

473/2015-

PETROLEUM AGREEMENT  
BETWEEN

THE MINISTER RESPONSIBLE FOR  
PETROLEUM

REPRESENTING

THE GOVERNMENT OF THE REPUBLIC  
OF GUYANA

AND

MID-ATLANTIC OIL & GAS INC.



## TABLE OF CONTENTS

Article 1 - Definitions.....	3
Article 2 - Agreement, the Operator, Liabilities and Indemnities .....	8
Article 3 - Petroleum Prospecting Licence and Guarantee.....	10
Article 4 - Exploration Programme and Expenditure Obligation.....	12
Article 5 - Relinquishment of Areas.....	14
Article 6 - Delegation; Co-operation between Contractor and GGMC.....	16
Article 7 - Annual Work Programme and Budget.....	18
Article 8 - Discovery and Development.....	19
Article 9 - Records, Reports and Information; Confidentiality .....	21
Article 10 - Annual Licence Rental Charge.....	24
Article 11 - Cost Recovery and Production Sharing.....	25
Article 12 - Associated and Non - Associated Gas. ....	27
Article 13 - Valuation of Crude Oil or Natural Gas .....	31
Article 14 - Disposal of Production.....	34
Article 15 - Taxation and Royalty .....	36
Article 16 - Contracts and Assignments.....	40
Article 17 - Domestic Supply Obligation .....	41
Article 18 - Guyana Resources.....	44
Article 19 - Employment and Training.....	45
Article 20 - Rights to Assets and Insurance.....	46
Article 21 - Import Duties .....	51
Article 22 - Foreign Exchange Control.....	52
Article 23 - Accounting and Audits.....	53
Article 24 - Force Majeure.....	54
Article 25 - Assignment .....	56
Article 26 - Sole Expert Determination and Arbitration .....	57
Article 27 - Applicable Law .....	59
Article 28 - Protection of the Environment .....	60
Article 29 - Termination and Cancellation.....	61
Article 30 - Effective Date .....	62
Article 31 - Miscellaneous .....	63
Article 32 - Stability of Agreement.....	64
Article 33 - Notices.....	65

Annex A – Description of Contract Area  
Annex B – Map of Contract Area  
Annex C – Accounting Procedure  
Annex D – Pre-Approved and Certified Petroleum Operations Items  
Petroleum Prospecting License





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# PETROLEUM AGREEMENT

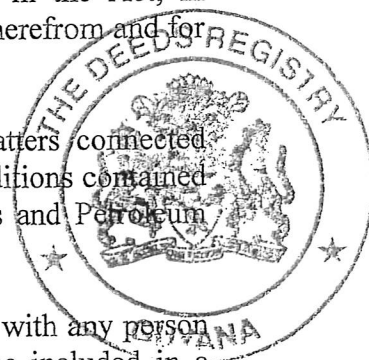
This Agreement is made on the <sup>4<sup>th</sup></sup> day of <sup>March</sup>....., 2015, between the Government <sup>9/180</sup> of the Republic of Guyana (the "Government"), represented herein by the Minister Responsible <sup>17/3/2015</sup> for Petroleum (hereinafter referred to as the "Minister") of the One Part

and

Mid-Atlantic Oil & Gas Inc. (hereinafter referred to as "MOGI" or "Licensee") a Company incorporated in Guyana with its Corporate office at *44B High St Kingston, 2<sup>nd</sup> Floor, Georgetown* and registered in Guyana under the Companies Act 1991 with its registered address in Guyana situated at *c/o Cameron & Shepherd, 2 Avenue of the Republic Georgetown, Guyana* of the Other Part

## WHEREAS

- (1) By virtue of the Petroleum (Production) Act, Cap. 65:05, Petroleum existing in its natural condition in strata in Guyana is vested in the State; the Petroleum (Exploration and Production) Act, No. 3 of 1986 (hereinafter referred to as the "Act" and the Petroleum (Exploration and Production) Regulations 1986 (hereinafter referred to as the "Regulations" make provision with respect to prospecting for and production of Petroleum, and for matters connected therewith;
- (2) The Guyana Geology and Mines Commission (hereinafter referred to as "GGMC") a body corporate established under the Guyana Geology and Mines Commission Act (No. 9 of 1979) has been seised with the responsibility, inter alia, of planning and securing the development, exploitation and management of Petroleum, as defined in the Act, in Guyana so as to ensure for the people of Guyana the maximum benefits therefrom and for doing such things in relation thereto;
- (3) With respect to prospecting for and producing Petroleum and for matters connected therewith the Act and Regulations, subject to certain limitations and conditions contained therein authorize the Minister to grant Petroleum Prospecting Licences and Petroleum Production Licences;
- (4) Section 10 of the Act authorizes the Minister to enter into an agreement with any person with respect to, inter alia, the grant of a Licence, the conditions to be included in a Licence, the procedure to be followed by the Minister while exercising any discretion conferred upon him by or under the Act and the manner in which the discretion shall be exercised and any matter incidental to or connected therewith;
- (5) MOGI. has submitted to the delegate a proposal ("the proposal") for a Production Sharing Agreement in respect of a certain offshore area of Guyana, on terms and conditions specified in the proposal;
- (6) GGMC has been authorized by the Minister to negotiate this Agreement subject to the provisions of the Act and Regulations and to the final written approval of the Minister of



its contents and execution thereof and to assist in the administration and implementation thereof;

- (7) MOGI. will have, or will acquire, the financial resources, the managerial, technical and industrial competence and the experience to carry out Petroleum Operations and will provide an affiliate company guarantee, in accordance with section 13 of the Act;
- (8) Pursuant to the aforesaid recitals, MOGI. made an application to the Minister for a Petroleum Prospecting Licence in accordance with regulation 13 of the Regulations (as hereinafter defined), over the area described in Annex A and shown on the map attached as Annex B, subject to the terms and conditions herein set forth and subject to the provisions of the Act and Regulations and MOGI. has agreed by execution of this Agreement to accept the said Licence on the said terms and conditions and provisions.

NOW, THEREFORE, in consideration of the premises and covenants and conditions herein contained, IT IS HEREBY AGREED between the Parties as follows:



## Article 1 - Definitions

1.1 In this Agreement, unless the context otherwise requires:

“Accounting Procedure” means the procedure set out in Annex C;

“Act” means the Petroleum (Exploration and Production) Act No.3 of 1986;

“Affiliated Company” in relation to the Contractor means, a company or corporation;

(i) Which is, directly or indirectly controlled by the Contractor; or

(ii) Which directly or indirectly, controls the Contractor; or

(iii) Which is, directly or indirectly, controlled by a company or corporation that also, directly or indirectly, controls the Contractor. For the purpose of this definition “control” means the right to exercise a vote of fifty per cent (50%) or more of all the voting shares;

“Agreed Interest Rate” means interest computed on a monthly basis at the rate per annum equal to the average London Interbank Offer Rate (LIBOR) for six (6) months United States dollar deposits, as published by the Wall Street Journal, on the first Business Day of such month being calculated, plus three (3%) percentage points;

“Agreement” means this Agreement and the Annexes hereto attached and made a part hereof;

“Appraisal Programme” means a programme carried out following a discovery of Petroleum in the Contract Area for the purpose of delineating the Petroleum Reservoir, as defined in the Act, to which that discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein prior to declaration of commerciality;

“Appraisal Well” means a well drilled for the purpose of an Appraisal Programme;

“Article” means an Article of this Agreement;

“Associated Gas” means all Natural Gas produced from any Petroleum Reservoir of which the predominant production is Crude Oil and includes the gas-cap, which overlies and is in contact with Crude Oil;

“Barrel” means a quantity consisting of forty-two (42) United States gallons, liquid measure, measured at standard conditions of atmospheric pressure and temperature (14.7 lbs/sq. inch absolute or 1 Kg/sq. cm. absolute and corrected to a temperature of sixty (60) degrees Fahrenheit or fifteen (15) degrees Celsius);

“Business Day” means a day on which the banks in Georgetown, Guyana are customarily open for business.

“Calendar Month” or “Month” means any of the twelve months of the Calendar Year;



“Calendar Quarter” or “Quarter” means a period of three (3) consecutive months beginning on the first day of January, April, July or October;

“Calendar Year” or “Year” means a period of twelve (12) consecutive Months commencing on January 1 and ending on the succeeding December 31 provided however that a Year of a term of a Licence shall be the period specified in section 2 (2).(b) of the Act;

“Commercial Discovery” means any discovery, which the Contractor in its sole judgment considers economic to develop and produce pursuant to the terms of the Agreement;

“Contract Area” means:

- (i) on the Effective Date the area described in Annex A and shown on the map in Annex B and the subject of the Petroleum Prospecting Licence granted to the Contractor pursuant to Article 3; and
- (ii) thereafter any areas, which at any particular time are subject to the Petroleum Prospecting Licence or Petroleum Production Licence(s), granted to the Contractor under Article 8;

“Contract Costs” means Exploration Costs, Development Costs, Operating Costs, Service Costs, General and Administrative Costs and Annual Overhead Charge;

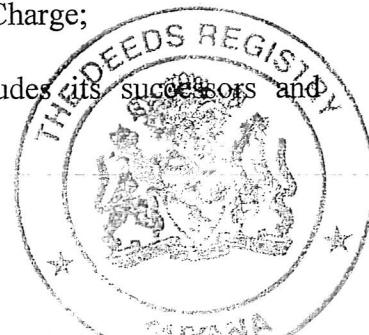
“Contractor” means Mid-Atlantic Oil & Gas Inc. and includes its successors and permitted assignees;

“Cost Gas” has the meaning assigned in Article 11;

“Cost Oil” has the meaning assigned in Article 11;

“Crude Oil” or “Oil” means crude mineral oil, asphalt, ozokerite, distillates, condensates and all kinds of hydrocarbons and bitumens, both in solid and liquid forms, at standard conditions of temperature and pressure (60 degrees Fahrenheit or 15 degrees Celsius and 14.7 lbs/sq. in or 1 Kg/sq. cm);

“Delivery Point” means in the case of Crude Oil the inlet flange of the lifting tankship; in the case of Natural Gas shall be the sales point and the point at which custody transfers from seller to buyer. In the case of LNG sales, the Delivery Point shall be the inlet loading flange for the LNG tanker. In the case of pipeline deliveries, the Delivery Point shall be the inlet flange to buyer's pipeline or distribution system, or the inlet to a third party's pipeline transporting buyer's Natural Gas. The Delivery Point for LPGs shall be the sales point and the point at which custody transfers from seller to buyer. In the case of LPG exports, the Delivery Point shall be the inlet loading flange for the LPG tanker or truck. In the case of pipeline deliveries of LPGs, the Delivery Point shall be the inlet flange to buyer's pipeline or distribution system, or the inlet to a third party's pipeline transporting buyer's LPGs; or in any case, such other economically viable point for export of Petroleum in the Republic Of Guyana which shall be agreed to by the Contractor and the Minister;



“Development Costs” means the expenditure so categorized in Annex C;

“Development Plan” means the plan referred to in Article 8.4;

“Development Well” means any well drilled as part of a Development Plan;

“Discovery Area” means an area which is part of a Prospecting Area consisting of a Discovery Block or Blocks in respect of which the Minister has been informed under section 30 of the Act;

“Discovery Block” means that as defined in the Act;

“Discovery of Petroleum” means that as defined in the Act;

“Effective Date” means the date on which this Agreement comes into force pursuant to Article 30;

