around all machinery and equipment;

(b) erecting of fences, if applicable, at a distance of not less than fifty (50) metres from any drilling rig, generator, or other equipment of a dangerous nature;

Deep Onshore

(c) providing secure storage areas for all explosives, detonators, and similar dangerous materials used in Petroleum Operations;

(d) preventing pollution or damage to any water-bearing formations and other natural resources;

(e) containing any blowout, fire or other emergency situation that would result in loss of reserves or damage to the reservoir;

(f) preventing unintentional entrance of fluids into Petroleum formations and the production of Crude Oil or Natural Gas from reservoirs at higher rates than consistent with good Petroleum industry practice;

(g) taking all necessary precautions to prevent pollution of or damage to the environment including the undertaking of remedial measures within a reasonable period to repair or offset damage to the environment in cases where Minister determines that any works or installations erected by Contractor or any operations conducted by or on behalf of Contractor endanger third party property or cause pollution or harm wildlife or the environment, including where pollution occurs promptly to treat or disperse it in an environmentally acceptable manner;

(h) reporting to Minister within twenty-four (24) hours in cases of death or serious injury to workers in the performance of duties connected with Petroleum Operations;

(i) arranging an adequate supply of first-aid medicines and equipment in each area and maintaining a healthy environment for the workers;

(j) providing safety and fire-fighting equipment and training of personnel in the use of such equipment in each work area; and

(k) participating in the National Oil Spill Contingency Plan, as is in force from time to time, and, in addition and without prejudice to its obligations thereunder, preparing and submitting to Minister for approval prior to commencing any drilling activities, an oil spill and fire contingency plan, which plan shall be implemented in the event of such a

Deep Onshore  
catastrophe.

10.15            Joint Operating Agreement: In the event there is more than one entity comprising Contractor, a joint operating agreement between the entities shall be executed within ninety (90) days of the Effective Date and submitted to Minister for his information. Contractor shall also supply to Minister for his information any other agreements executed by the entities comprising Contractor relating to the conduct of Petroleum Operations under this Contract within ten days of execution of such agreements. Changes made to any of these agreements shall be submitted to Minister for his information within ten days of the execution of such changes.

ARTICLE 11

ANCILLARY RIGHTS OF CONTRACTOR

11.1 Contractor shall for the efficient conduct of Petroleum Operations have the right subject to appropriate arrangements with other operators and/or relevant authorities and as approved by Minister:

(a) to reasonable access to and from the Contract Area and to and from facilities pertaining to Petroleum Operations hereunder wherever located at all times, and to use of the land required; and

(b) to use in Petroleum Operations sand, gravel and water belonging to the public domain in accordance with the relevant laws and on payment of the generally prevailing charge for such resources in the locality of use.

ARTICLE 12

ASSISTANCE BY THE MINISTER

12.1 To enable Contractor to implement the Contract expeditiously and efficiently, Minister shall when specifically requested by Contractor assist Contractor among other things, in:

(a) obtaining right to use land, rights of way, permits and/or easements as may be required for the conduct of Petroleum Operations;

(b) obtaining licences or permits for transportation and communication facilities;

(c) complying with import/ export controls and regulations and custom formalities and where applicable obtaining exemptions from customs and other duties;

(d) obtaining entry and exit visas for the foreign employees of Contractor and foreign Subcontractors who may come to Trinidad and Tobago for the implementation of the Contract, and members of their families;

(e) obtaining relevant work permits;

(f) obtaining access to all geological, geophysical, drilling, well and production information in the Contract Area; and

(g) dealing with Government authorities in general.

12.2 The Minister shall be promptly reimbursed by Contractor for all reasonable expenses incurred in providing the assistance requested by Contractor in accordance with this Article 12.

ARTICLE 13

DISCOVERY, COMMERCIALIZATION PROCEDURE

If a Discovery is made in an Exploration Well, Contractor shall:

- (a) immediately notify Minister of such Discovery;
- (b) within thirty (30) days thereafter provide Minister with all available information regarding the Discovery, including a preliminary classification of the Discovery as Crude Oil or Natural Gas; and
- (c) within ninety (90) days after such Discovery, also notify Minister whether:
  - (i) it considers the Discovery of Crude Oil or Natural Gas to have commercial potential; or
  - (ii) it does not consider the Discovery of Crude Oil or Natural Gas to have commercial potential.

13.2 (a) If Contractor pursuant to Article 13.1 (c)(i) notifies Minister that a Discovery of Crude Oil has commercial potential, it shall within thirty (30) days after such notice present to Minister for approval an Appraisal Programme. The Appraisal Programme shall be deemed approved as submitted if Minister does not respond in writing within sixty (60) days of receipt thereof.

- (b) The Appraisal Programme shall:
  - (i) specify in reasonable detail the Appraisal work including seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the time frame within which Contractor shall commence and complete the programme; and
  - (ii) identify the Appraisal Area.
- (c) Contractor shall carry out the approved Appraisal Programme under Article 13.2(a) within the time frame specified therein. Contractor may amend the Appraisal Programme subject to Minister's prior approval.

Deep Onshore

(d) Within ninety (90) days after completion of the Appraisal Programme Contractor shall submit to Minister a comprehensive evaluation report on the Appraisal Programme. Such evaluation report shall include, but not be limited to, the following information: geological conditions, such as structural configuration; physical properties and extent of reservoir rocks; pressure, volume and temperature analysis of the reservoir fluid; fluid characteristics, including gravity and composition of liquid and gaseous hydrocarbons, sulphur percentage, sediment and water percentage, and product yield pattern; production forecasts (per well and per Field); and estimates of recoverable reserves, projected delivery rate and pressure, quality specifications and other relevant technical and economic factors including economic feasibility studies carried out by Contractor in respect of its declaration made under Article 13.6.

13.3 (a) If Contractor pursuant to Article 13.1(c)(i) notifies Minister that a Discovery of Natural Gas has commercial potential, it shall within ninety (90) days after such notice present to Minister for approval a plan for assessing the Discovery in sufficient detail to be able to seek a market for the Natural Gas ("Assessment Plan"). The Assessment Plan shall be deemed approved as submitted if Minister does not respond within sixty (60) days of receipt thereof.

(b) The Assessment Plan shall:

(i) specify in reasonable detail the work that is needed to assess the Discovery, including seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the time frame within which Contractor shall commence and complete such works.

(ii) identify the Assessment Plan area which shall not exceed the area encompassing the geological structure or feature in which the Discovery is made and a reasonable margin surrounding such structure or feature to be mutually agreed by Minister and Contractor.

(c) Contractor shall carry out the approved Assessment Plan under Article 13.3(a) within the time frame specified therein. Contractor may amend the Assessment Plan subject to Minister's prior approval.

Deep Onshore

(d) Within ninety (90) days after completion of the Assessment Plan, Contractor shall submit to Minister a comprehensive evaluation report on the Assessment Plan. Such evaluation report shall include all available information related to the Discovery and a preliminary evaluation of its technical and economic factors including economic feasibility studies relevant to the determination of a market for available Natural Gas.

(e) Upon submission of the evaluation report under Article 13.3(d) Contractor shall notify Minister whether or not based on the results of its Assessment Plan it wishes to retain the Natural Gas Discovery for a market development phase in accordance with Article 16.2.

13.4 (a) (i) As a condition for declaring Commercial Discovery of a Natural Gas Field, Contractor shall conduct an Appraisal Programme acceptable to Minister.

(ii) As soon as Contractor develops an acceptable market for Natural Gas, but in any event within the term of the Contract including any market development phase granted under Article 16.2, Contractor shall apply to Minister for approval and upon approval being granted forthwith carry out an Appraisal Programme of the Natural Gas Discovery.

(b) The Appraisal Programme shall:

(i) specify in reasonable detail the Appraisal work including seismic, drilling of wells and studies to be carried out, the estimated cost of these works and the time frame within which Contractor shall commence and complete the programme; and

(ii) identify the Appraisal Area.

(c) Contractor shall carry out the approved Appraisal Programme under Article 13.4(a) within the time frame specified therein. Contractor may amend the Appraisal Programme subject to Minister's prior approval.

(d) Within ninety (90) days after completion of the Appraisal



Deep Onshore

Programme Contractor shall submit to Minister a comprehensive evaluation report on the Appraisal Programme. Such evaluation report shall include, but not be limited to, the following information: geological conditions, such as structural configuration; physical properties and extent of reservoir rocks; pressure, volume and temperature analysis of the reservoir fluid; fluid characteristics, including gravity and composition of liquid and gaseous hydrocarbons, sulphur percentage, sediment and water percentage, and product yield pattern; production forecasts (per well and per Field); and estimates of recoverable reserves, projected delivery rate and pressure, quality specifications and other relevant technical and economic factors including economic feasibility studies carried out by Contractor in respect of its declaration made under Article 13.6.

13.5 If Contractor fails to present an Appraisal Programme under Article 13.2(a) or Assessment Plan under Article 13.3 that is acceptable to Minister, Contractor shall upon the request of Minister at any time thereafter relinquish an area which shall contain as a minimum the geological structure or feature in which the Discovery was made.

13.6 With the submission of the evaluation reports pursuant to Article 13.2 and 13.4, Contractor shall submit a written declaration to Minister indicating, that based on the results of its Appraisal Programme, it has determined the Discovery is either:

- (a) a Commercial Discovery;
- (b) not a Commercial Discovery in which event Contractor shall be required to relinquish the areas pursuant to Article 5; or
- (c) a significant Discovery which may become a Commercial Discovery conditional on the outcome of further work, acceptable to Minister, that Contractor commits itself to carry out under a further Exploration or Appraisal Work Programme in specified areas within or outside the Appraisal Area.