“Expatriate Employee” means any employee (other than a Guyanese citizen) not permanently resident in Guyana who is engaged under a contract of service for the purpose of Petroleum Operations;

“Exploration Costs” means those expenditures so categorized in Annex C;

“Exploration Period” means the initial period, and/or the first renewal period and/or the second renewal period referred to in Article 4.1, as the case may be;

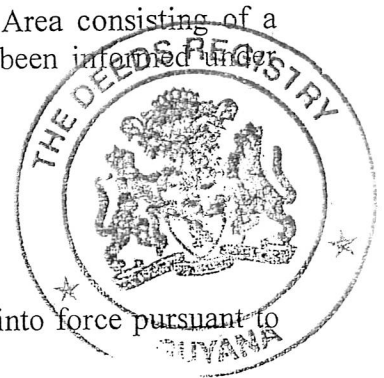
“Exploration Well” means a well drilled, which is not a Development Well, with the objective of exploring for Petroleum on a geological entity (be it of structural, stratigraphic, facies or pressure nature) to a depth or stratigraphic level specified in the work programme for the exploration work programme;

“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 features or stratigraphic conditions from which Petroleum may be produced commercially;

“General and Administrative Costs” and “Annual Overhead Charge” means the expenditures so categorised in Annex C;

“Geologic Basement” means any igneous or metamorphic rock or any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of petroleum in commercial quantities and which reflects the maximum depth at which any such accumulation can be reasonably expected;

“Government” means the Government of the Republic of Guyana and its ministries and agencies;



“GGMC” means the Guyana Geology and Mines Commission, established under section 3 of the Guyana Geology and Mines Commission Act 1979;

“GGMC Act” means the Guyana Geology and Mines Commission Act 1979;

“Licence” means the Petroleum Prospecting Licence and/or the Petroleum Production Licence(s) or both, as the context requires;

“Lifting Entitlement” means the quantity of Crude Oil to which a Party shall be entitled in any given period pursuant to Article 11;

“Minister” means the Minister assigned responsibility for Petroleum or where there is no such Minister, the President;

“Natural Gas” or “Gas” means all hydrocarbons which at standard conditions of temperature and pressure (60 degrees Fahrenheit or 15 degrees Celsius and 14.7 lbs/sq. in or 1 Kg/sq. cm) is in a gaseous state including but not limited to wet mineral gas, dry mineral gas and casing head gas, all substances contained therein including helium, which are produced from an oil or gas well, in their natural state or residue gas remaining after extraction of NGLs from wet gas. For purposes of this Agreement, Natural Gas shall also include liquefiable hydrocarbons obtained from Natural Gas by condensation or extraction, including ethane, propane, butane, pentanes and heaviers (“Natural Gas Liquids” or “NGLs”). Liquefied methane shall not be considered an NGL, but rather Natural Gas in the liquid state.

“Non-Associated Gas” means Natural Gas or Gas other than Associated Gas;

“Non-Resident Sub-Contractor” shall mean a Sub-Contractor the control and management of whose business are exercised outside Guyana.

“Operating Costs” means those costs so categorized in Annex C;

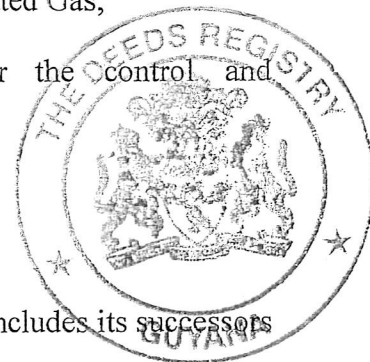
“Operator” shall have the meaning assigned to it in Article 2.2(a);

“Parties” means the Government, Mid-Atlantic Oil & Gas Inc. and includes its successors and permitted assignees, and a Party shall mean any of the Parties;

“Petroleum Operations” means Prospecting Operations and/or Production Operations, as defined in the Act;

“Petroleum Prospecting Licence” means a Licence issued by the Government under the Act and the Regulations to Mid-Atlantic Oil & Gas Inc. for carrying out Prospecting Operations and set forth in Form C of the schedule as specified in the Regulations;

“Petroleum Production Licence” means a Licence to be issued by the Government under the Act and the Regulations to Mid-Atlantic Oil & Gas Inc. for carrying out Production Operations and set forth in Form D of the schedule as specified in the Regulations;





“Profit Gas” has the meaning assigned in Article 11;

“Profit Oil” has the meaning assigned in Article 11;

“Recoverable Contract Costs” has the meaning assigned in Article 11;

“Regulations” means the Petroleum (Exploration and Production) Regulations 1986;

“Service Costs” means the expenditures so categorized in Annex C;

“Sub-Contractor” means any company or entity which provides services to the Contractor in connection with Petroleum Operations;

“Third Party Sales” means third party arms length sales made by (i) Contractor or (ii) Affiliated Company of Contractor to a third party for an arms length price, which is disclosed to the Minister.

- 1.2 The words and terms used in this Agreement but not defined herein shall, if meanings have been assigned to them under section 2 of the Act, have, for the purposes of this Agreement, the same meanings.
- 1.3 The provision of this Agreement relating to the Petroleum Prospecting Licence shall be read as part of the provisions of such Licence.
- 1.4 The provision of this Agreement relating to any Petroleum Production Licence shall be read as part of the provisions of such Licence.
- 1.5 The provisions in the Act and Regulations dealing with rights and obligations of the Contractor shall be read as part of but not nullify the provisions of this Agreement and any Licence issued to the Contractor.



## Article 2 - Agreement, the Operator, Liabilities and Indemnities

### 2.1 Agreement

This Agreement constitutes an agreement made under section 10 of the Act consistent with the Act and the Regulations, and is a production sharing agreement, the objective of which is the exploration for development and production of Petroleum in the Contract Area by the Contractor subject to the terms hereof and the provisions of the Act and Regulations under which the Contractor shall have an economic interest in the development of Petroleum from the Contract Area.

### 2.2 The Operator

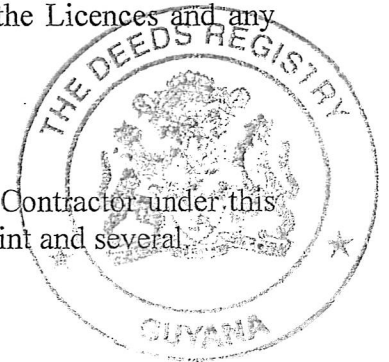
- (a) MOGI shall be the Operator charged with conducting the day-to-day activities of the Contractor under this Agreement. No transfer of operatorship to another Party not comprising the Contractor shall take effect unless it has been approved by the Minister which approval shall not be unreasonably withheld. The Minister shall be notified of any change of operatorship to another Party comprising the Contractor in writing.
- (b) The Contractor shall provide the Minister with a memorandum summarizing the operating arrangements between the Operator and the Contractor, including any Party comprising the Contractor for the conduct of Petroleum Operations which will include, inter alia, a provision whereby the Operator agrees to conduct the Petroleum Operations in accordance with this Agreement, the Licences and any applicable laws of Guyana.

### 2.3 Liability

The duties, obligations and liabilities of the Parties comprising the Contractor under this Agreement and under any Licence issued pursuant hereto shall be joint and several.

### 2.4 Indemnity

The Contractor shall, at all times, keep Government indemnified against all actions, claims and the demands that may be brought or made against Government by a third party by reason of negligence (any act or omission or reckless disregard of harmful consequences which results in damage to a third party) by the Contractor or the Operator in the exercise or purported exercise of the rights of the Contractor under the Act or the Licence, provided however, that nothing in this Article shall require the Contractor to give the said indemnity for any claim or demand in respect of Petroleum taken by the Minister pursuant to Article 11 after title has passed to the Minister at the Delivery Point or in respect of assets acquired by the Minister pursuant to Article 20 from and after the date of acquisition. Liability by the Contractor to the Government for damages in respect of Petroleum Operations under this Agreement is limited to insurance required in accordance with Article 20.2 (a),





provided however, that the Contractor shall not be liable to the Government for indirect, punitive or consequential damages, including but not limited to, production or loss of profits.



## Article 3 - Petroleum Prospecting Licence and Guarantee

### 3.1 Petroleum Prospecting Licence

- (a) On the date of this Agreement, the Minister, in accordance with the Act, the Regulations and the terms of this Agreement, shall grant to the Contractor the Petroleum Prospecting Licence for an initial period of four (4) years from the Effective Date over the area described in Annex A and shown on the map attached as Annex B hereto.
- (b) Subject to Article 4 and the other terms of this Agreement, such Petroleum Prospecting Licence may be renewed but not more than twice at the election of the Contractor for consecutive periods of up to three (3) years each in accordance with the provisions of the Act and the Regulations.

### 3.2 Guarantee

The Contractor shall on or before the sixtieth (60th) day from the Effective Date during year one (1) of phase one (1) of the initial period in accordance with Article 4.1 (a), (i) hereunder, and thereafter, no later than ninety (90) days after the commencement of all subsequent work commitment periods as specified in Article 4.1, provide an Affiliate Company guarantee or other form of guarantee acceptable to the Minister in the amount of ten (10%) of the budget submitted by the Contractor, pursuant to Article 7.1, for each specific work commitment period. Notwithstanding the foregoing, if the Contractor exceeds its minimum work commitment in any phase specified in Article 4.1, the completion of such work commitment shall constitute a waiver of such proportion of the requirement of the guarantee by the Minister which is the equivalent of the excess work previously completed but which is applicable to the subsequent work commitment phase.

If the guarantees are Affiliate Company guarantees they shall be in lieu of and satisfy any obligation to provide a guarantee and/or bond pursuant to the Act, Regulations or this Agreement on the part or on behalf of the Contractor.



## Article 4- Exploration Programme and Expenditure Obligation

### 4.1 Exploration Programme

Subject to the provisions of this Agreement, in discharge of its obligations to carry out Prospecting Operations in the Contract Area, the Contractor shall carry out the minimum work described herein, during the periods into which Prospecting Operations are divided hereunder:-

(a) The initial period of four(4) years

The initial period of four (4) years shall be divided into two (2) phases. Phase one (1) will consist of eighteen (18) months duration while phase two (2) will consist of thirty (30) months duration.

(i)Phase One - (18 months)

During Phase one of the initial period, the Contractor shall acquire all available Geological data and conduct research at the local and regional level to better understand the complex Geological features of the Guyana-Suriname Basin and in particular the prospects and potential of the deep-water plays. Further, in Phase one, a minimum of 1500 line km of 2D seismic will be acquired, processed and interpreted to define prospects.

(ii)Phase Two - (30 months)

During phase two of the initial period the Contractor shall acquire, process and interpret a minimum of 500(five hundred) square kilometres of 3D seismic to identify drilling targets and complete a geotechnical/pre-drilling survey.

At the end of the initial four (4) years, the Contractor shall elect either to relinquish the entire Contract Area or subject to Article 5 relinquish twenty percent (20%) of the Contract Area and renew the Petroleum Prospecting Licence for a further period of up to three (3) years.

(b) First renewal period of three (3) years

During the first renewal period of three (3) years the Contractor shall commence the drilling of one (1) Exploration Well in accordance with Article 4.2.

At the end of the first renewal period of three (3) years, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area in respect of which the Minister is informed under section 30 of the Act and the area contained in any Petroleum Production Licence or subject to Article 5, relinquish twenty percent (20%) of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.

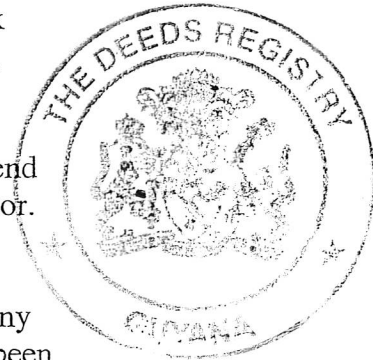


(c) Second renewal period of three (3) years

During the second renewal period of three (3) years, the Contractor shall commence the drilling of one (1) Exploration Well in accordance with Article 4.2. At the end of the second renewal period, the Contractor shall relinquish the entire Contract Area except for any Discovery Area in respect of which the Minister is informed under section 30 of the Act, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister agrees to permit the Contractor to conduct further exploration activities.

(d) The minimum work commitment for a given phase or period referred to in Article 4.1(a), (b) and (c) may be undertaken in an earlier phase or period in whole or in part and in such a case the work commitment with respect to the subsequent period shall be deemed to be satisfied accordingly in whole or in part as the case may be. Contractor may conduct additional work beyond the minimum work commitment in accordance with the terms and conditions of this Agreement, which shall be subject to Cost Recovery.

(e) Subject to Article 24 herein and section 43 of the Act, the Minister may extend any Exploration Period pursuant to a showing of good cause by the Contractor.



4.2 No Exploration Well drilled by the Contractor shall be treated as discharging any obligation of the Contractor to drill such Exploration Well unless either it has been drilled to the depth or formation agreed with the Minister and specified in the annual work programme, or before reaching such depth or formation:

- (a) the Contractor has expended on such well and any substitute well drilled pursuant to Article 4.2 (d) below the amount for such work commitment in the budget submitted by the Minister as specified in Article 7.1; or
- (b) the Geologic Basement is encountered; or
- (c) a Discovery is made and the Minister is informed thereof; or
- (d) insurmountable technical problems are encountered which, in accordance with good oilfield practice, make further drilling impractical, provided that if the said Well is abandoned owing to the said problems before reaching the Geologic Basement, the Contractor shall drill a substitute well in the Contract Area to the same minimum depth as aforesaid unless otherwise agreed with the Minister or until the amount in Article 4.2 (a) less any amounts actually expended on the abandoned well is reached or one of the criteria listed at Articles 4.2 (b) to (d) is satisfied.

4.3 Expenditure Obligation

The sum actually spent in fulfillment of the work obligation in a specific phase or period shall be deemed to have satisfied the Contractor's minimum expenditure

obligation for that phase or period. For the avoidance of doubt, in the event the Contractor has performed its work obligation(s) for an amount less than the amount specified in an annual work programme and budget submitted under Article 7, Contractor shall be deemed to have fulfilled its expenditure obligation for that phase or period.



## Article 5 - Relinquishment of Areas

- 5.1 If prior to the end of the initial period of the Petroleum Prospecting Licence issued to the Contractor under Article 3.1, an application is made by the Contractor for renewal of the Licence under section 24 (1) of the Act, the Contractor shall relinquish at the end of the initial period an area equal to at least twenty percent (20%) of the original Contract Area less the exclusions provided for in Article 5.
- 5.2 If prior to the end of the first renewal period of the Petroleum Prospecting Licence an application is made by the Contractor for a second renewal of the Licence under section 24(1) of the Act, the Contractor shall then relinquish at the end of this first renewal period an area equal to at least twenty percent (20%) of the original Contract Area less the exclusions provided for in Articles 5.3
- 5.3 The areas to be relinquished pursuant to Articles 5.1 and 5.2 shall:
- (a) comprise Blocks, as defined in the Act;
  - (b) exclude any Discovery Area together with a reasonable area of protective acreage surrounding the Discovery Area;
  - (c) exclude any Production Area;
  - (d) be selected by Contractor so that:
    - (i) the area relinquished shall comprise one (1) discrete area, having regard to any representations made by the Minister with respect to location, shape and size;
    - (ii) the Blocks to be retained for and during the first renewal period pursuant to Articles 5.1 and 5.2 shall constitute one (1) discrete area unless otherwise agreed to by the Minister.
- 5.4 In the event that an area or areas cannot be identified for relinquishment in accordance with this Article without including in such area or areas in whole or in part a subsisting Discovery Area or Production Area or the Minister is of the opinion that the area(s) to be relinquished will not enable licensing separately or jointly with contiguous unlicensed areas then the Minister and Contractor shall consult together with a view to agreeing on the area(s) to be relinquished in the light of the circumstances then prevailing. If after sixty (60) days from receiving notice of the Contractor's proposed relinquishments the Parties cannot agree on a proposed relinquishment, the Parties shall refer the matter to a sole expert pursuant to Article 26.
- 5.5 For the purpose of this Article, a Discovery Area shall not include any Discovery Block which relates to a Discovery in respect of which the Contractor has notified the Minister that the Discovery is not of potential commercial interest pursuant to section 31 (1) of the Act, unless such Discovery Block forms a part (and only to that extent) of another subsisting Discovery Area.
- 5.6 If a Petroleum Prospecting Licence ceases to have effect with respect to Discovery Blocks pursuant to section 32 (1) of the Act, such reduction in size of the Contract Area shall be treated as an advance relinquishment under this Article and shall reduce the area next required to be relinquished accordingly.



5.7 Without prejudice to the obligations undertaken in Article 4, the Contractor may at any time during the period of the Petroleum Prospecting Licence, on giving the Minister no less than three (3) months' notice in writing of its intention to do so, relinquish any Block or Blocks in the Contract Area pursuant to section 28 of the Act and in accordance with Articles 5.4 and 5.5. Any such relinquishment shall count towards any subsequent mandatory relinquishments required under Articles 5.1, 5.2 or 5.3 above as the case may be.

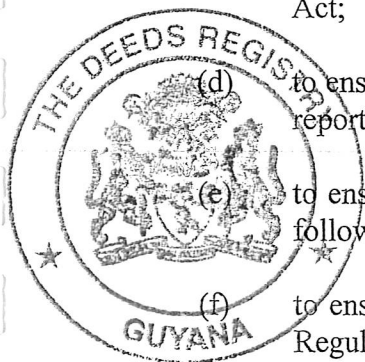


## Article 6 - Delegation; Co-operation between Contractor and GGMC

6.1 The Minister may, subject to the provisions of the Act, or any other law delegate any person to exercise and perform any of his functions under this Agreement and anything done by the delegate in pursuance of the delegation shall have the same validity and effect as it would have if done by the Minister.

6.2 The Minister also hereby authorizes GGMC to perform, inter alia the following functions:

- (a) to monitor the Petroleum Operations carried out by the Contractor;
- (b) to review any proposed exploration work programme and budgets presented by Contractor under Article 7 and any Appraisal Programme presented by the Contractor under Article 8;
- (c) to review any Development Plan submitted by the Contractor in connection with an application for a Petroleum Production Licence pursuant to section 34 of the Act;
- (d) to ensure the maintenance and availability for inspection of operating records and reports for Petroleum Operations in accordance with this Agreement;
- (e) to ensure the accounting procedures specified in Annex C of this Agreement are followed;
- (f) to ensure compliance with the provisions of this Agreement, Petroleum Act and Regulations.



6.3 The Contractor and the delegate shall co-operate in good faith in the exercise of the Minister's functions delegated pursuant to this Article and the Contractor shall keep the delegate advised of all activities taking place during the course of Petroleum Operations and shall provide the delegate with all available information relating to Petroleum Operations as the Minister or the delegate may reasonably require. Towards this end, the delegate and the Contractor shall meet at regular intervals, but at least once every six (6) months, to review the progress and results of the Petroleum Operations and to discuss the work programme and other activities to be undertaken in the ensuing months.

6.4 With respect to the matters to be reviewed pursuant to Article 6.2, should the delegate wish to make any specific proposals or revisions thereto, the delegate shall so notify the Contractor specifying its reasons therefore; within reasonable time thereafter the Contractor and the delegate shall meet and endeavour to agree on the proposals or revisions. The Contractor shall consider and take into account the proposals of the delegate and shall attempt in good faith to reach agreement on such proposals. If the Contractor and the delegate fail to agree within sixty (60) days of submission by the



Contractor, the exploration work programme and budget (including as appropriate any minimum work programme to be undertaken pursuant to Article 4) submitted pursuant to Article 7 and the Appraisal Programme (except in the case of Gas to which the provision of Article 12 shall apply) submitted pursuant to Article 8 (revised in accordance with any amendments or additions thereto agreed by the delegate and the Contractor) shall be deemed adopted.

- 6.5 Nothing herein above provided shall preclude the right of the Minister to delegate any additional function to the delegate or subject to Article 6.1 to delegate from time to time any functions, including those herein contained, to any other agency of Government. A delegation shall not increase the obligations or liabilities of the Contractor and notice of any delegation shall be given promptly to the Contractor.
- 6.6 Any approvals required by the Minister or delegates of the Minister shall not be unreasonably withheld. If the Contractor requests required approval from the Minister or delegates of the Minister, such approval shall be deemed as granted if no response is provided within sixty (60) days of the request.
- 6.7 The Minister and the delegate shall, upon request, either provide to the Contractor or assist the Contractor in obtaining the assistance required for Contractor to fulfill requirements of the contract including but not limited to the following:
- (a) approvals issued by Government agencies or local government institutions which are required to conduct hydrocarbon operations, including approvals necessary to import goods and services free from duties and taxes;
  - (b) approvals for easements and right-of-way to enable Contractors to conduct operations;
  - (c) approvals for security for field operations and personnel;
  - (d) permission for entry and exit visas and working permits for Contractor's employees, subcontractors and their dependents;
  - (e) supply reports, analyses, samples, geological, geophysical and production data necessary to Contractor from areas inside and outside the Contract Area;
  - (f) approvals to export hydrocarbons, and use essential infrastructure necessary for the economic export of hydrocarbons at normal commercial terms.



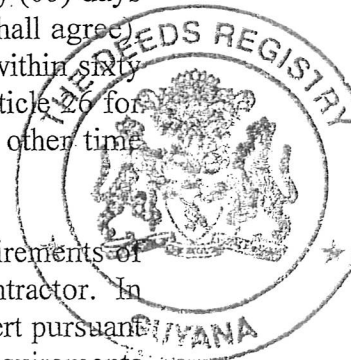
## Article 7 - Annual Work Programme and Budget

- 7.1 Within sixty (60) days after the Effective Date, the Contractor shall prepare and submit to the Minister in detail a work programme and budget, setting forth the Prospecting Operations, which the Contractor proposes to carry out (including, as appropriate, any minimum work obligations to be undertaken pursuant to Article 4) during the remaining portion of the Calendar Year. In subsequent years no less than one (1) month before the beginning of the Calendar Year, the Contractor shall prepare and submit to the Minister a work programme and budget setting forth Petroleum Operations which the Contractor proposes to conduct during the upcoming Calendar Year.
- 7.2 The Contractor may, for good cause, amend the details of any work programme or budget submitted to the Minister pursuant to Article 7.1 provided that:
- (a) notice of the details of the reasons for the amendments is given to the Minister;
  - (b) such amendments shall not have the effect of reducing the minimum work obligations undertaken under Article 4 without the prior consent in writing of the Minister;
  - (c) any proposed amendment shall be subject to review pursuant to Article 6.