13.7 In the event Contractor commits itself to an approved Work Programme under Article 13.6(c), it shall be entitled to retain the Appraisal Area pending the completion of the further Exploration or Appraisal Programme within the term of the Contract,

Deep Onshore

at which time the provisions of Article 13.6(a) or (b) shall be applied accordingly.

13.8 (a) If Contractor declares pursuant to Article 13.6(a) that a Discovery is a Commercial Discovery, Contractor shall submit, within ninety (90) days of such declaration, the following:

(i) a proposed Development Plan;

(ii) a proposed designation of the Production Area;

(iii) a comprehensive environmental impact study covering the proposed Development and any related facilities or infrastructure inside or outside of the Contract Area, and

(iv) evidence that Contractor is complying with the applicable legislation respecting approvals required by environmental authorities.

The proposed Development Plan and Production Area shall be deemed approved as submitted if Minister does not respond within ninety (90) days of receipt.

(b) In the event Minister and Contractor are unable to reach agreement on any objections raised or changes proposed by Minister, Contractor or Minister shall have the right to request determination of the disputed issues pursuant to Article 33, in which case the decision shall be binding on both Minister and Contractor.

(c) Upon approval being granted, Contractor shall proceed promptly and diligently and in accordance with the best international Petroleum industry practice to develop the Discovery, to install all necessary facilities, to commence Commercial Production and to produce the Field in a manner that will achieve maximum economic recovery of the reserves. Production shall continue without interruption unless Minister is satisfied that the interruption is justified for technical or other reasons.

13.9 Contractor's proposed Development Plan under Article 13.8 shall detail Contractor's proposals for Development and operation of the Production Area and of any facilities and infrastructure up to the Measurement Point required outside of the Production Area.

Deep Onshore  
Such Development Plan shall set forth

- (i) production parameters,
- (ii) number and spacing of wells,
- (iii) the facilities and infrastructure (including proposed locations) to be installed for Production, storage, transportation and loading of Petroleum,
- (iv) an estimate of the overall cost of the Development, and estimates of the time required to complete each phase of the Development Plan,
- (v) a production forecast and an estimate of ongoing capital and operating expenses involved to achieve the production profile an analysis of marketing options evaluated including supply to existing or its potential projects in the internal market of Trinidad and Tobago and any other factor which would affect the economic or technical feasibility of the proposed Development,
- (vi) profitability estimates,
- (vii) safety measures to be adopted,
- (viii) a description of the organisation to be established in Trinidad and Tobago,
- (ix) measures to be implemented for the employment of nationals and the utilization of Local Goods and Local Services,
- (x) the proposed abandonment plan, and
- (xi) such other particulars as Minister may direct.

13.10 Any significant changes to an approved Development Plan or proposals related to extension of a Field or for enhanced recovery projects shall be discussed among the Parties and if agreed shall be submitted in writing to Minister for his prior approval. Such changes shall be deemed approved as submitted if Minister does not respond within ninety (90) days of receipt.

13.11 All evaluation reports and plans submitted under this

Deep Onshore

Clause 13 shall include an analysis of marketing options including supply to existing or potential projects in the internal market of Trinidad and Tobago.

ARTICLE 14

EXPLORATION WORK PROGRAMME

14.1 (a) Contractor shall present to Minister for approval with respect to each Calendar Year during the Exploration Period an annual Work Programme and budget for the Contract Area. The Work Programme and budget shall be deemed approved as submitted if Minister does not respond within sixty (60) days of receipt. The first such Work Programme and budget shall be submitted within thirty (30) days after the Effective Date and each subsequent Work Programme and budget at least sixty (60) days before the beginning of the relevant Calendar Year.

(b) Within thirty (30) days following the end of each Quarter of the Calendar Year, Contractor shall provide to Minister a status report specifying the work carried out during that Quarter, the approximate costs incurred during such period and any changes that Contractor plans to make to the Work Programme and budget as a result of operations to date in that Calendar Year. The status report corresponding to the fourth Quarter of each Calendar Year shall also contain an annual summary of the quarterly reports for that Calendar year.

14.2 In respect of the retained Exploration area approved under Article 6 and the Appraisal Area under Article 13, the provisions of 14.1 (b) shall apply.

14.3 Subject to Contractor's obligations under Article 7 and Minister's prior approval, Contractor may amend the Work Programme and budget approved under Article 14.1.

ARTICLE 15

DEVELOPMENT AND PRODUCTION WORK PROGRAMMES AND BUDGETS

15.1 Commencing in the Calendar Year in which Minister approves the first Development Plan for the Contract Area, Contractor shall prepare and submit to Minister for approval, in such form as Minister may direct, an annual Development and Production Work Programme and budget detailing by Calendar Quarter all aspects of the proposed Petroleum Operations to be carried out in relation to each Production Area and related facilities and infrastructure, the estimated cost thereof, duration and location of each operation, and, where applicable, the estimated monthly rate of production for each Production Area. Each proposed Work Programme and budget shall also include a forecast of yearly Development and Production activity and expenditure for the ensuing period of four (4) Calendar Years or the period up to the end of the term of the Contract, whichever is shorter.

15.2 The first Development and Production Work Programme and budget, covering the balance of the Calendar Year in which the first Development Plan is approved shall be submitted within thirty (30) days after the date of approval of such Development Plan. Thereafter, Contractor shall submit its proposed annual Work Programme and budget at least ninety (90) days before the beginning of the relevant Calendar Year.

15.3 Contractor's proposed Work Programme and budget shall be deemed approved as submitted if Minister does not respond in writing within sixty (60) days after receipt.

15.4 If Minister objects to any part of Contractor's proposal, he shall notify Contractor within the period specified in Article 15.3. The Minister's notice shall specify the modifications required by Minister. If Contractor considers that any revision required by Minister renders the Work Programme and budget unacceptable to Contractor, Contractor shall within twenty-five (25) days after receipt notify and substantiate to Minister its reasons for that decision. Forthwith Minister and Contractor shall meet with a view to resolving any differences. If they fail to resolve their differences by the beginning of the Calendar Year for which the Work Programme is to apply, Contractor shall incorporate the modifications requested by Minister into the proposed Work Programme and budget submitted under Article 15.2 to the extent such changes:

Deep Onshore

(a) do not increase or decrease any line item of such proposed Work Programme and budget by more than ten percent (10%); and

(b) do not materially alter the Development Plan as approved by Minister provided that the Development and Production Work Programme and budget is consistent with such Development Plan.

The Minister may direct Contractor to modify the proposed rate of production from any Field from which more than fifty percent (50%) of the production on an energy equivalent basis is Crude Oil for any of the reasons contained in Sections 43(h), 43(i) and 43(s) of the Regulations, provided always that such changes in production levels shall not significantly alter the production levels agreed to between Minister and Contractor in the then current Development Plan. Notwithstanding the above provisions Minister reserves the right to modify production levels for safety considerations.

15.5 Contractor shall deliver to Minister within twenty-one (21) days after each Calendar Quarter a status report on the operations conducted and costs incurred under the approved Development and Production Work Programme and budget during such Calendar Quarter. The status report shall forecast any significant changes to such approved Work Programme and budget that Contractor anticipates may be necessary during the balance of the Calendar Year. The report corresponding to the last Quarter of each Calendar Year shall also include a year-end summary of operations and costs during such Calendar Year.

ARTICLE 16

NATURAL GAS

16.1 Within ninety (90) days of completion of an Assessment Plan agreed with Minister under Article 13.3, Contractor shall submit a comprehensive evaluation report on the Assessment Plan in accordance with Article 13. Upon submission of the evaluation report Contractor shall in accordance with the provisions of Article 13 notify Minister whether or not it wishes to retain the Natural Gas Discovery for a market development phase.

16.2 If Contractor requests a market development phase for such Discovery, Contractor and Minister shall within sixty (60) days after such election define by mutual agreement the portion of the Contract Area to be subject to such market development phase. Such portion shall not exceed the area encompassing the geological structure or feature in which such Discovery was made and a reasonable margin surrounding such structure or feature to be mutually agreed by Minister and Contractor. Subject to Articles 16.2 through 16.5 the duration of such market development phase shall not exceed five (5) years from the date of Contractor's notice under Article 16.1. The market development phase shall end on the first to occur of:

- (a) the date following that on which the Natural Gas Discovery is declared a Commercial Discovery;
- (b) the date that Contractor voluntarily surrenders the market development area, or
- (c) five (5) years after the date of Contractor's notice under Article 16.1.

Contractor shall be deemed to have relinquished all rights to the Natural Gas Discovery if it does not declare the Discovery a Commercial Discovery by the end of the market development phase or on earlier relinquishment of that portion of the Contract Area.

16.3 During the market development phase, Contractor shall pay to Minister at the end of each year of the market development phase or upon earlier termination an annual holding fee of two million (2,000,000) US dollars, reduced by duly verified amounts that Contractor has expended during such year under specific programmes approved by Minister on activities or projects directly



Deep Onshore

attributable to the market development area. Expenditures for the following types of activities will be eligible as credits against the holding fee:

- (a) further geochemical, geophysical or geological surveys in the market development area;
- (b) the drilling and testing of any well in the market development area;
- (c) consulting, feasibility and marketing studies
- (d) market development outside Trinidad and Tobago for projects approved by Minister.

Amounts expended in a particular year in excess of the holding fee may be carried forward as a credit against the following years' holding fees if agreed by Minister in his approval of the programme under which the expenditure was made. The holding fee shall be applied on a pro rata daily basis in the event Contractor relinquishes the market development area or declares such Natural Gas Discovery to be a Commercial Discovery prior to the end of such year.