## Article 8 - Discovery and Development

- 8.1 Where, pursuant to section 30 of the Act, notice has been given to the Minister of a Discovery in the Contract Area, the Contractor shall forthwith inform the Minister of the steps it proposes to take to satisfy the requirements of section 30 (1) (a) (iii) of the Act.
- 8.2 Where the Contractor, pursuant to section 31 (1) of the Act, has informed the Minister that, in its opinion, the Discovery is of potential commercial interest, the Contractor shall, as soon as practicable thereafter, submit, for the consideration of the Minister, its proposals for an Appraisal Programme to meet the requirements of section 30 (1) (b) of the Act.
- 8.3 Where an Appraisal Programme has been adopted by the Contractor pursuant to Article 8.2, the Minister may, on application by the Contractor pursuant to section 31 (2) of the Act, stating reasons therefor, extend the period within which application may be made by the Contractor for a Petroleum Production Licence.
- 8.4 Where the Contractor has made an application to the Minister for a Petroleum Production Licence in respect of any part of the Contract Area in accordance with section 34 (1) of the Act, such application shall be accompanied by the proposals required under section 34 (3) of the Act (hereinafter referred to as "the Development Plan") and shall satisfy the provisions of section 36 of the Act and the Regulations. The Development Plan shall provide that not later than six (6) months after the grant of the first Petroleum Production Licence, the Contractor shall in consultation with GGMC, prepare and implement a programme for training and employment of Guyanese nationals in each phase and level of Petroleum Operations and for the development of management and technical skills for the safe and efficient conduct of Petroleum Operations.
- 8.5 Where the Minister considers that the application has not met the requirements of Article 8.4, he shall so notify the Contractor within sixty (60) days of receipt of the application, and GGMC and Contractor shall meet to discuss the application with a view to ensuring that the requirements of Article 8.4 are met. In the event that the Parties are unable to agree on amendments to the application to meet such requirements within sixty (60) days from the date of aforesaid application (or such longer period as the Parties shall agree) or where the Minister fails to respond to or act on the aforesaid application within sixty (60) days, the Contractor may refer the matter to a sole expert pursuant to Article 26 for determination within sixty (60) days of appointment of such expert or such other time period as may be agreed between the Contractor and the Minister.
- 8.6 Where the Minister considers that the aforesaid application has met the requirements of Article 8.4 he shall, within sixty (60) days of receipt thereof, so notify the Contractor. In such event or where in the event of a dispute it is determined by the sole expert pursuant to Article 26 that the Contractor has made an application which meets the requirements of Article 8.4, provided the Contractor is not in default under this Agreement, the Minister shall grant, within sixty (60) days of such notification or determination as the case may be, to Contractor, a Petroleum Production Licence (in the Form D of the



schedule as specified in the Regulations) over the area for which the application has been made on terms and conditions consistent with this Agreement and the Act and Regulations which will enable the Contractor to carry on Petroleum Operations in the Production Area in accordance with the Development Plan wherein the level of production set shall be consistent with the maximum efficient rate of production which conforms to sound reservoir engineering principles in accordance with good international petroleum industry practice. In the event the Minister imposes policy-based production limits on production below those consistent with maximum efficiency rates for the field or fields, any such production limits will be imposed countrywide and shall be allocated proportionately based upon demonstrable, verifiable field production capacities.

- 8.7 While the Contractor holds a Petroleum Prospecting Licence or has made an application pursuant to Article 8.4 and in accordance with section 34 (1) of the Act, the Minister shall not grant a Petroleum Production Licence in respect of all or part of the Contract Area or area covered by such application (whether on a geographical or geological basis) to any third party.
- 8.8 Where the Contractor pursuant to section 31 (1) of the Act has served notice on the Minister that in its opinion a Discovery made in the Contract Area is not of potential commercial interest, the provisions of section 32 (1) of the Act shall apply.
- 8.9 The Contractor may apply for a renewal of a Petroleum Production Licence for a maximum ten (10) years. The application for renewal shall be granted as long as the Contractor is in good standing under the Licence.
- (a) Natural Gas. In the event of any Non-Associated Gas discovery within the Contract Area, in recognition of the fact that Natural Gas projects generally have much longer lead times from discovery to first commercial production than is the case for Crude Oil projects, the Minister shall grant Contractor's request for the maximum period of ten (10) years Petroleum Production License renewal so long as Contractor is in good standing under the Licence.
- (b) The Minister shall not refuse to grant the renewal of a Petroleum Production Licence under section 40(1) of the Act without first providing the Contractor;
- (i) Notice stating the grounds of the intended refusal; and
- (ii) Ninety (90) calendar days following the date of the notice referenced in Article 8.9(b)(i) to respond to or remedy the stated grounds for refusal.



## Article 9 - Records, Reports and Information; Confidentiality

### 9.1 Records, Reports and Information

- (a) The Contractor shall, at all times while this Agreement is in force, maintain and submit to the Minister in accordance with the provisions of the Act and the Regulations, the Petroleum Production Licence and this Agreement, full and accurate reports, records, returns and accounts of Petroleum Operations in the Contract Area.
- (b) All data, well logs, maps, magnetic tapes, cuts of cores and cutting samples and all other geological and geophysical information obtained by the Contractor in the course of carrying out Petroleum Operations hereunder and all geological, technical, financial and economic reports, studies and analyses generated in relation thereto (hereinafter referred to as "Petroleum Data") shall be submitted to the Minister in accordance with the Regulations.
- (c) The Contractor may freely export for processing or laboratory examination or analysis samples or other original materials constituting Petroleum Data, 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 the Minister.
- (d) Petroleum Data shall be the joint property of the Minister and the Contractor but shall become the sole property of the Minister with respect to any area which ceases to be part of the Contract Area, whether as result of relinquishment, or expiry, surrender or termination of a Licence or otherwise in accordance with the Act, from the date on which such area ceases to be part of the Contract Area.
- (e) The Minister, through duly appointed representatives, upon providing the Contractor with at least seven (7) days' notice, shall be entitled to observe the Petroleum Operations conducted by the Contractor at his sole cost and expense and at all reasonable times to inspect all assets, records and data kept by the Contractor relating to such Petroleum Operations. In the exercise of such rights under this paragraph, the Minister shall not unduly interfere with the Contractor's Petroleum Operations under this Agreement.
- (f) Nothing in this Article shall be construed as requiring the Contractor or any of the Parties comprising the Contractor to disclose any of its proprietary technology or that of its Affiliated Companies, which is not acquired in the course of Petroleum Operations under this Agreement.

### 9.2 Confidentiality

- (a) All Petroleum Data, information and reports obtained or prepared by the Contractor hereunder shall, so long as they relate to any part of the Contract Area,

be treated as confidential and each of the Parties undertakes not to publish, reproduce or otherwise deal with such Petroleum Data or to disclose the same or the contents thereof to any other person without the consent in writing of the other Parties, such consent not to be unreasonably withheld, provided however, that subject to Article 9.2 (b), this Article shall not:

- (i) prevent disclosure by the Contractor:
  - (aa) to an Affiliated Company or employees of an Affiliated Company;
  - (bb) to consultants, professional advisers, data processing centres, laboratories and Sub-Contractors where disclosure is essential to work for Contractor;
  - (cc) to a bank or other financial institution where disclosure is essential to work or financing for Contractor or Affiliated Company of Contractor;
  - (dd) to the extent required by any applicable law or the regulations of any stock exchange upon which the shares of the Contractor or an Affiliated Company are quoted, or by governmental order, decree, regulation or rule, or to the extent required under any legal proceeding or any court order binding on Contractor or Affiliated Company of Contractor;
  - (ee) to bona fide prospective assignees or transferees of an interest hereunder of the Contractor or in connection with merger, consolidation, or a sale of stock of the Contractor or an Affiliated Company thereof;
  - (ff) in connection with data trades;
  - (gg) of data information and reports already known to the Contractor or Affiliated Company prior to the Effective Date; or
  - (hh) of data, information and reports acquired independently from a third party that represents that it has the right to disseminate such data at the time it is acquired by the Contractor or Affiliated Company;
- (ii) prevent disclosure pursuant to section 4 of the Act, provided however that neither the Minister nor Contractor shall disclose Petroleum Data relating to any area subject to a Licence to a competitor of the Contractor, without the prior written consent of the other Party; or
- (iii) be construed as imposing on any Party any obligation hereunder with respect to any petroleum data, information or reports, which are, without





disclosure by such Party, generally known to the public.

- (b) Any petroleum data, information or reports disclosed by the Contractor pursuant to this Article shall be disclosed on terms which ensure that the data, information or reports aforesaid are treated as confidential by the recipient (except for disclosures made pursuant to Article 9.2 (a) (i) (dd) and prompt notice of all disclosures shall be given to the Minister.
- (c) All petroleum data which becomes the sole property of the Minister pursuant to Article 9.1 (d) shall continue to be treated as confidential by the Contractor for a period of one (1) year from the date on which it became the sole property of the Minister, but may be used by the Contractor in connection with data trades with the prior written consent of the Minister, such consent not to be unreasonably withheld subject however to Article 9.2 (b).
- (d) Where a Licence ceases to be in force with respect to any area, the Contractor shall deliver to the Minister originals of all petroleum data and other information relating to such area pursuant to regulation 26 of the Regulations provided however that, on application duly made to him pursuant to regulation 28 of the Regulations, the Minister shall permit the Contractor to retain copies of petroleum data and information relating to the Contract Area subject to Article 9.2 (b).
- (e) Notwithstanding the provisions of Article 9.1 (d), all the Contractor's proprietary technology, except technology for which the cost of development has been approved as Recoverable Contract Cost under this Agreement, shall remain the property of the Contractor.



## Article 10 - Annual Licence Rental Charge

The Contractor shall on the Effective Date of the Petroleum Prospecting Licence or the date of grant of any Petroleum Production Licence as the case may be and, thereafter, so long as the said Licence remains in force, on each anniversary date thereof, pay without demand to the Government an annual Licence rental charge in respect of the Contract Area for the entire Exploration Period and such payments shall apply to those areas remaining after taking into account any relinquishments pursuant to Article 5 as specified below. Payments under this Article 10 shall be paid directly into bank accounts held and controlled by GGMC. Contractor shall verify such bank accounts and GGMC agrees to cooperate, assist and provide Contractor any information it requires to conduct such verification.

Initial Period:	US\$ 90,000
First Renewal Period:	US\$ 90,000
Second Renewal Period:	US\$ 90,000





## Article 11 - Cost Recovery and Production Sharing

- 11.1 Subject to the terms and conditions of this Agreement, the Contractor shall bear and pay all Contract Costs incurred in carrying out Petroleum Operations and shall recover Contract Costs only from Cost Oil and/or Cost Gas as herein provided.
- 11.2 All Recoverable Contract Costs incurred by the Contractor shall, subject to the terms and conditions of any agreement relating to Non-Associated Gas made pursuant to Article 12, be recovered from the value, determined in accordance with Article 13, of a volume of Crude Oil (hereinafter referred to as "Cost Oil") and/or Natural Gas ("Cost Gas") produced and sold from the Contract Area and limited in any Month to an amount which equals seventy-five percent (75%) of the total production from the Contract Area for such Month excluding any Crude Oil and/or Natural Gas used in Petroleum Operations or which is lost.
- "Recoverable Contract Costs" means such costs as the Contractor is permitted to recover, as from the date they have been incurred, pursuant to the provisions of Annex C.
- 11.3 To the extent that in any Month, Recoverable Contract Costs exceed the value of Cost Oil and/or Cost Gas determined in accordance with Article 13 and/or Article 12, the unrecoverable amount shall be carried forward and, subject to the limitation stipulated in Article 11.2, shall be recoverable in the immediately succeeding Month, and to the extent not then recovered, in the subsequent Month or Months.
- 11.4 The balance of Crude Oil and/or Natural Gas available in any Month after Recoverable Contract Costs have been satisfied to the extent aforesaid (hereinafter referred to as "Profit Oil" and/or "Profit Gas" as the case may be) shall be shared between the Government and the Contractor for each Field in the following proportions: Contractor's share decreases as the rate of production increases according to the following table:

TABLE 1 (Profit Oil)

	BOPD	Contractor's Share	Minister's Share
First	20,000	50.0	50.0
Next	20,000	47.5	52.5
Next	20,000	45.0	55.0
Next	20,000	42.5	57.5
Above	80,000	40.0	60.0



- 11.5 The quantity of Cost Oil and/or Cost Gas actually utilized in satisfying the Recoverable Contract Costs may be allocated by the Contractor to production from any Field or

Fields.