16.4 Contractor shall notify Minister, forthwith upon entering the market development phase, of the quantity of the Natural Gas from such Discovery for sale and use in the internal market in Trinidad and Tobago. With such notice Contractor shall provide the results of the Assessment Plan carried out under Article 13.3. The internal market includes, without limitation, Natural Gas sold to refineries, electricity generating facilities, petrochemical manufacturers and other industrial, commercial and domestic customers in Trinidad and Tobago but expressly excludes Natural Gas to be liquefied for export or to be chemically converted to gasoline for export or to be used by Contractor in its Petroleum Operations hereunder. The Minister shall advise Contractor of his preferred marketing arrangements for the disposal of such Natural Gas, including the delivery of all or part of such Natural Gas to the internal market of Trinidad and Tobago.

16.5 (a) Subject to provisions of Article 16.4, Contractor shall have primary responsibility for developing a market for all Available Natural Gas from the market development area and for negotiation of arrangements for sale thereof on a joint dedicated basis at prices and terms common to both Minister

Deep Onshore

and Contractor. Contractor shall provide for the active participation of representatives of Minister in all such market development activities and related negotiations. The marketing arrangements for such Natural Gas sales contract shall be subject to approval by Minister. In applying for such approval Contractor shall demonstrate to Minister that the price of such Natural Gas at the Measurement Point represents the fair market value for such Natural Gas, taking into consideration a fair market cost for transporting the Natural Gas from the Measurement Point to the consumer. The approval of any export project shall be at the discretion of Minister.

(b) Notwithstanding the provisions of (a) above, Minister shall have the right to develop separate marketing arrangements for the Government's share of Natural Gas.

16.6 With its application for approval of any gas sales contract, pursuant to Article 16.5, Contractor may also apply to Minister for the granting of an additional period, to be added to the term of the Contract, to facilitate the sale of Natural Gas under such gas sales contract. The Minister shall, subject to the execution of such gas sales contract, extend the term of the Contract, with respect to the Natural Gas Production Area corresponding to such gas sales contract, for a period which will allow for the supply of Natural Gas under the terms of the gas sales contract.

16.7 Contractor shall apply to Minister for such licences as may be required for operations in Trinidad and Tobago beyond the Measurement Point. Costs incurred in this regard shall not be subject to cost recovery under this Contract.

16.8 Contractor shall use with priority in Petroleum Operations, Associated Natural Gas, including use for reinjection for pressure maintenance or recycling operations to effect maximum economic recovery of Crude Oil.

16.9 The Minister may at any time call upon Contractor to deliver to Minister at the Field separator without compensation any quantity of Natural Gas, produced in association with Crude Oil, not being required by Contractor for Petroleum Operations or for sale, which may be needed in the public interest, provided that delivery does not unreasonably interfere with Contractor's Petroleum Operations. Government shall at its own cost provide and maintain any facilities beyond the delivery point required in

Deep Onshore

connection with gathering, transport, processing or utilization of such Associated Natural Gas.

16.10 Contractor shall minimize flaring of any remaining Associated Natural Gas by re-injecting such Natural Gas into suitable strata or underground storage in accordance with good Petroleum industry practice. Contractor shall seek Minister's approval to flare any such natural gas which cannot be re-injected due to specific reservoir considerations or for other reasons that are in line with best practice employed in the petroleum industry. The decision to grant or refuse such approval shall be at Minister's sole discretion. Any approval shall be subject to terms and conditions to be determined by Minister in light of the prevailing circumstances. Before flaring, Contractor shall take reasonable measures to ensure the extraction of natural gasoline and other liquids contained in the Associated Natural Gas if Minister and Contractor agreed that such extraction is economically justifiable. Notwithstanding anything in this Article to the contrary, Associated Natural Gas may be flared at any time if necessary for the conducting of well and production tests and during any emergency.

ARTICLE 17

BOOKS OF ACCOUNT, FINANCIAL REPORTING, AUDIT, AND

COST VERIFICATION

17.1 Contractor shall maintain in Trinidad and Tobago in accordance with the Accounting Procedure in Annex "C" and accepted accounting practices generally used in the international petroleum industry, books of account and such other books and records as may be necessary to show the work performed under the Contract, the costs incurred and the quantity and value of all Petroleum produced and saved from the Contract Area and not used in Petroleum Operations.

17.2 Contractor shall prepare for each Calendar Year financial statements including a balance sheet and profit and loss statement reflecting its operations under the Contract. Accounting methods, rules and practices applied for determining revenue and expense shall be consistent with sound and usual international petroleum industry practice and the laws of Trinidad and Tobago. Each financial statement shall be certified by an independent certified firm of chartered accountants acceptable to Minister and shall be submitted, along with the auditor's report to Minister and the minister responsible for finance within ninety (90) days after the end of the Calendar Year to which it pertains.

17.3 Contractor shall also provide Minister with the various other financial reports required by Annex "C".

17.4 The Minister shall have the right to inspect and audit Contractor's books, accounts and records relating to Petroleum Operations under the Contract for the purpose of verifying Contractor's compliance with the terms and conditions hereof. Upon reasonable advance notice such books, accounts and records shall be available in Trinidad and Tobago at all reasonable times for inspection and audit by duly authorized representatives of the Government, including independent auditors that may be employed by it. Fiscal audits shall be carried out within the period allowed under the Petroleum Taxes Act Chapter 75:04.

17.5 The Minister and/or the minister responsible for finance may require Contractor to engage the auditors of any of the entities comprising Contractor to examine at Contractor's cost and in accordance with generally accepted auditing standards, the books and records of an Affiliate to verify the accuracy and compliance

Deep Onshore

with the terms of the Contract insofar as a charge from the Affiliate of Contractor (or of any entity comprising Contractor) is included directly or through Contractor as a reimbursable cost under the Contract. Whenever audit of an Affiliate's books is requested, Minister shall specify in writing the item or items for which it requires verification from such independent audit. A copy of the independent auditor's findings shall be delivered to Minister and the minister responsible for finance within thirty (30) days after completion of such audit.

17.6 Subject to the Accounting Procedure and the auditing provisions of the Contract, the following procedure shall be implemented with respect to each Calendar Month to verify and establish promptly Contractor's costs that qualify for cost recovery under Article 18.

(a) Contractor shall submit a statement of expenditure in accordance with the procedure detailed in Annex "C" to Minister who shall verify:

(i) that claimed costs qualify for cost recovery under the terms of the Contract and the Accounting Procedure; and

(ii) that the claimed amount of a qualifying cost is correct based on documentation made available at Contractor's office in Trinidad and Tobago.

(b) The statement of expenditure shall be deemed approved as submitted if Minister does not respond within ninety (90) days of receipt. If Minister takes written exception thereto, such written exception shall identify the particular cost or costs being contested and the reason for the query.

(c) Contractor shall submit to Minister within thirty (30) days after receipt of Minister's exception notice such additional information in written form as Minister may require or Contractor considers appropriate to support the correctness and/or recoverability of the contested cost or costs. If Contractor does not make a written submission within such time supporting the charge, the cost or costs shall be deemed disallowed for purposes of cost recovery.

(d) If additional written information supporting the contested cost or costs is submitted by Contractor within the

Deep Onshore

prescribed period, Minister shall notify Contractor of his decision within thirty (30) days after receipt of such information.

(e) If Minister notifies Contractor that the exception remains, the charge shall be deemed disallowed for purposes of cost recovery under the Contract subject to the right of Contractor to request within thirty (30) days after the receipt of such notice that the final determination as to recoverability of the disputed cost or costs be made by an expert pursuant to Article 33.8.

(f) Contractor shall promptly correct its books of account to reflect any changes resulting from the cost verification procedure.

17.7 Except as otherwise agreed in writing between Minister and Contractor, all transactions giving rise to revenues, costs or expenses which will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted hereunder shall be conducted at arm's length or on such a basis as will assure that all such revenues, costs or expenses will not be higher or lower than would result from a transaction conducted at arm's length on a competitive basis with third parties.

ARTICLE 18

ALLOCATION OF PRODUCTION, RECOVERY OF COSTS

AND EXPENSES, PRODUCTION SHARING AND

RIGHT OF EXPORT

18.1 Contractor shall have the right to use free of charge Petroleum produced from the Contract Area to the extent reasonably required for Petroleum Operations under the Contract.

18.2 All Available Petroleum shall be measured at the applicable Measurement Points and allocated as set forth hereinafter. Test or experimental production, to the extent not required for Petroleum Operations hereunder, shall be deemed Profit Petroleum and shall be allocated between Minister and Contractor in accordance with Article 18.14.

18.3 Contractor and Minister shall review annually Contractor's production programme from each Production Area having due regard to ensuring compliance with Contractor's obligations under Article 10.

18.4 Contractor shall prepare and provide Minister not less than ninety (90) days prior to the beginning of each Calendar Quarter following commencement of Commercial Production a written forecast setting out the total quantity of Petroleum that it estimates can be produced and saved hereunder during each Month for the next four (4) Calendar Quarters in accordance with good Petroleum industry practice and the Production programme established in accordance with Article 18.3. Contractor shall endeavour to produce each Calendar Month the forecast quantity.

18.5 (a) All Available Crude Oil shall be run, if applicable, to storage tanks constructed, maintained and operated at the Measurement Point under this Contract where it shall be measured for purposes of this Contract and delivered to Minister and each entity comprising Contractor who shall each take in kind, assume risk of loss and separately dispose of their respective entitlement.

(b) All Available Natural Gas shall be disposed of in accordance with the marketing arrangements developed pursuant to Articles 16.4 and 16.5.

Deep Onshore

18.6 Prior to commencement of Commercial Production of Crude Oil from the Contract Area, Minister and Contractor shall agree on a procedure for taking volumes of Crude Oil corresponding to their respective entitlements on a regular basis and in a manner that is appropriate having regard to the respective destinations and uses of the Crude Oil.

#### Cost Recovery

18.7 Subject to the Accounting Procedure and the auditing provisions of the Contract, Contractor shall recover costs and duly verified in accordance with Article 17 of the Contract in respect of the Petroleum Operations hereunder to the extent of and out of the following maximum limits per Calendar Month of all Available Crude Oil and/or all Available Natural Gas from the Contract Area, (hereinafter referred to as "Cost Recovery Crude Oil" and/or "Cost Recovery Natural Gas" and collectively as "Cost Recovery Petroleum"):

- (a) ----- percent (--%) of all Available Crude Oil and ----- percent (--%) of all Available Natural Gas from the Contract Area when cumulative production of Petroleum in the Contract Area after the Effective Date is equal to or less than twenty-five million (25,000,000) Barrels of Crude Oil;



Deep Onshore

(b) ----- percent (--%) of all Available Crude Oil and ----- percent (--%) of all Available Natural Gas from the Contract Area when cumulative production of Petroleum in the Contract Area after the Effective Date exceeds twenty-five million (25,000,000)Barrels but is equal to or less than fifty million (50,000,000)Barrels of Crude Oil; and

(c) ----- percent (--%) of all Available Crude Oil and ----- percent (--%) of all Available Natural Gas from the Contract Area when cumulative production of Petroleum in the Contract Area after the Effective Date exceeds fifty million (50,000,000)Barrels of Crude Oil.

In computing the total cumulative production referred to above, Natural Gas production shall be added to Crude Oil production after converting to Barrels of Crude Oil on an Energy Equivalent Basis.

18.8 Subject to Article 18.9 such costs and expenses shall be allocated to the applicable recoverable Crude Oil cost account or recoverable Natural Gas cost account and shall be recovered from the relevant account on a first in, first out basis subject to the following:

(a) costs incurred in respect of Exploration Operations may be recovered on an expensed basis;

(b) capital costs incurred in respect of Development and Production Operations may be recovered over four(4) years commencing in the year in which such expenditure is incurred with 40% recoverable in the first year and 20% recoverable in each of the next three(3) years;

(c) annual operating costs, may be recovered in the year in which they are incurred;

(d) annual administrative overhead costs, up to the limits established in Article 2(1) of the Accounting Procedure may be recovered in the year incurred; and

(e) any Exploration Well or Appraisal well which is subsequently used for Development Operations shall be classified as a Development well and all costs incurred shall be deemed recoverable as prescribed under Article 18.8 (b). An appropriate adjustment shall be made to the cost recovery account in the Calendar Month immediately following this

Deep Onshore  
reclassification.

18.9 To the extent that in a Calendar Year the recoverable costs or expenses related to the Contract Area exceed the amount allowable for Cost Recovery Crude Oil or Cost Recovery Natural Gas from the Contract Area for such Calendar Year, then the excess shall be carried forward for recovery in the next succeeding Calendar Years until fully recovered, but in no case after termination of this Contract.

18.10 To the extent that the amount of Cost Recovery Crude Oil or Cost Recovery Natural Gas received by Contractor from the Contract Area during a Calendar Month is greater or less than the amount Contractor was entitled to receive for that Month, an appropriate adjustment shall be made in accordance with internationally accepted accounting principles.

#### Profit Petroleum

18.11 The remaining Available Petroleum including any portion of Cost Recovery Crude Oil or Cost Recovery Natural Gas not required to cover costs hereinafter referred to as "Profit Crude Oil" and/or "Profit Natural Gas" and collectively as "Profit Petroleum") shall be allocated between the Government and Contractor.

18.12 Contractor's share of Profit Petroleum shall be the remaining portion after deducting the Government's share in accordance with the provisions of Article 18.14.

18.13 Subject only to Article 16.5 and 26, Contractor may freely export any Available Petroleum received by it under Article 18.

18.14 The Government's share of Profit Crude Oil and/or Profit Natural Gas for a Calendar Month from the Contract Area shall be determined separately for Crude Oil and Natural Gas by reference to the applicable price class in the relevant table(s) detailed hereunder. The relevant price class shall be determined using the value of Profit Crude Oil and Profit Natural Gas calculated in accordance with Article 20 herein. The average daily production rates referred to in the production tiers set out in the tables hereunder shall be calculated for each Calendar Month by dividing the respective volumes of Available Crude Oil and Available Natural Gas produced from the Contract Area during that Month by the number

Deep Onshore  
of days in such Month.

Deep Onshore  
Government's share of Profit Crude Oil (percent %)

<u>Production Tier</u>	<u>Crude Oil Price Class</u>			
	A	B	C	D
Production up to 10,000 B/D				
Production in excess of 10,000 B/D and up to 25,000 B/D				
Production in excess of 25,000 B/D and up to 50,000 B/D				
Production in excess of 50,000 B/D and up to 75,000 B/D				
Production in excess of 75,000 B/D				

Where:

Price Class A refers to Minister's share for a Crude Oil price less than or equal to US \$20.00 per Barrel.

Price Class B refers to Minister's share for a Crude Oil price greater than US \$20.00 per barrel but less than or equal to US \$30.00 per Barrel.

Price Class C refers to Minister's share for a Crude Oil price greater than US \$30.00 per barrel but less than or equal to US \$40.00 per Barrel.

Price Class D, Crude Oil Price greater than US\$40.00 per Barrel, the Government's share of Profit Crude Oil is equal to:

$$BR + 80\% [P - US\$ 40] / P] (1 - BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Crude Oil price

Deep Onshore

(b) Government's share of Profit Natural Gas

Production Tier

Natural Gas Price Class

A      B      C      D

Production up to 60 MMcfd

Production in excess of 60 MMcfd and up to 150 MMcfd

Production in excess of 150 MMcfd and up to 300 MMcfd

Production in excess of 300 MMcfd and up to 450 MMcfd

Production in excess of 450 MMcfd

Where:

Price Class A refers to Minister's share for a Natural Gas price less than or equal to US \$1.50 per Mcf.

Price Class B refers to Minister's share for a Natural Gas price greater than US \$1.50 per Mcf but less than or equal to US\$2.75 per Mcf.

Price Class C refers to Minister's share for a Natural Gas price greater than US \$2.75 per Mcf but less than or equal to US \$4.00 per Mcf.

Price Class D, Natural Gas price greater than US\$4.00 per Mcf, the Government's share of Profit Natural Gas is equal to:

$$BR + 80\% [(P - US\$4.00) / P] (1-BR)$$

where: BR refers to the Base Rates set out in Price Class D, and P is the Natural Gas price.

ARTICLE 19

MEASUREMENT OF PETROLEUM

19.1 All Petroleum produced, saved and not used in Petroleum Operations shall be measured at the Measurement Points approved in the Development Plan.

19.2 The Measurement Points shall be at the end of the facilities for which the cost is included as a recoverable cost of Petroleum Operations under the Contract.

19.3 The production shall be measured in accordance with the highest standards generally accepted in the international Petroleum industry. All measurement equipment shall be installed, maintained and operated by Contractor. The Minister shall have the right to inspect the measuring equipment installed by Contractor and all charts and other measurement or test data at all reasonable times. The accuracy of Contractor's measuring equipment shall be verified by tests at regular intervals and upon the request of Minister, using the best means and methods generally accepted in the international Petroleum industry.

19.4 Upon discovery of a meter malfunction, Contractor shall immediately have the meter repaired, adjusted and corrected and following such repairs, adjustment or correction shall have it tested or calibrated to establish its accuracy. Upon the discovery of a metering error, Contractor shall have the meter tested immediately and shall take the necessary steps to correct any error that may be discovered.

19.5 In the event a measuring error is discovered, Contractor shall use its best efforts to determine the correct production figures for the period during which there was a measuring error and the corrected figures shall be used. In determining the correction, Contractor shall use, where required, the information from other measurements made inside or outside the Production Area. Contractor shall submit for Minister's approval a report detailing the source and nature of the measuring error and the corrections to be applied. If it proves impossible to determine when the measuring error first occurred, the commencement of the error shall be deemed to be that point in time halfway between the date of the last previous test and the date on which the existence of the measuring error was first discovered.

Deep Onshore

19.6 All measurements for all purposes in this Contract shall be adjusted to standard conditions of pressure and temperature (sixty (60) degrees Fahrenheit and 14.7 p.s.i.a.).

ARTICLE 20

VALUATION

20.1 The value of Crude Oil from each Production Area shall be the international fair market value of such Crude Oil at the Measurement Point.

20.2 The international fair market value of Crude Oil, shall be the price in United States dollars at which an independent third party buyer would be prepared to buy at the particular time such Crude Oil at the Measurement Point, on an arms length basis, taking into account the quality, volume, cost of transportation, terms of payment, and any other relevant conditions, including the then prevailing market conditions for crude oil.

20.3 Where different grades of Crude Oil are being produced from the Contract Area, the value shall be determined and applied for each grade of such Crude Oil. However, in the event that different grades of such Crude Oil are blended together for sale then the value of such a blend shall prevail.

20.4 (a) Contractor shall present to Minister, within ten (10) days after the end of each Calendar Month during which Crude Oil is produced and measured from a Production Area, its proposal as to the value of the particular Crude Oil for the preceding Month. Such proposal shall be accompanied by information supporting Contractor's proposal, including evidence of actual arms length, FOB sales prices for the particular Crude Oil and/or comparable crude oils delivered during such preceding Calendar Month by Contractor or other producers from Trinidad and Tobago or other producing countries.

(b) The proposals shall be deemed approved, as submitted, under Article 20.4 (a) if Minister fails to respond within thirty (30) days of receipt.

(c) If Minister takes written exception to Contractor's proposal, Minister shall include with such notice a counter-proposal for the value of the particular Crude Oil.

(d) If Contractor accepts Minister's counter-proposal or does not take written exception thereto within ten (10) days after receipt, Minister's counter-proposal shall be the value for



Deep Onshore

the Calendar Month for which the price is being determined.

(e) If Contractor takes written exception to Minister's counter-proposal within the prescribed period, authorized representatives of Minister and Contractor shall meet to establish the value for the Calendar Month for which the determination is being made, in accordance with the principles outlined under Article 20.5.