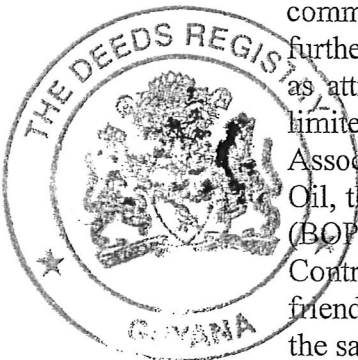
- 11.6 Subject to the provision of Article 14, the Profit Oil and/or Profit Gas shall be shared between the Government and Contractor on a Monthly basis according to their respective entitlements as set out in Article 11.4.
- 11.7 To the extent that the actual quantities and costs required to determine Cost Oil and/or Cost Gas and Profit Oil and/or Profit Gas for the Month in question are not known, Crude Oil and/or Natural Gas sharing shall be calculated on an interim basis each month using the following:
- (a) unrecovered Recoverable Contract Cost;
  - (b) estimated current Recoverable Contract Cost by reference to the agreed work programme and budget supplemented by any other relevant documents or information which are accepted by Contractor and Minister as being reliable indicators of the actual position for the Month in question;
  - (c) estimated production for the Month in question;
  - (d) Crude Oil and/or Natural Gas price from the previous Month calculated.
- 11.8 Retroactive adjustments shall be made to the Crude Oil and/or Natural Gas entitlements and shall be agreed with the Minister based on recalculations utilizing actual quantities of Crude Oil and/or Natural Gas produced and saved and Recoverable Contract Costs. Any revised entitlements shall be made, subject to any applicable lifting agreements, as soon as practicable after such elements have definitely been determined.
- 11.9 The Contractor shall have the right to use in any Petroleum Operations as much of the production as may reasonably be required by it therefore and the quantities so used or lost shall be excluded from any calculations of Cost Oil and/or Cost Gas and Profit Oil and/or Profit Gas entitlement.



## Article 12 - Associated and Non - Associated Gas.

### 12.1 Associated Gas

- (a) - The Associated Gas produced from any Oil Field within the Contract Area shall be with priority used for the purposes related to the operations of production and production enhancement of Oil Fields, such as Gas injection, Gas Lifting and power generation.
- (b) Based on the principle of full utilisation of the Associated Gas, and with no impediment to normal production of Crude Oil, a plan of utilisation of the Associated Gas shall be included in the Development Plan of each Oil Field. If there is any excess Associated Gas in the Oil Field after utilisation pursuant to Article 12.1 (a) the Contractor shall carry out a feasibility study regarding the utilisation of such excess Associated Gas of such Oil Field. Such feasibility study, if carried out before submission of the Development Plan of an Oil Field, shall be included in the Development Plan. In the event that the Contractor conducts a further feasibility study of the utilisation of the excess Associated Gas of such Oil Field, such further feasibility study shall be submitted to the GGMC for review and discussion. If the excess Associated Gas in any Oil Field is utilized, the construction of facilities for such utilisation and the production of excess Associated Gas shall be carried out while a Petroleum Production Licence continues in force.
- (c) If the Contractor believes that excess Associated Gas of an Oil Field has commercial value, the Contractor shall be entitled, but not required, to make further investment to utilise such excess Associated Gas subject to terms at least as attractive as those established for Crude Oil in Article 11 including, but not limited to, cost recovery for such further investment. If Contractor believes such Associated Gas is potentially commercial under the current Agreement terms for Oil, then Article 11 shall apply and the reference made to Barrel Of Oil Per Day (BOPD) shall be replaced by Barrel Of Oil Equivalent Per Day (BOEPD). If the Contractor believes improved terms are necessary, the Parties shall carry out friendly negotiations in a timely manner to find a new solution to the utilisation of the said excess Associated Gas and reach an agreement in writing.
- (d) If the Contractor does not believe that the Associated Gas has commercial value, but the Minister believes the Associated Gas does have commercial value, the Government may utilize the Associated Gas provided there is no impediment to normal production of Crude Oil. All handling from the point of separation of Crude Oil shall be at the sole risk and expense of the Government and will not affect the amount of Cost Oil and Profit Oil due to Contractor.
- (e) Expenses incurred by the Contractor in the production and use of the Associated Gas of an Oil Field as stipulated in Article 12.1 and those incurred in carrying out any feasibility study on the utilisation of the excess Associated Gas shall be



charged to the development cost of the Oil Field and shall be cost recoverable.

- (f) If the Parties agree that the excess Associated Gas of an Oil Field has no commercial value, then such Gas shall be disposed of by the Contractor, provided that there is no impediment to normal production of the Crude Oil, in the most economic manner consistent with good international petroleum industry practice.

## 12.2 Non - Associated Gas

- (a) When the Contractor in accordance with Article 8.2 has informed the Minister of any Non - Associated Gas discovery within the Contract Area that is of potential commercial interest, the Contractor shall inform the Minister whether Contractor believes such discovery is potentially commercial under the current Agreement terms. If the Contractor believes that the fiscal terms will have to be revised in order to economically commercialize the Non-Associated Gas discovery, the Contractor shall propose revisions to the fiscal terms as the basis for entering into good faith negotiations to reach mutually acceptable terms for developing the Non-Associated Natural Gas discovery. The agreement, which shall form an annex to this Agreement, shall be based on and include the following principles:

- (i) For a period of six (6) months from the date of the notice delivered to the Minister under Article 8.2, the Contractor and the Minister shall engage in good faith negotiations of such revisions to Article 11 that would be necessary in order to provide the Contractor with project economics that will provide the Contractor with a rate of return of not less than eighteen percent (18%). The Parties recognize that in order to achieve an economically viable development of Non-Associated Natural Gas, different fiscal regimes may have to be considered. In the event the Parties cannot agree upon the necessary revisions to Article 11, a sole expert shall be engaged pursuant to Article 26.3. Once the sole expert renders its decision, the Contractor shall review the decision and shall notify the Minister as to whether it shall proceed with the development of the Non-Associated Gas discovery under the terms of the sole expert decision. In the event the Contractor elects not to proceed, the Contractor shall relinquish the non-Associated Gas discovery to the Government.

- (ii) The time period between the notice of discovery provided for in section 31(1) of the Act and the application for grant of a Petroleum Production Licence shall be extended pursuant to section 31(2) of the Act, if necessary, to provide reasonable time, as agreed between the Parties, to conduct an Appraisal Programme, develop a Gas market, and design and construct facilities necessary to commercialize the Natural Gas.

- (b) Following the signature of the agreement herein, the Contractor shall work out an Appraisal Programme for the discovered Gas Field according to the terms and conditions determined in the said agreement and submit it to the GGMC for

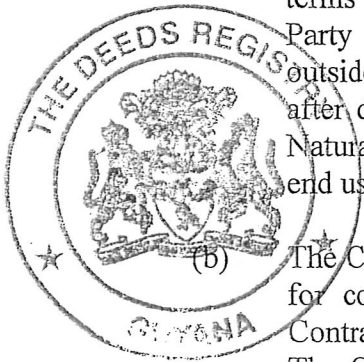


review pursuant to Article 6.4. The Contractor shall carry out the Appraisal Programme, which was reviewed and agreed upon with GGMC. The expenses incurred in carrying out the said Appraisal Programme by the Contractor shall be charged to the Exploration Costs of the Contract Area and shall be cost recoverable as permitted under the terms of Annex C.

- (c) After completion of the Appraisal Programme of a Gas Field, the Contractor shall submit a report on the Appraisal Programme to GGMC for its review and discussion.
- (d) If the Contractor retains a Gas Field beyond the expiration of the Exploration Period pursuant to Article 12.2, the Contractor shall pay to the Minister at the commencement of each year of the retention period an annual rental to be arrived at through friendly negotiations but which shall be no less than one hundred thousand United States Dollars (US\$100,000). The holding fee shall be refunded to Contractor on a pro rata daily basis in the event the Contractor relinquishes the Gas Field or declares such Gas discovery to be a commercial discovery prior to the end of such year.

### 12.3 General Conditions Applicable to Natural Gas

- (a) Subject to the Government's election to take its production in kind and reserving its rights to market its own production, the Contractor shall have the sole responsibility for marketing all the available Natural Gas from the Contract Area and for negotiating for the sale thereof on a joint basis at fair market prices and terms common to both the Minister and the Contractor in accordance with Third Party Sales principles. The Contractor will pursue markets both within and outside Guyana and seek to market Natural Gas to the highest realization outlets after deduction of transportation costs. The Contractor will seek to recognize Natural Gas' potential value at the international value of alternative fuels in the end user market of the buyers.



- (b) The Contractor shall have the right, but not the obligation, to process Natural Gas for conversion to liquids, chemicals or similar Gas utilisation projects and Contractor shall have the right to dispose of the liquids or products therefrom. The Contractor shall have the right to process Natural Gas for recovery of the liquids contained therein. Natural Gas Liquids (NGLs) recovered and sold shall be valued based upon the international value of such products as published in Platts and adjusted to reflect the fair market value of such products FOB Guyana. In addition, the Contractor shall have the right to liquefy the Natural Gas for sale as LNG and/or the right to compress the Natural Gas to accommodate sales as compressed natural gas (CNG).
- (c) The Contractor shall have the right to use Natural Gas, both Associated Gas and Non-Associated Gas, as may be required for Oil Field and Gas Field operations, including the right to re-inject for pressure maintenance and enhanced recovery without charge, fee or royalty.

## 12.4 General Conditions Related to Petroleum Operations

- (a) Subject to the approvals of appropriate governmental authorities, which approvals shall not be unreasonably withheld, the Contractor shall have the right to construct, operate and maintain roads, drill water wells and to place and/or construct fixtures and installations necessary to conduct the Petroleum Operations, including but not limited to, storage tanks, trunk pipelines, shipment installations, pipelines, cables or similar lines, liquefaction, processing and compression, located inside or outside the Contract Area, as well as construct, operate and maintain or lease facilities for the transportation of Crude Oil and Natural Gas from the Contract Area. Any required governmental approvals may be conditional on the use by other producers of the excess capacity, if any, of those facilities. Where the Minister and Contractor agree that a mutual economic benefit can be achieved by constructing and operating common facilities, the Contractor shall use its reasonable efforts to reach agreement with other producers on the construction and operation of such common facilities.
- (b) Subject to negotiations on a reasonable price and available capacity rights, the Contractor may have access to and use of any export facility or pipeline or other facilities or infrastructure built by the Government or by any wholly or partially owned Guyana state enterprises on terms no less favorable than those of any other party having access or use of such facility.
- (c) Subject to negotiations as to a reasonable price and ownership interest in the facilities, the Contractor may have the right to participate in the construction, ownership and operation of any of the types of facilities described in sub-clause 12.4(a) above that are built by the Government or by any wholly or partially owned state enterprises or by any third parties on terms no less favorable than those of any other party participating therein.