20.5 For Crude Oil sales that are non-arms length, the following principles shall apply in determining the value of Crude Oil:-

(a) a basket of widely traded reference crudes similar in quality to the crude to be valued shall be selected and the international market prices of the crudes selected shall be used as the base value for the crude to be valued;

(b) an appropriate price-setting market where substantial quantities of the reference crudes are traded at arms length and on an ongoing basis shall be chosen;

(c) the crude oils to be included in the basket shall be proposed by Contractor as part of the Development Plan under Article 13.8 to be approved by Minister;

(d) in the event that one or more of the crude oils comprising an agreed basket no longer meets the requirements of Article 20.5(a), a replacement crude oil shall be determined by agreement between Minister and Contractor;

(e) transportation differential shall be taken into account, that is to say, the difference between the cost of transporting to the price-setting market, the reference crudes and the Crude to be valued;

(f) interest charges on the value of the inventory in transit may be considered in determining transportation costs;

(g) other relevant considerations.

20.6 The fair market value of Natural Gas determined at the Measurement Point shall be the price in United States dollars at which an independent third party would be prepared to buy at the

Deep Onshore

particular time such Natural Gas, on an arms length basis, taking into account the quality, volume, cost of transportation, terms of payment, and any other relevant conditions, including the then prevailing market conditions for Natural Gas at the final sales destination and shall be based on the higher of actual realized prices or the prices calculated under the marketing arrangements for Natural Gas approved by Minister under Article 16.5 for deliveries of Natural Gas during the Calendar Month.

20.7 For Natural Gas sales transactions that are non-arms length, the following considerations shall apply in determining the value of Natural Gas:-

- (a) the market destination of the Natural Gas;
- (b) the price of the Natural Gas at the final destination;
- (c) regasification costs;
- (d) shipping costs;
- (e) liquefaction costs;
- (f) pipeline transport costs;
- (g) publicly available values outside Trinidad and Tobago; and
- (h) other relevant considerations.

20.8 Subject to the provisions of this Article 20, in the event of any dispute between Minister and Contractor concerning the pricing of Crude Oil or Natural Gas, such dispute may be referred by either Party for final determination in accordance with Article 33.

ARTICLE 21

FINANCIAL OBLIGATIONS

21.1 Contractor's financial obligations towards Minister, which it shall satisfy at its own expense, shall consist of the following payments:

- (a) (i) Minimum payment in respect of each hectare of the Contract Area retained by Contractor from time to time throughout the period of this Contract at the following rates:-

	US\$ per hectare per annum
During the 1st Contract Year	5.50
During the 2nd Contract Year	6.00
During the 3rd Contract Year	6.50
During the 4th Contract Year	7.00
During the 5th Contract Year	7.50
During the 6th Contract Year	8.00

Thereafter minimum payment shall increase annually at a rate of six percent(6%) for the unexpired term of the Contract. Minimum payment shall be payable quarterly in advance within the first ten (10) days of January, April, July and October. No refund shall become due if before the end of a quarterly period a part of the area has been surrendered.

- (ii) Annual surface rental for that part of the Contract Area used for Petroleum Operations payable in accordance with Regulation 60 at the following rates:

	U.S. \$ per hectare per annum
During the 1 <sup>st</sup> Contract Year	5.00
During the 2 <sup>nd</sup> Contract Year	5.25
During the 3 <sup>rd</sup> Contract Year	5.50
During the 4 <sup>th</sup> Contract Year	5.75
During the 5 <sup>th</sup> Contract Year	6.00
During the 6 <sup>th</sup> Contract Year	6.25

Thereafter, annual surface rental shall increase annually at a rate of six percent (6%) for the unexpired term of the Contract. Annual

Deep Onshore

surface rental shall be payable within thirty (30) days after the Effective Date of this Contract and thereafter on each anniversary date of the Effective Date of the Contract on the number of hectares comprising the State Lands in the Contract Area as of the date of payment. No refund shall become due if before the next anniversary date any part of the Contract Area has been surrendered.

(b) Annual charges payable within ten (10) days of the Effective Date of this Contract and thereafter within the first ten (10) days of each Contract Year in respect of the following items:

(i) An administrative charge of two hundred thousand (200,000) US dollars during the first year of this Contract increasing annually at a rate of six percent(6%) for the unexpired term of the Contract. No refund shall be due if Contractor ceases operation prior to the end of a Contract Year.

(ii) A training contribution of -----(-----) US dollars to the University of Trinidad and Tobago and the University of the West Indies or such other institution as the Minister may direct for the financing of hands on training of nationals in appropriate fields of study associated with the energy sector for the first year of the Contract and increasing annually at a rate of six percent(6%) for the unexpired term of the Contract. In the event of a Commercial Discovery the amount shall increase to ----- (---,---) US dollars in the year following Commercial Discovery increasing by six percent(6%) per annum for the remaining term of the Contract. In the event that these funds are not utilized as prescribed above during any Contract Year, Contractor shall pay to Minister an amount equivalent to funds not expended for the same purpose.

(iii) Contractor and his Subcontractors shall collaborate with these tertiary institutions in the development, scheduling and management of the programmes which shall include but not be limited to petroleum exploration, exploitation, law, project management, marketing, finance, commercial analysis and procurement.

(iv) An Environmental Bonus of -----(--,---) in the currency of the United States of America payable

Deep Onshore

within ten (10) days of the Effective Date of this Contract. This payment is to implement an agreed programme to effect the remediation in accordance of applicable law in identified areas of environmental degradation in the Contract Area.

21.2 Contractor shall be subject to payment of assessment or contributions, assessed on employees by generally applicable law on labour costs. Contractor shall also guarantee the payment of any Trinidad and Tobago income tax due from its foreign employees.

21.3 Contractor and its Subcontractors and their respective personnel shall be obliged to pay such transfer taxes and stamp duties as may be in effect from time to time at the rates which are generally applicable to all persons or entities in Trinidad and Tobago.

21.4 Contractor shall be subject to and must observe the laws in force from time to time in Trinidad and Tobago and nothing herein contained shall be construed as exempting Contractor from complying with the laws imposing taxes, duties, levies, fees, charges or similar impositions or contributions which Contractor would be liable to pay or is called upon to pay under such laws by virtue of its conduct of Petroleum Operations hereunder.

21.5 The Government's share of petroleum shall be in lieu of Supplemental Petroleum Tax, Petroleum Impost, Royalty, and Petroleum Production Levy being obligations which Contractor ordinarily would have been liable to pay in accordance with the laws of Trinidad and Tobago. The Government's share shall not be a deduction for tax purposes.

21.6 Each entity comprising Contractor shall pay its liability for Petroleum Profits Tax, Unemployment Levy, Green Fund Levy and Withholding Tax arising out of income or profits derived from the conduct of Petroleum Operations. Contractor shall also furnish to the relevant tax authority and Minister a statement showing the manner in which the Government's share of Profit Petroleum is computed and any other information as may be required.

21.7 For the purpose of applying Article 21.6, the gross income of each entity comprising Contractor in respect of any year of income shall be calculated as the total of its share of Profit Petroleum plus Cost Recovery Petroleum.

Deep Onshore

21.8 Subject only to Articles 21.1, 21.2, 21.3 21.4, 21.5, 21.6 and 23, Minister shall save Contractor harmless from Royalty, Petroleum Impost, the Supplemental Petroleum Tax and the Petroleum Production Levy.

21.9 Profits and/or losses resulting from any Petroleum Operations carried out by Contractor or any entity comprising Contractor under any of its Taxable Production Sharing Contracts for Onshore and Shallow Marine Blocks in Trinidad and Tobago may be consolidated for tax purposes.

ARTICLE 22

PAYMENT AND CURRENCY

22.1 All payments which the Contract requires Contractor to make to Minister or the Government shall be made in United States dollars at a bank designated by recipient. Contractor may make payment in other currencies, if acceptable to recipient.

22.2 Conversion of all payments made by Contractor in Trinidad and Tobago into United States dollars or any other currency acceptable to the recipient shall be effected at the generally prevailing rate of exchange at the time of payment.

22.3 All payments due to Contractor from Minister shall be made in United States dollars or any other currency acceptable to Contractor, at a bank to be designated by Contractor.

22.4 Contractor shall have the right to receive, retain abroad and use without restriction the entirety of proceeds received from its sales of its share of Petroleum from the Contract Area subject to Contractor satisfying completely its then accrued financial obligations under this Contract.

22.5 Contractor shall during the term of the Contract have the right without the imposition of any control, except as otherwise imposed by the terms of the Contract, to make any payments and to maintain and operate bank accounts outside Trinidad and Tobago in whatsoever currency. Contractor may also operate and maintain United States dollar or other foreign currency bank accounts within Trinidad and Tobago subject to applicable law.

ARTICLE 23

MATERIALS AND EQUIPMENT IMPORT DUTIES

23.1 Contractor shall provide all equipment, machinery, tools, spare parts and any other goods of a similar nature ("Materials") required for Petroleum Operations under this Contract.

23.2 Such Materials shall be provided by Contractor in accordance with programmes and budgets under Articles 14 and 15 and shall be acquired pursuant to procurement procedures specified by Contractor under Article 1.7 of the Accounting Procedure.

23.3 Contractor shall give preference to the use of locally manufactured or locally available Materials when such are comparable with the competing imported Material in quality and availability and the price thereof does not exceed the c.i.f. price (including import duties where applicable) of the imported Material delivered to the Contract Area. In this regard Contractor shall maintain records and accounts and provide reports in accordance with the provisions of Article 13 of the Accounting Procedure.

23.4 Subject to Article 23.3, Contractor shall have the right to import any Materials required for Petroleum Operations. In this regard Contractor shall comply with generally applicable importation formalities and pay import and excise duties to the extent not exempt therefrom by generally applicable law.



ARTICLE 24

OWNERSHIP OF ASSETS

24.1 Subject to Article 24.3, ownership of any asset, whether fixed or moveable, acquired and owned by Contractor in connection with Petroleum Operations hereunder shall pass to Minister without consideration when the part of the Contract Area in which the asset is located is relinquished or at the end of the term of this Contract, whichever first occurs, except in cases where Minister notifies Contractor that he does not accept the particular asset. Where Minister elects not to take a particular asset Contractor shall carry out the approved abandonment programme under Article 37 and shall be free to dispose of the asset in accordance with applicable law.

24.2 Where Production from a Production Area is possible beyond the term of the Contract, Contractor shall hand over to Minister without consideration such Production Area and all facilities required for carrying out existing operations, in good working order, normal wear and tear excepted. Upon the transfer of said Production Area and related facilities, Minister shall assume all responsibility for the facilities and their abandonment and hold Contractor harmless against any liability with respect thereto accruing after the date of such transfer to Minister.

24.3 Subject to Article 24.2, whenever Contractor relinquishes any part of the Contract Area, all moveable property located within the part of the Contract Area so relinquished, may be removed to any part of the Contract Area that has been retained.

24.4 The provisions of Article 24.1 and 24.2 shall not apply to materials, facilities, or other property that are rented or leased to Contractor or which belong to employees of Contractor, provided that the ownership of any such item by other than Contractor is clearly documented with Minister at the time of entry into Trinidad and Tobago or of local acquisition.

24.5 In the event Contractor desires to move property located on the Contract Area but no longer used in Petroleum Operations to another location within Trinidad and Tobago for further use prior approval of Minister shall be required. Upon receipt of such approval Contractor shall pay to Minister either:

- (a) an amount equal to a transfer price mutually agreed upon

Deep Onshore  
by the Parties, or

(b) if no price is agreed and Contractor still desires to move the property as provided herein, an amount equal to the percentage of the cost of such property that has been cost-recovered under this Contract as of the date such property is moved multiplied by the depreciated value of the property determined in accordance with applicable law.

24.6 In the event Contractor desires to use property located on this Contract Area for Petroleum Operations not related to this Contract Area the prior approval of Minister shall be required. The terms and conditions under which the facilities shall be used for such purpose shall be subject to the approval of Minister.

ARTICLE 25

SUBCONTRACTORS, PERSONNEL AND TRAINING

25.1 Contractor has the right to use qualified Subcontractors to provide specialized equipment or services.

25.2 Contractor shall provide Local Enterprises opportunities, in competition with foreign entities, to provide any services or equipment required in connection with Petroleum Operations. The procurement procedures submitted pursuant to Article 1.7 of the Accounting Procedure shall contain appropriate measures in accordance with the provisions of Article 39 to ensure Contractor's compliance in this regard. Contractor shall give preference to Local Enterprises as Subcontractors where bids placed by such are competitive with foreign bids in skills, resources, availability and price and meet the technical and financial requirements of Contractor.

25.3 Prior to the commencement of any contract, Contractor shall provide Minister with all necessary information covering each Subcontractor including, upon Minister's request, an executed copy of any contract and related agreements and changes thereto.

25.4 Contractor and its Subcontractors undertake to employ with priority nationals of Trinidad and Tobago in all aspects of Petroleum Operations to the extent that these nationals with the requisite qualifications and experience can be found.

25.5 Contractor and its Subcontractors shall minimize the employment of foreign personnel but may subject to the provisions of this Contract and applicable law employ foreign nationals:

(a) to the extent that qualified nationals cannot be found to fill the positions required;

(b) to fill a limited number of specialist technical or managerial positions, provided that there are clearly identified counterpart national understudies together with comprehensive programmes for their development in accordance with the provisions of Article 25.6; and

(c) to provide short-term specialist expertise.

Deep Onshore

25.6 Contractor shall undertake the development and training of its national personnel (including training for the specific purpose of taking over positions held by expatriate personnel) for all positions including administrative, technical and executive management positions. Contractor shall, together with its annual Work Programme and Budget, prepare and submit annually to Minister for approval programmes for such development and training. Contractor shall include a status report on these programmes with its submission of the quarterly status report required under Articles 14.1(b) and 15.5.

25.7 Contractor shall at its own expense as part of Petroleum Operations provide a reasonable number of personnel of the Ministry with on-the-job training and where appropriate and practicable, with overseas training, based on a mutually agreed programme. On-the-job training shall involve the inclusion of representatives of Minister on project teams responsible for various aspects of Petroleum Operations under this Contract.

25.8 Contractor shall also submit to Minister together with its submission of the annual Work Programme and budget, the details of all the payments, benefits and privileges accorded for each classified category of Contractor's personnel (both expatriate and local).

ARTICLE 26

STATE'S RIGHT OF REQUISITION

26.1 In case of war or imminent expectation of war or grave national emergency (as provided for in Section 36 of the Act), the President may requisition all or a part of the Petroleum production from the Contract Area and require Contractor to increase such production to the extent required. In such event, the price to be paid by the President for the Petroleum shall be the value determined in accordance with Article 20 of the Contract and payment shall be made within thirty (30) days after delivery in US dollars at a bank outside of Trinidad and Tobago designated by Contractor.

26.2 In the event of any requisition as provided above, the President shall indemnify Contractor in full for the period, during which the requisition is maintained, including all reasonable damages, if any, which result from such requisition.

ARTICLE 27

UNITIZATION

27.1 If a Petroleum Discovery in the Contract Area extends beyond the boundaries of the Contract Area, Minister may require that the Development of the Discovery and the Production of Petroleum therefrom be carried out in collaboration with the entity or entities that have the right to conduct Petroleum Operations in the areas into which the Discovery extends.

27.2 In such case, a collective proposal for common Development and Production of the deposit of Petroleum shall be proposed by Contractor and such other entity or entities for approval by Minister. If such proposal is not approved, Minister may prepare or cause to be prepared, for the account of Contractor and the other entities involved a reasonable plan for common Development and Production.

27.3 Where one or more of the entities object to the programme prepared by Minister under Article 27.2 it or they may within twenty-eight (28) days of receipt of the programme, submit the matter for arbitration in accordance with the procedure set out in this Contract.

ARTICLE 28

CONFIDENTIALITY

28.1 All technical data and other information related to Petroleum Operations in the Contract Area shall be the property of the State. Except as provided in Articles 28.3, 28.4 and 28.5 all data shall be maintained by the Parties as strictly confidential and shall not be divulged by either Party during the term of the Contract without prior written consent of the other Party, except to the extent required to comply with applicable law, unless such data become part of the public domain.

28.2 Such confidentiality undertaking shall continue to apply to Contractor for a period of five (5) years after the termination of the Contract. Contractor shall not trade, sell or publish data pertaining to the Contract Area at any time without the prior written consent of Minister.

28.3 A Party may disclose such information to its employees, Affiliates, consultants, banks, financial institutions, auditors, Subcontractors and prospective assignees to the extent required for the efficient conduct of Petroleum Operations. Prior to making any such disclosures to its consultants, banks, financial institutions, auditors, Subcontractors or prospective assignees, such Party shall obtain from such individuals or entities a written confidentiality undertaking to keep the data and information strictly confidential. Contractor may also, upon written notice to Minister, make such disclosures as may be required by applicable law or the rules of a recognized stock exchange and such notice shall include copies of the information to be disclosed.

28.4 (a) All data furnished under this Contract shall, subject to the exemptions in Article 28.4 (b) below, be treated as strictly confidential for the term of this Contract or any extension or renewal hereof, except that Minister and Contractor shall have the right to use such data for the purpose of any arbitration or litigation between Minister and Contractor.

(b) (i) Data related to Petroleum Operations in areas which have been relinquished by Contractor may be released by Minister immediately on relinquishment.

(ii) Data related to the Petroleum Operations in areas

Deep Onshore

not relinquished in accordance with the terms of this Contract may be released by Minister at the end of the sixth(6th) year of the Contract or one (1) year after acquisition whichever period is later.

28.5 The Minister shall be entitled at any time to prepare and publish reports or studies using information derived from any information or data related to the Contract Area.



Deep Onshore

ARTICLE 29

PIPELINES

29.1 Sections 26 and 27 of the Petroleum Regulations shall apply to any pipeline outside of the Contract Area but which is included as a part of Petroleum Operations hereunder.

29.2 In the event of usage of such pipeline by third parties, the tariff collected by Contractor shall be credited to the cost recovery account.

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ARTICLE 30

INSURANCE

30.1 Contractor shall provide all insurance required by applicable law and such other insurance as may be agreed with Minister from time to time in conformity with generally accepted practices in the international Petroleum industry. Contractor shall insure with a reputable insurance company that shall repay claims in convertible currency.

30.2 All such policies of insurance with respect to the operations of Contractor shall name Minister as an additional named insured or "loss payee" and shall contain an express waiver of subrogation against the Government and Minister.

30.3 Contractor shall upon request provide Minister with copies of all policies of insurance.

30.4 Contractor shall actively pursue any claims against insurers. Any amount received from insurance settlements shall be applied and accounted for in accordance with the Accounting Procedure.

30.5 Contractor shall not self-insure or insure through Affiliates without the specific prior approval of Minister.

30.6 Contractor may utilize its normal worldwide insurance programmes and coverage to satisfy these insurance requirements with the prior approval of Minister.

ARTICLE 31

ASSIGNMENT AND TRANSFER

31.1 Any entity or entities comprising Contractor may with prior approval of Minister assign all or an undivided percentage interest in its rights and obligations under the Contract to any of its Affiliates provided that:

(a) such entity demonstrates to Minister's satisfaction that the Affiliate to which the assignment is proposed to be made is as qualified as the assignor with respect to its technical and financial competence;

(b) such entity at the time of such notice provides Minister with an undertaking from the ultimate parent company of the Affiliate to which the assignment is proposed to be made required by Article 8.5;

(i) the instrument of assignment states precisely that the assignee is bound by all covenants contained in the Contract; and

(j) the assignor submits a valuation and all material terms of the assignment.