## 12.4 General Conditions Related to Petroleum Operations

- (a) Subject to the approvals of appropriate governmental authorities, which approvals shall not be unreasonably withheld, the Contractor shall have the right to construct, operate and maintain roads, drill water wells and to place and/or construct fixtures and installations necessary to conduct the Petroleum Operations, including but not limited to, storage tanks, trunk pipelines, shipment installations, pipelines, cables or similar lines, liquefaction, processing and compression, located inside or outside the Contract Area, as well as construct, operate and maintain or lease facilities for the transportation of Crude Oil and Natural Gas from the Contract Area. Any required governmental approvals may be conditional on the use by other producers of the excess capacity, if any, of those facilities. Where the Minister and Contractor agree that a mutual economic benefit can be achieved by constructing and operating common facilities, the Contractor shall use its reasonable efforts to reach agreement with other producers on the construction and operation of such common facilities.
- (b) Subject to negotiations on a reasonable price and available capacity rights, the Contractor may have access to and use of any export facility or pipeline or other facilities or infrastructure built by the Government or by any wholly or partially owned Guyana state enterprises on terms no less favorable than those of any other party having access or use of such facility.
- (c) Subject to negotiations as to a reasonable price and ownership interest in the facilities, the Contractor may have the right to participate in the construction, ownership and operation of any of the types of facilities described in sub-clause 12.4(a) above that are built by the Government or by any wholly or partially owned state enterprises or by any third parties on terms no less favorable than those of any other party participating therein.



## Article 13 - Valuation of Crude Oil or Natural Gas

13.1 For the purpose of this Agreement the value of a Barrel of Crude Oil or a Mcf of Natural Gas shall be the average fair market price determined as follows:

- (a) as soon as practicable after the end of each Calendar Month in which Crude Oil or Natural Gas has been produced and sold from any Field pursuant to this Agreement, an average price (in terms of United States dollars per Barrel or Mcf, FOB, Delivery Point) for each Field shall be determined in respect of production during that Calendar Month. It is understood that production from different Fields may be of differing quality and that separate average prices may accordingly be determined for any Calendar Month in respect of production from each Field;
- (b) the prices aforesaid shall be determined as follows:
  - (i) in the event that fifty percent (50%) or more of the total volume of sales by the Contractor during the Calendar Month of Crude Oil or Natural Gas of a given quality produced hereunder from a Field were Third Party Sales, as hereinafter defined, the price of all Crude Oil or Natural Gas from such Field of that quality shall be deemed to be the simple arithmetic average price actually realised, calculated by dividing the total receipts from all such sales calculated FOB the Delivery Point by the total number of Barrels of Crude Oil or Mcfs of Natural Gas sold from such Field in such sales;
  - (ii) in the event that less than fifty percent (50%) of the total volume of sales by the Contractor during the Calendar Month of Crude Oil or Natural Gas of a given quality produced hereunder from a Field were Third Party Sales, the price of all Crude Oil or Natural Gas from such Field of that quality will be determined by the arithmetic average of:
    - (aa) The simple arithmetic average price actually realised in the Third Party Sales during the Calendar Month of such Crude Oil produced hereunder, if any, calculated by dividing the total receipts from all such sales calculated FOB at the Delivery Point by the total number of barrels of Crude Oil sold in such sales from such Field; and
    - (bb) The simple arithmetic average price per barrel at which one or more crude oils of similar quality to the Crude Oil are being sold, such price being determined by calculating the average for the Month in which production takes place of the mean of the high and low FOB price or prices for each day of those crude oils as quoted in Platts Crude Oil Market Wire daily publication. In the event that Platt's ceases to be published or is not published for a period of





thirty (30) consecutive days then the Parties shall agree on an appropriate alternative publication.

In determining the final price, account shall be taken of any differences between the Crude Oil and the crude oils quoted in Platt's, for quality, API gravity, sulphur, pour point, product yield as well as differences in quantity, delivery time, payment and other contract terms to the extent known. Allowance will also be made to take account of the market area into which the Crude Oil is sold should it be different from the area used for Platt's.

The selected crude oils will be agreed between Contractor and the Minister in advance for each Calendar Year and in making the selection preference will be given to crude oils of similar quality to Crude Oil from the relevant Field.

The arithmetic average aforesaid will be determined by the percentage volume of total sales of Crude Oil by Contractor that are, and that are not, as the case may be, Third Party Sales during the Calendar Month in question.

In the case of Natural Gas, the Contractor and the Minister shall agree on a methodology for valuation of Natural Gas under this Article 13.1(b)(ii) which represents the fair market value of such Natural Gas FOB Guyana, taking into account composition of the Natural Gas. This methodology will be reviewed annually and modified if necessary.

- (iii) all such prices will be adjusted to FOB Delivery Point.
- (iv) for the purposes of this Article Third Party Sales of Crude Oil or Natural Gas made by the Contractor shall include any Third Party Sales made by the Contractor or an Affiliated Company of Contractor on the Minister's behalf pursuant to Article 14 but shall exclude:
  - (aa) sales, whether direct or indirect through brokers or otherwise, of any seller to any Affiliated Company of such seller, unless at demonstrably arms length price (for example where an Affiliate Company of Contractor buys and then resells to a third party at an arms-length price which is disclosed to the Minister);
  - (bb) Crude Oil or Natural Gas exchanges, barter deals or restricted or distress transactions, or any Crude Oil or Natural Gas transaction which is motivated in whole or in part by considerations other than the usual economic incentives for commercial arms length crude oil or natural gas sales; and



(cc) Government to government sales.

- 13.2 Contractor shall be responsible for determining the relevant prices in accordance with this Article. The calculation, basis of calculation and the price arrived at, shall be supplied to the Minister and shall be subjected to agreement by the Minister before it is finally determined. Pending final determination the last established average Crude Oil or Natural Gas price shall be used.
- 13.3 During the first Calendar Year of production from the Contract Area the Contractor and the Minister will meet in order to establish a provisional selection of the crude oils and an appropriate mechanism for the purposes of giving effect to Article 13.1 (b) (ii) above. This selection will be reviewed annually and modified if necessary.
- 13.4 In the event of any difference or dispute between the Contractor and the Minister concerning selection of the crude oils or natural gas, the calculation or the basis of calculation of the prices and the prices arrived at or generally about the manner in which the prices are determined according to the provisions of this Article, the matter or matters in issue shall finally be resolved by a sole expert appointed pursuant to Article 26.3.
- 13.5 For the purposes of this Article, in determining the "quality" of a Crude Oil regard shall be given to all relevant characteristics including but not limited to gravity, sulphur and metal content, pour point and product yield. In the case of Natural Gas, quality of the Natural Gas shall be determined based on its composition.



## Article 14 - Disposal of Production

14.1 Each of the Parties shall have the right to take in kind at the Delivery Point and separately dispose of its share of the total quantities of production available under this Agreement. The Contractor shall have the right to use as much production as may be needed in any Petroleum Operations within the Contract Area and also within the transportation and terminal system. In the event of third party usage of the transportation terminal systems the quantities so used or lost outside the Contract Area shall be proportionate to aggregate use of that transportation and terminal system. All quantities so used or lost shall be excluded from any calculations of entitlement pursuant to Article 11. The quantity of production to which the Government is entitled pursuant to Article 11 shall be measured and delivered to the Government at the Delivery Point and the Government shall be responsible for all costs and risks associated with the Government's Lifting Entitlement from and after the Delivery Point.

14.2 Within twelve (12) months after the Minister's approval of a Development Plan, or within a later period as may be agreed between the Parties but in any event no longer than three (3) months before the first scheduled lifting of Crude Oil, the Contractor shall propose to the Minister offtaking procedures to govern the method whereby the Parties will nominate and lift their respective shares of Crude Oil. The details of such procedures shall be discussed and agreed upon between Minister and Contractor. The major principles of such procedures shall include the following:

(a) Lifting shall be carried out so as to avoid interference with Petroleum Operations.

(b) In the event that any Party shall find itself unable for any reason to lift such quantities of Crude Oil as are to be lifted in accordance with procedures it shall forthwith notify the other Parties to that effect. Such procedures shall include such deterrents as the Parties may agree, to prevent a Party from delaying the lifting of any quantities of Crude Oil not so lifted, to a later period.

(c) In the absence of any agreement to the contrary between the Parties, the Contractor and the Minister shall share in each type of grade of Crude Oil in proportion to their respective Lifting Entitlement.

14.3 The Contractor shall, if requested by the Minister, use reasonable efforts to market abroad on competitive terms all or part of the Minister's Lifting Entitlement subject to payment by Minister of costs normally borne by a seller in such transactions and on other terms to be agreed including an agreed marketing fee in respect thereof. The Minister shall provide the Contractor with at least six (6) months' notice before changing between receiving payments in kind as provided under Article 14.1 and seeking the Contractor to market the Minister's Lifting Entitlement under this Article.

14.4 Subject to the provisions of Article 17 hereof, the Contractor shall have the right to export at the export point chosen for this purpose all Petroleum to which it is entitled under this Agreement free of any duty, tax or other financial impost, and to receive and

retain abroad all proceeds from the sale of such Petroleum.

- 14.5 The Contractor agrees to abide by the laws, regulations, orders, directives and notifications of Guyana, which shall also apply, to its Affiliated Companies engaged in Petroleum Operations in Guyana.



## Article 15 - Taxation and Royalty

15.1 Subject to Article 32, and except as provided in Article 15.2, 15.8, and except as otherwise set forth in this Article 15.1, no tax, value-added tax, excise tax, duty, fee, charge or other impost shall be levied at the date hereof or from time to time thereafter on the Contractor or Affiliated Companies in respect of income derived from Petroleum Operations or in respect of any property held, transactions undertaken or activities performed for any purpose authorised or contemplated hereunder other than:

- (a) subject to the provisions of Article 21, import duties at the rates specified from time to time in the Customs Act (Cap. 82:01);
- (b) taxes, duties, fees or other imposts for income derived from specific services performed by the Contractor for the public or commercial enterprises and which is unrelated to income derived from Petroleum Operations under this Agreement;
- (c) rent due to Government in respect of any land rights granted or assigned to the Contractor;
- (d) annual licence rental charges due under Article 10;
- (e) subject to Article 15.7, local government rates or taxes (being rates or taxes not calculated by reference to income) under laws of general application and which are non-discriminatory, are commercially reasonable, and do not result in a rate or tax to Contractor in excess of those generally applicable in Guyana;
- (f) (i) stamp duties, (ii) registration fees, (iii) licence fees, and (iv) any other similar duty, fee or other impost of a minor nature, provided the above-referenced categories are imposed under laws of general application.

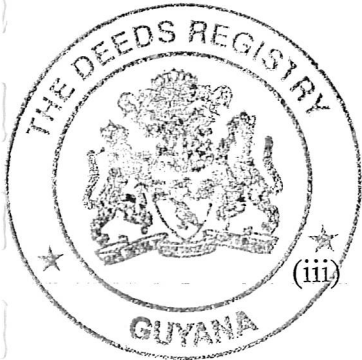
15.2 Except as provided in this Article 15, Contractor, Affiliated Companies, Sub-Contractors and individuals who are expatriates shall be subject to the income tax laws of Guyana, including, the Income Tax Act of Guyana (Cap. 81:01) and the Corporation Tax Act of Guyana (Cap. 81:03) and shall separately comply with the requirements of those laws, in particular with respect to filing returns, assessment of tax, and keeping and showing of books and records.

15.3 The taxable income of the Contractor arising in each year of assessment under this Agreement for purposes of the income tax laws of Guyana, (including the Income Tax Act and the Corporation Tax Act referred to in Article 15.2) shall include the amounts of Contractor's income tax and corporation tax paid pursuant to Article 15.4.



15.4 The Minister hereby agrees:

- (a) that a sum equivalent to the tax assessed pursuant to Article 15.2 and 15.3 will be paid by the Minister to the Commissioner General, Guyana Revenue Authority on behalf of the Contractor and that the amount of such sum will be considered income of the Contractor; and
- (b) that the appropriate portion of the Government's share of Profit Oil delivered in accordance with the provisions of this Agreement shall be accepted by the Minister as payment in full by the Contractor of Contractor's share of each of the following levies, whatsoever the applicable rate of such levies may be, which the Minister shall then pay on behalf of the Contractor under Article 15.4 (a) to the Commissioner General, Guyana Revenue Authority:
  - (i) the share of royalty payable by Contractor pursuant to Article 15.6;
  - (ii) the Contractor's share of the income taxes imposed by the laws of Guyana, including, but not limited to, income tax imposed by the Income Tax Act and corporation tax imposed by the Corporation Tax Act and payable at the date hereof, or from time to time thereafter, and any other levy or charge on income or profits which may become payable from time to time under any laws, acts, statutes, regulations or orders by the Government; and
  - (iii) any other similar charge imposed and payable in respect of Petroleum Operations at the date hereof, or from time to time hereafter, except charges of the type specified in Article 15.1 (a-b).



- 15.5 The Contractor shall provide the Minister with the Contractor's income tax returns to be submitted by the Minister to the Commissioner General, Guyana Revenue Authority so the Minister can pay income tax on behalf of the Contractor as provided under Article 15.4 (a). On such returns, the Minister shall note that he is paying the income taxes on behalf of the Contractor, so that the Commissioner General, Guyana Revenue Authority can properly prepare the receipts required under this Article 15.5. Within one hundred and eighty (180) days following the end of each year of assessment, the Minister shall furnish to Contractor proper tax certificates in Contractor's name from the Commissioner General, Guyana Revenue Authority evidencing the payment of the Contractor's income tax under the Income Tax Act and corporation tax under the Corporation Tax Act. Such certificates shall state the amount of tax paid individually on behalf of Contractor or parties comprising the Contractor and other particulars customary for such certificates.
- 15.6 The Government's share of Profit Oil specified in Article 11 includes royalty payable by the Contractor at the rate of one percent (1%) of Crude Oil produced and sold, and delivery to the Minister, pursuant to Article 14 of his share of Profit Oil equivalent to royalty shall constitute payment of such royalty in kind. Within one hundred and eighty (180) days following the end of each year of assessment receipts evidencing payment of Contractor's royalty shall be furnished by the Minister to the Contractor stating the



amount and other particulars customary for such receipts.

- 15.7 Subject to the conditions of section 49 of the Act, the Minister may remit in whole or in part, or defer payment of any royalties payable by Contractor.
- 15.8 Nothing in this Agreement shall be construed to place an obligation on the Government to file a tax return declaring its share of production or profit share or to regard such profit share as income within the meaning of section 5 of the Income Tax Act (Cap 81:01) or section 4 of the Corporation Tax Act (Cap 81:03)
- 15.9 The Minister hereby agrees that the Contractor shall be exempted from the Property Tax Act pursuant to section 51 of the Act and any other act which amends or replaces in part or in whole the Property Tax Act.
- 15.10 The Minister agrees that for the duration of the Exploration Period, and for any area within the Contract Area where exploration activity is in progress, the provisions of section 10(b) of the Corporation Tax Act (Cap 81:03), including any successor provisions to section 10(b) of the Corporation Tax Act (Cap 81:03), shall not apply to the Contractor, with respect to any payments made to any Affiliated Companies or Sub-Contractors.

Notwithstanding any provision to the contrary in this Article, Affiliated Companies or Non-Resident Sub-Contractors shall not be subject to the provisions of the Income Tax Act of Guyana (Cap. 81.01) and the Corporation Tax Act of Guyana (Cap 81:03) during the Exploration Period on income earned in Guyana for any given tax year if the Affiliated Company or Non-Resident Sub-Contractor has conducted business in Guyana for one hundred eighty three (183) days or less on a cumulative basis in the tax year of assessment.

- 15.11 There shall be no tax, duty, fee, withholding, charge or other impost applicable on interest payments, dividends, deemed dividends, transfer of profits or deemed remittance of profits from Contractor's, Affiliated Companies' or Non-Resident Sub-Contractors' branch in Guyana to its foreign or head office or to Affiliated Companies.
- 15.12 The Expatriate employee of the Contractor, Affiliate companies and the Subcontractor shall be liable to pay personal income tax in Guyana on income earned in Guyana. Guyana (represented herein by the Minister) shall cause the proper authorities to issue appropriate tax certificates to expatriate employees when required.
  - (i) If an expatriate employee is liable to pay income tax in Guyana on income earned in Guyana, such expatriate employee shall pay such income tax at a rate equal to the current income tax rate of Guyana;
  - (ii) Notwithstanding any provision to the contrary in this Article, expatriate employees of Contractor, Affiliated Companies or Non-Resident Sub-Contractors shall not be subject to the provisions of the Income Tax Act of Guyana (Cap. 81.01) and shall not be liable for personal income tax in Guyana on income



earned in Guyana for any given tax year if the expatriate is physically present in Guyana for one hundred eighty three (183) days or less on a cumulative basis in the tax year of assessment.

- 15.13 Notwithstanding any provision to the contrary in this Article, assignments of any kind between Contractor and Affiliated Companies, as well as any assignment of any kind made in accordance with this Agreement (including one to an unrelated party) shall be exempt from any duty & taxes, including Capital Gains Tax in each respect, and shall be subject to a fee payable to GGMC upon approval for the assignment of the amount of USD \$100,000.00 (US One hundred thousand dollars) be payable in respect of the assignment.
- 15.14 An Order shall be made giving effect to the provisions of this Article in statutory form and language as specified in section 51 of the Act.



## Article 16 - Contracts and Assignments

16.1 The Contractor shall, upon request, provide to the Minister copies of:

- (a) contracts with respect to the sale or disposal of Petroleum (including invoices issued thereunder);
- (b) any deed of assignment of an interest of the Contractor under this Agreement pursuant to Article 25;
- (c) any instrument by which the Contractor pledges, mortgages, encumbers or hypothecates its interest under this Agreement or the Contract Area

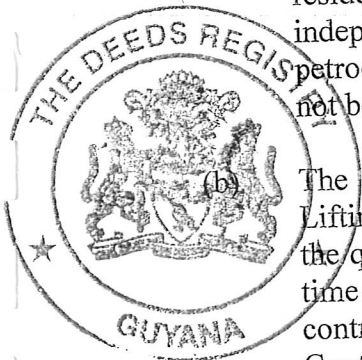


## Article 17 - Domestic Supply Obligation

### 17.1 Terms for Crude Oil.

- (a) If the Crude Oil requirements of the domestic market in Guyana (the "Crude Oil Domestic Demand") exceed the Minister's total entitlement from all Crude Oil production in Guyana, then the Contractor shall be obliged together with any third parties which produce Crude Oil in Guyana, to supply and sell a volume of Crude Oil to be used for such Crude Oil requirements in Guyana, calculated on the basis of the ratio which the Contractor's Lifting Entitlement to Crude Oil bears to the sum of Contractor's Lifting entitlement plus the total entitlement of all other producers in Guyana subject to Article 17.1(c). The volume of Crude Oil, which the Contractor shall be required to sell under this Article, shall not exceed the Contractor's share of Profit Oil. The Minister shall give the Contractor notice on or prior to April 1 of the year preceding the Calendar Year in which the Government will have the said requirement and the term of the supply shall be on a Calendar Year basis unless otherwise agreed.

For the purpose of this Agreement, Crude Oil Domestic Demand shall consist of those quantities of Crude Oil (i) used to produce refined products or petrochemicals in Guyana for end use by business and residential consumers in Guyana, or (ii) used to produce power in Guyana for end use by business and residential customers in Guyana, the amounts for which shall be based upon independent, verifiable government statistics. Crude Oil, refined products, petrochemicals or fuel for power generation that are exported from Guyana shall not be considered part of Crude Oil Domestic Demand.



- (b) The Contractor shall, in any Year, have a right to supply out of Contractor's Lifting Entitlement the proportion of the Crude Oil requirements of Guyana that the quantity produced from the Contract Area bears to the total production at the time in Guyana to the extent that such requirement is not satisfied from any contract entered into prior to the date of commencement of production from the Contract Area. For the purpose of this paragraph, the term "the Crude Oil requirements of Guyana" means the amount by which, in any Year, Crude Oil Domestic Demand exceeds the Minister's total entitlement to all Crude Oil produced in Guyana. The Contractor shall give the Minister notice on or prior to April 1 of the Calendar Year preceding the Calendar Year in respect of which Contractor wishes to exercise the aforesaid right and the term of the supply shall be on a Calendar Year basis unless otherwise agreed. Notwithstanding the foregoing the Contractor shall have the right to supply the total amount calculated pursuant to the foregoing provisions.
- (c) The price payable for the sale of Crude Oil pursuant to this Article shall be paid in United States dollars (or other currency as may be agreed) at a place specified by the Contractor within thirty (30) days of receipt of the Contractor's invoice by the Minister, and shall be determined in accordance with Article 13, failing which

Contractor's obligations in respect of the Domestic Supply Obligations of this Article 17 shall be suspended until payment is made good, at which time deliveries shall be resumed subject to any alternative commitments that may have been reasonably entered into by Contractor to dispose of the Crude Oil during the period of default in payment. Contractor shall recover any amount due and unpaid by the Government, plus interest at the Agreed Interest Rate, from the Governments Lifting Entitlement of Crude Oil.

- (d) Any sale of Crude Oil as provided for in Article 17.1(a) - (c) shall occur at the Delivery Point or such other point as the Minister and the Contractor may mutually agree.
- (e) All terms and conditions for the sale of Crude Oil pursuant to this Article, shall be specified in a contract of sale entered into between the Minister and Contractor.

#### 17.2 Terms for Natural Gas.

- (a) If the Natural Gas requirements of the domestic market in Guyana (the "Natural Gas Domestic Demand") exceed the Minister's total entitlement from all Natural Gas production in Guyana, then the Contractor shall be obliged together with any third parties which produce Natural Gas in Guyana, to supply and sell a volume of Natural Gas to be used for such Natural Gas Domestic Demand in Guyana, calculated on the basis of the ratio which the Contractor's Lifting Entitlement to Natural Gas bears to the sum of Contractor's Lifting entitlement plus the total entitlement of all other producers in Guyana subject to Article 17.2(c). The volume of Natural Gas, which the Contractor shall be required to sell under this Article, shall not exceed the Contractor's share of Profit Gas. The Minister shall give the Contractor notice on or prior to April 1 of the year preceding the Calendar Year in which the Government will have the said requirement and the term of the supply shall be on a Calendar Year basis unless otherwise agreed.