31.2 Subject to the prior written approval of Minister any of the entities comprising Contractor may assign all or an undivided percentage interest in its rights and obligations under the Contract to a third party that is not an Affiliate of Contractor. For consideration to be given to any such request:

(a) all accrued obligations of the assignor derived from the Contract must have been duly fulfilled as of the date such request is made, or assignor and assignee must jointly and severally guarantee fulfillment of any unfulfilled accrued obligations of assignor;

(b) the proposed assignee or assignees must produce reasonable evidence to Minister of its or their financial and technical competence;

(c) the instruments of assignment shall be submitted to Minister for scrutiny and approval and shall include provisions stating precisely that the assignee is bound by all

Deep Onshore  
covenants contained in the Contract; and

(d) the assignor submits a valuation and all material terms of the assignment.

31.3 No assignment shall in any way absolve the assignor from the obligations undertaken by it under the Contract except to the extent such obligations are in fact performed by the assignee.

31.4 Any entity or entities comprising Contractor shall apply for consent, at least ninety (90) calendar days before the proposed effective date of the Transfer; which application shall include evidence to Minister of the financial and technical competence of the Transferee together with a valuation and all material terms of the transfer.

31.5 Each assignee or Transferee shall within thirty (30) days after the effective date of the assignment or Transfer comply with the requirements of Articles 10.1 and 10.2.

31.6 For each assignment or Transfer made by any entity or entities comprising Contractor the following rates shall apply to the amounts or value of the consideration:

- (a) For every dollar of the first US\$100 million: 1%
- (b) For every dollar of the next US\$100 million: 1.5%
- (c) For every dollar thereafter: 2%

31.7 The Minister reserves the right to employ the services of an independent consultant, at the cost of Contractor or any of the entities comprising Contractor, to be mutually agreed by Minister and such entity, to carry out an independent valuation of the transaction. The final determination of the valuation shall remain with Minister and will be subject to the applicable rates stated in Article 31.7 above.

31.8 Should an assignment or Transfer referred to under this Article occur without such entity first obtaining the required consent of Minister, it may result in the forfeiture of this Contract at the sole discretion of Minister.

Deep Onshore

ARTICLE 32

APPLICABLE LAW

32.1 The validity, interpretation and implementation of the Contract shall be governed by the laws of the Republic of Trinidad and Tobago.

ARTICLE 33

CONSULTATION, EXPERT DETERMINATION

AND ARBITRATION

33.1 The Parties shall make their best effort to settle amicably through consultation any dispute arising in connection with the performance or interpretation of any provision hereof.

33.2 If any dispute referred to under this Article has not been settled through such consultation within ninety (90) days after the dispute arises either Party may by notice to the other Party propose that the dispute be referred either for determination by a sole expert or to arbitration in accordance with the provisions of Article 33.

33.3 Following the giving of notice under Article 33.2, the Parties may, by mutual agreement, refer the dispute for determination by a sole expert to be appointed by agreement between the Parties. Such sole expert shall be an internationally recognized specialist in the interpretation of the subject under dispute. If the Parties are unable to agree on designation of the expert within thirty (30) days following the giving of notice under Article 33.2, the expert shall be named by an internationally recognized organisation to be agreed to by the Parties.

33.4 As an alternative to the procedure described in Article 33.3 and if agreed upon by the Parties, such dispute shall be referred to arbitration by an agreed sole arbitrator.

33.5 (a) If the Parties fail to refer such dispute to a sole expert under Article 33.3 or to a sole arbitrator under Article 33.4, within sixty (60) days of the giving of notice under Article 33.2, the dispute shall be referred to arbitration. The arbitration shall be conducted by three (3) arbitrators in accordance with the the Arbitration Rules of the United Nations Commission on International in effect on the Effective Date of the Contract.

(b) Where arbitration is resorted to either by the sole arbitrator under Article 33.4 or arbitral tribunal, the Arbitration Rules of the UNCITRAL Rules in effect on the Effective Date of the Contract shall be used.

33.6 The English language shall be the language used in the

Deep Onshore

expert or arbitral proceedings. All hearing materials, statements of claim or defence, award and the reasons supporting them shall be in English.

33.7 The place of the expert determination or arbitration shall be in Trinidad and Tobago.

33.8 In the case of a request by Contractor pursuant to Article 17.6 (e) for final determination by an expert of whether a disputed charge is subject to cost recovery, such expert shall be an internationally recognized specialist in interpretation of Petroleum contracts with experience in verifying costs of Petroleum Operations. If the Parties are unable to agree on designation of the expert within thirty (30) days after Contractor's request under Article 17.6 (e) for the expert determination, the expert shall be named by the International Chamber of Commerce. The waiting period required by Article 33.2 shall not apply to this type of expert determination.

33.9 (a) Any decision by the expert determination, sole arbitrator or arbitral tribunal shall be final and binding upon the Parties. Such decision shall be rendered within sixty (60) days after the completion of the expert determination or arbitration proceedings.

(b) Judgment for execution of any award rendered by the expert determination, sole arbitrator or arbitral tribunal may be entered by any court of competent jurisdiction without review of the merits of such award.

ARTICLE 34

FORCE MAJEURE

34.1 No delay, default, failure or omission by either Party in the performance of any obligation under this Contract shall be considered as a breach of the Contract if such delay, default or omission is due to force majeure, as defined in Section 19(2) of the Act. The Party claiming force majeure shall notify the other in writing as soon as possible and take all reasonable and necessary measures to resume full execution of performance hereunder as soon as possible.

34.2 Notwithstanding anything in Article 34.1 (and without prejudice to the generality thereof) the following events or circumstances shall not be treated as being force majeure or caused thereby:

- (a) failure by either Party to pay money when due or fulfill any financial obligation under this Contract;
- (b) the insolvency of Contractor or any entity constituting Contractor.

34.3 If the Petroleum Operations are partially or totally suspended as a result of force majeure, the duration of the period directly affected by such suspension shall be extended by a period corresponding to the period of the suspension which in no event shall be more than two(2) years.

34.4 Contractor may terminate this Contract upon a three (3) month written notice to Minister if the fulfillment of the obligation of either Party under this Contract is affected by Force Majeure during the Exploration Period or any extension thereof for a continuous period exceeding two (2) years without further obligation and liabilities of any kind.



ARTICLE 35

NOTICES

35.1 Any notice, report and other communications required or given under this Contract shall be deemed given when delivered in writing either by hand, in person or through the registered mail, courier service or fax transmission, appropriately addressed as follows:

TO THE MINISTER

(i) By Hand or Mail:-

Permanent Secretary  
Ministry of Energy and Energy Industries  
Level 9, Riverside Plaza  
Besson Street  
Port of Spain. Trinidad & Tobago  
Telefax No. (868) 625 0306

TO CONTRACTOR

(i) By Hand or mail -

Official designated under Article 10.1

35.2 Each of the Parties may change its address or addresses or representative for purpose of receiving notices by giving at least ten (10) days prior written notice of the change to the other Party.

ARTICLE 36

TERMINATION

36.1 The Minister shall have the right to terminate the Contract and to take without consideration all property of whatever nature belonging to Contractor in Trinidad and Tobago related to the Contract Area if Contractor fails:

(a) to fulfill the obligations provided for in Articles 7 or 14 hereof; or,

(b) to conform to the provision of an arbitration award or expert determination under Article 33 hereof.

36.2 Contractor shall have the right to terminate this Contract by electing to relinquish the entire Contract Area pursuant to the conditions specified in Article 5.

36.3 If either Party to the Contract commits a material breach of Contract, the other Party shall have the right to terminate the Contract using the following procedure:

(a) The Party claiming the right to terminate shall give notice to the other Party specifying the particular material breach complained of, and requiring the other Party, within ninety (90) days of such notice, to remedy the same or make reasonable compensation to the complaining Party, as the case may be;

(b) If the Party receiving the notice fails to comply with said notice, the complaining Party may, after the expiration of the ninety (90) days notice, forthwith terminate this Contract provided that in the event the issue of whether there has been a material breach has been referred to arbitration or expert determination under Article 33, the complaining Party may not exercise its power of termination until the result of arbitration or expert determination is known. The Party which elects to refer the dispute to arbitration or expert determination must be diligent in pursuing its claim in such proceedings. Failure to pursue such claim diligently will entitle the complaining Party to exercise its right to terminate in spite of the referral to arbitration or expert determination.

Deep Onshore

36.4 Contractor shall have the right to terminate this Contract in accordance with the provisions of Article 34.4.

36.5 This Contract may be terminated prior to the end of the Contract term, by express agreement of the Parties or in accordance with the provisions of Article 4.2.

36.6 Upon the termination of this Contract by either Party all rights granted to Contractor and all obligations imposed on Contractor hereunder shall terminate, subject and without prejudice to any rights which may have accrued to Minister or to Contractor under this Contract.

ARTICLE 37

ABANDONMENT PROGRAMME, BUDGET AND ESCROW ACCOUNT

37.1 Within sixty (60) days after cessation of production or the sooner relinquishment of some or all of the Contract Area, Contractor shall carry out to Minister's satisfaction an abandonment programme agreed with Minister for all installations and pipelines provided by Contractor under this Contract that Minister elects not to have delivered up to him in accordance with Article 24.1. With respect to the area being relinquished and/or facilities thereon, such abandonment programme shall comply with internationally accepted standards prevailing at the time of abandonment.

37.2 Contractor shall establish an interest bearing escrow account in the name of Minister at a financial institution approved by Minister to accumulate cash reserves for use as a contingency fund against possible pollution and eventual abandonment of wells and decommissioning of facilities related to Petroleum Operations in the Contract Area.

37.3 Contractor shall pay twenty five (25) cents in the currency of the United States of America per barrel of oil equivalent produced into said escrow account.

37.4 The Minister may at his sole discretion access funds from the escrow account in the event that Contractor fails to effect environmental clean-up during the term of this Contract, or properly abandon wells, or decommission facilities to the satisfaction of Minister upon termination of this Contract. Where Minister accesses the escrow account as aforementioned Contractor shall be required to pay into the account the sum used for said purposes within sixty (60) days.

37.5 Not later than five (5) years before the earlier of:

(a) the scheduled expiry of the term of the Contract; or

(b) Contractor's anticipated termination of Production of a Field or of operation of a pipeline;

Contractor shall submit for Minister's approval a proposed abandonment programme and budget covering all such installations and pipelines provided by Contractor under this Contract.

## Deep Onshore

37.6 The Minister shall act without unreasonable delay in reaching a decision on Contractor's proposal under Article 37.2 and may approve or modify or impose conditions thereon. Before modifying or imposing conditions on the proposal, Minister shall notify Contractor of the proposed modification or conditions and give Contractor the opportunity to make written representations within sixty (60) days thereafter about the proposed modifications or conditions. After taking into consideration such representations Minister and Contractor shall make their best efforts to mutually agree on the proposed modifications or conditions of the abandonment programme and budget. In the event that Minister and Contractor cannot mutually agree on the proposed abandonment programme and budget, either Party may by written notice to the other Party propose that the dispute be referred for determination in accordance with the provisions of Article 33. Until such time that the determination has been made, Contractor shall make payments into the escrow account referred to in Article 37.5, based on its proposed abandonment programme and budget. After the determination is made, Contractor shall adjust the payments to such escrow account to reflect the abandonment programme and budget so determined.

37.7 In the event that Contractor does not present a timely proposal to Minister under Article 37.2 Minister, after giving thirty (30) days notice to Contractor of his intention to do so, may prepare an abandonment programme and budget for the Contract Area if Contractor does not present a proposal by the end of the thirty (30) day period. When Minister has so prepared the abandonment programme and budget, it shall have the same effect as if it had been submitted by Contractor and approved by Minister.

37.8 The approved budget for carrying out the approved abandonment programme shall be provided for by monies paid into the escrow account established under Article 37.2. In addition to the payments made under Articles 37.3 and 37.4 Contractor shall also pay into the account a per unit of production assessment. If the approved budget is less than the value of the escrow account, Contractor shall pay the difference based on a per unit of production assessment. The assessment shall be calculated dividing the difference between the approved budget and the value in the escrow account by the estimated units of production to be produced and saved by Contractor between the date of Minister's approval and the anticipated date of the abandonment.

Deep Onshore

37.9 Upon determination of the Contract, where Contractor fulfills all obligations in respect of environmental remediation, abandonment of wells and decommissioning of facilities to the satisfaction of Minister, all existing funds in the Escrow account shall remain with Minister. If the escrowed amount is insufficient to complete the approved programme, Contractor shall pay all such additional required costs. In the event Minister elects to have the facility delivered up to him, the escrow account shall be transferred to Minister, who shall assume all responsibility for the facility, its abandonment and hold Contractor harmless against any liability with respect thereto accruing after the date of such transfer to Minister.

ARTICLE 38

THE PETROLEUM ACT AND REGULATIONS

38.1 Pursuant to Section 6 (4) of the Act, the Parties have agreed that this Contract sets out comprehensively the rights and obligations of the Parties with regard to matters otherwise covered by the Act and the Petroleum Regulations provided that any provisions regarding safety incorporated in the Regulations, Rules and/or Orders as Minister may issue from time to time shall apply to Contractor.

38.2 So much only of the Act and the Regulations as are not excluded by the Contract shall apply to Contractor, and where any provision of the Act or the Regulations is modified by this Contract for the purposes of this Contract, the Act and the Regulations shall be read and construed accordingly, and where there is any conflict or variance with reference to any matter between the provisions of this Contract and the Act or the Regulations, the provisions of this Contract shall prevail.

Article 39

Local Content

39.1 Contractor shall comply with the Government's Local Content Policy in force and as modified from time to time.

39.2 Contractor shall maximize to the satisfaction of Minister the level of usage of local goods and services, businesses, financing and the employment of nationals of the Republic of Trinidad and Tobago.

39.3 Contractor shall ensure that sub-contracts are sized, as far as it is economically feasible and practical to match the capability (time, finance and manpower) of Local Enterprises and shall manage the risk to allow their participation.

39.3 Contractor shall provide to Minister together with the annual work programme and budgets required under Articles 14 and 15 a list of all projects to be undertaken as well as all goods and services that are required for the conduct of Petroleum Operations. The Minister and Contractor shall agree on a list of those projects and goods and services which shall be published in at least two local newspapers and on the Ministry's website.

39.4 All tenders are to be advertised, evaluated and awarded in Trinidad and Tobago. Contractor shall apply to Minister for prior approval where the circumstances warrant that any part of the tender process be conducted outside of Trinidad and Tobago.

39.5 Contractor shall give equal treatment to Local Enterprises by ensuring access to all tender invitations and by including high weighting on local value added in the tender evaluation criteria.

39.6 Contractor shall give assurance to Local Enterprises in respect of prompt payment for goods and services actually provided to Contractor and its Subcontractors both foreign and local.

39.7 Contractor shall ensure the development of people by imparting to nationals technology and business expertise in all areas of energy sector activity including but not limited to:

- (i) Fabrication



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- (ii) Information Technology support, including seismic data acquisition, processing and interpretation support
- (iii) Operations and maintenance support
- (iv) Maritime services
- (v) Business support services, including accounting, human resource services, consulting, marketing and contract negotiations
- (vi) Financing
- (vii) Trading

39.8 Contractor shall ensure that nationals are selected and trained consistent with Contractor's performance standards in relation to activities referred at 39.7.

39.9 In addition to the requirements in Article 39.7 Contractor shall ensure that the development of people in key areas allow nationals to take more value-added, analytical and decision making roles in areas:

- (a) of a technical or professional nature including general management, design engineering, project management, seismic data processing, human resource development, legal; and
- (b) business strategic skills including leadership, business development, executive management, commercial, analytical, negotiating, strategy development and trading know how and acumen.

39.10 In accordance with its obligations under Article 10.4 Contractor shall maintain records to facilitate the determination of the Local Content of expenditure incurred in respect of Petroleum Operations. These records shall include supporting documentation certifying the cost of local materials, labour and services used and shall be subject to audit by Minister.

39.11 Pursuant to Article 13 of Annex C Contractor shall prepare and submit reports to Minister in accordance with the specified timeframe.

ARTICLE 40

MISCELLANEOUS

40.1 This Contract may not be amended, or any provision hereto waived, except by a written amendment executed with the same formality as this Contract by the Parties hereto and expressly stated to be a modification or waiver of this Contract.

40.2 The headings of this Contract are for convenience of reference only and shall not be taken into account in interpreting the terms of this Contract. A reference to the singular in this Contract includes a reference to the plural and *vice versa*.

40.3 The provisions of this Contract shall inure to the benefit of and be binding upon the Parties and their permitted assignees and successors in interest.

40.4 No waiver by any Party of any one or more obligations or defaults by any other Party in the performance of the Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

40.5 In case any one or more of the provisions contained in this Contract should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby provided that the remaining provisions are enforceable and the invalid, illegal or unenforceable provision or provisions are not fundamental to this Contract.

40.6 No deemed approval under Articles 13, 14 or 15 or otherwise of this Contract shall result in the extension of any phase of this Contract.

40.7 This Contract supersedes and replaces any previous agreement or understanding between the Parties whether oral or written on the subject matter hereof, prior to the date of this Contract.

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AS WITNESS WHEREOF -----, Director of Surveys acting on behalf of His Excellency George Maxwell Richards, the President of the Republic of Trinidad and Tobago has hereunto set his hand the \_\_\_\_\_ day of \_\_\_\_\_, 2006 and Senator Dr. the Honourable Lenny Saith, Minister of Energy and Energy Industries has hereunto set his hand the \_\_\_\_\_ day of \_\_\_\_\_ 2006. The Corporate Seal of ----- was hereunto affixed the \_\_\_\_\_ day of \_\_\_\_\_, 2006.

SIGNED AND DELIVERED by the \_\_\_\_\_ )  
within-named ----- )  
Director of Surveys, as \_\_\_\_\_ )  
and for the act and deed of the \_\_\_\_\_ )  
President of the Republic of \_\_\_\_\_ )  
Trinidad and Tobago in the \_\_\_\_\_ )  
presence of: \_\_\_\_\_ )

And of me,

SIGNED AND DELIVERED by the \_\_\_\_\_ )  
within-named, Senator Dr. the Honourable \_\_\_\_\_ )  
LENNY SAITH, Minister of \_\_\_\_\_ )  
Energy and Energy Industries as and for \_\_\_\_\_ )  
his act and deed in the presence of: \_\_\_\_\_ )

And of me,

\_\_\_\_\_  
Attorney-at-Law

Deep Onshore  
The Corporate Seal of )  
was )  
hereunto affixed by )  
  
Manager, )  
in the presence of: )

)  
Vice President )  
in conformity with the Articles )  
of Incorporation of said )  
Company as and for the act and )  
deed of the said Company in the )  
presence of: )

)  
Manager )  
  
)

The Corporate Seal of )  
was )  
hereunto affixed by )  
Manager )  
Attorney-in-fact pursuant to a )  
Power of Attorney, Registered as )  
No. of dated , )

)  
in conformity with the By-Laws )  
of the said Company as and for the )  
act and deed of the said Company )  
in the presence of:

)  
)  
)  
  
And of me,