For the purpose of this Agreement, Natural Gas Domestic Demand shall consist of those quantities of Natural Gas used for domestic residential, commercial and industrial consumption, including fuel used for domestic power generation. Natural Gas liquefied or compressed in Guyana for export or used as feedstock for petrochemical exports, such as methanol and fertilizer, shall not be considered part of Natural Gas Domestic Demand.

Any sales of Natural Gas to the domestic market shall be priced eighty percent (80%) of No. 6.1% low sulphur fuel oil price per MMBtu as published by Platt's for U.S. Gulf Coast FOB cargoes, plus freight to Georgetown. In the event of a failure to reach agreement on the price, volume and/or terms of sale, either Party may submit the dispute for sole expert determination pursuant to Article 26.3.

- (b) The Contractor shall, in any Year, have a right to supply out of Contractor's Lifting Entitlement the proportion of the Natural Gas requirements of Guyana that

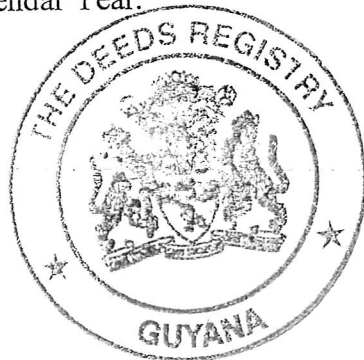
the quantity produced from the Contract Area bears to the total production at the time in Guyana to the extent that such requirement is not satisfied from any contract entered into prior to the date of commencement of production from the Contract Area. For the purpose of this paragraph, the term "the Natural Gas requirements of Guyana" means the amount by which, in any Year, Domestic Demand exceeds the Minister's total entitlement to all Natural Gas produced in Guyana. The Contractor shall give the Minister notice on or prior to April 1 of the Calendar Year preceding the Calendar Year in respect of which Contractor wishes to exercise the aforesaid right and the term of the supply shall be on a Calendar Year basis unless otherwise agreed. Notwithstanding the foregoing the Contractor shall have the right to supply the total amount calculated pursuant to the foregoing provisions.

- (c) The price payable for the sale of Natural Gas pursuant to this Article shall be paid in United States dollars (or other currency as may be agreed) at a place specified by the Contractor within thirty (30) days of receipt of the Contractor's invoice by the Minister, and shall be determined in accordance with Article 17.2(a), failing which Contractor's obligations in respect of the Domestic Supply Obligations of this Article 17 shall be suspended until payment is made good, at which time deliveries shall be resumed subject to any alternative commitments that may have been reasonably entered into by Contractor to dispose of the Natural Gas during the period of default in payment. Contractor shall recover any amount due and unpaid by the Government, plus interest at the Agreed Interest Rate, from the Government's Lifting Entitlement of Natural Gas.
- (d) Any sale of Natural Gas as provided for in Article 17.2(a) - (c) shall occur at the Delivery Point or such other point as the Minister and the Contractor may mutually agree.
- (e) All terms and conditions for the sale of Natural Gas pursuant to this Article, shall be specified in a contract of sale entered into between the Minister and Contractor.



## Article 18 - Guyana Resources

- 18.1 In the conduct of Petroleum Operations pursuant to this Agreement the Contractor shall require that the Operator give preference to:
- (a) the purchase of Guyanese goods and materials, provided that such goods and materials are available on a timely basis of the quality and in the quantity required by Operator at competitive prices; and
  - (b) the employment of Guyanese Sub-Contractors in so far as they are commercially competitive and satisfy the Operator's financial and technical requirements and meet the requirements of Article 18.1 (a).
- 18.2 The Contractor shall establish appropriate tender procedures for the acquisition of goods, materials and services, which shall ensure that Guyanese suppliers and Sub-Contractors are given adequate opportunity to compete for the supply of goods and services.
- 18.3 Within ninety (90) days after the end of each Calendar Year the Contractor shall provide the Minister with a report outlining its achievements in utilising Guyanese resources during that Calendar Year.



## Article 19 - Employment and Training

- 19.1 Subject to the requirements of any law relating to immigration, Government shall provide the necessary work permits and other approvals required by the Contractor for employment of Expatriate Employees in Guyana for the purpose of Petroleum Operations.
- 19.2 Without prejudice to the right of the Contractor to select employees and determine the number thereof in the conduct of Petroleum Operations, the Contractor shall, require the Operator to employ and encourage Sub-Contractors to employ Guyanese citizens having appropriate qualifications and experience whenever and wherever possible.
- 19.3 During each year of the term of the Petroleum Prospecting License, or any renewal thereafter the Contractor shall pay to GGMC the amounts of:

Initial Period:	US\$55,000
First Renewal Period:	US\$55,000
Second Renewal Period:	US\$55,000

for one or more of the purposes mentioned in Article 19.3 (a-d). Payments under this Article 19.3 shall be paid directly into bank accounts held and controlled by the GGMC. Contractor shall verify such bank accounts and GGMC agrees to cooperate, assist and provide Contractor any information it requires to conduct such verification.

- (a) to provide Guyanese personnel nominated by GGMC with on-the-job training in Contractor's operations in Guyana and overseas and/or practical training at institutions abroad, particularly in the areas of logistical planning for undertaking Petroleum Operations, seismic acquisition and interpretation, economic analysis, petroleum accounting and contract administration;
- (b) to send qualified Guyanese personnel selected by GGMC on courses at universities, colleges or other training institutions selected by GGMC;
- (c) to send Guyanese personnel selected by GGMC to conferences and seminars related to the petroleum industry;
- (d) to purchase for GGMC advanced technical books, professional publications, scientific instruments or other equipment required by GGMC.

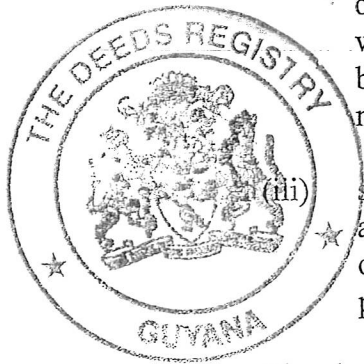




## Article 20 - Rights to Assets and Insurance

### 20.1 Rights to Assets

- (a) The Contractor shall have the right to use free of charge assets previously installed by the Contractor in relinquished areas which are required for its operations in the remaining portion of the Contract Area provided that in the event of re-licencing of the relinquished area, such licence shall exclude the aforesaid assets.
- (b) Subject to Article 20.1 (c) upon expiry or termination of this Agreement in accordance with the provisions hereof, the Contractor shall upon notification by GGMC pursuant to Article 20.1 (d) (i):
- (i) deliver to the Minister, free of charge, in good order and condition, (fair wear and tear excepted) all installations, works, pipelines, pumps, casings, tubing, engines and other equipment, machinery or assets of a fixed or permanent nature constructed, used or employed by the Contractor or the Operator in the Contract Area;
  - (ii) deliver to the Minister, free of charge, any fixed assets relating to Petroleum Operations outside the Contract Area and movable assets owned by the Contractor or Operator and used or employed in connection with Petroleum Operations and located in Guyana for which costs have been fully recovered in accordance with Annex C herein; where costs have not been fully recovered the provisions of Article 20.1 (b) (iii) shall apply;
  - (iii) sell to the Minister any other assets owned by the Contractor or Operator and used or employed by the Contractor or Operator in the Contract Area or elsewhere in Guyana in connection with Petroleum Operations at a price equivalent to the unrecovered cost of the assets.
- (c) The above provisions of Article 20.1 (b) shall not apply to:
- (i) assets which are still required by the Contractor or Operator for use in respect of an area in Guyana subject to another petroleum agreement at the time of expiry or termination of this Agreement;
  - (ii) equipment and other assets rented or leased by Contractor in Guyana;
  - (iii) equipment and other assets rented or leased by Contractor and imported in Guyana for use in Petroleum Operations and subsequently exported therefrom;
  - (iv) equipment and any other assets owned or leased by a Sub-Contractor;
  - (v) household goods and vehicles, which are the personal property of



employees of the Contractor and Sub-Contractor;

- (vi) equipment and assets otherwise not owned by Contractor or Operator.
- (d) The Contractor shall notify the Minister of all assets acquired as provided in section 4 of Annex C to this Agreement.
- (i) At least six (6) Calendar Months before expiry of the term of this Agreement, within three (3) Calendar Months following notice of termination of this Agreement or promptly following cancellation of all Licences, GGMC shall notify the Contractor of the assets to be delivered or sold to the Government.
  - (ii) Subject to the terms and the provisions of this Article, the Contractor shall not, within one (1) year of the date upon which it estimates that termination of this Agreement will occur, remove from the Contract Area or sell any assets of a fixed or permanent nature which might be deliverable to the Government under this Article without the consent of the Minister, such consent not to be unreasonably withheld.
  - (iii) Abandonment Programme and Budget
    - (aa) Within sixty (60) days after the expiration of the term of this Agreement or the sooner relinquishment of some or all of the Contract Area, the Contractor shall carry out to the Minister's satisfaction an abandonment programme agreed with the Minister for all installations and pipelines provided by Contractor under this Agreement that the Minister elects not to have delivered up to him in accordance with Article 20.1(b). With respect to the area being relinquished and/or facilities thereon, such abandonment programme shall comply with and be limited to internationally accepted standards prevailing at the time of abandonment.
    - (bb) Concurrent with the submission of a Development Plan as provided in Article 8.4, the Contractor shall submit for the Minister's approval a proposed abandonment programme and budget covering all such installations and pipelines provided by Contractor under this Agreement. The abandonment programme and budget may be revised from time to time with the agreement of the Minister to account for any changes in the Development Plan.
    - (cc) The Minister shall act without unreasonable delay in reaching a decision on the Contractor's proposal under Article 20.1(d) (iii) (bb) and may approve or modify or impose conditions thereon. Before modifying or imposing conditions on the proposal, the Minister shall notify the Contractor of the proposed modification or conditions and give the Contractor the opportunity to make



written representations within sixty (60) days thereafter about the proposed modifications or conditions. After taking into consideration such representations the Minister and the 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 the 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 26.

- (dd) In the event that the Contractor does not present a timely proposal to the Minister under Article 20.1(d) (iii) (bb) the Minister after giving thirty (30) days' notice to the Contractor of his intention to do so, may prepare an abandonment programme and budget for the Contract Area if the Contractor does not present a proposal by the end of the thirty (30) day period. When the Minister has so prepared the abandonment programme and budget, it shall have the same effect as if it had been submitted by the Contractor and approved by the Minister.
- (ee) Contractor shall have the right on an annual basis to propose a revised abandonment programme and budget. Such proposal shall be subject to the approval process in Article 20.1(d) (iii) (cc). Any revisions to the abandonment programme and budget shall result in a revision to the guarantee referred to in Article 20.1(d) (iii) (hh).
- (ff) All funds required to carry out the approved abandonment programme shall be made available by Contractor when the costs for abandonment are incurred.
- (gg) All costs included in the approved abandonment programme and budget shall be recoverable as operating costs on a unit of production basis commencing during the period when the abandonment programme and budget is approved. The amount to be recovered in a respective period shall be calculated by dividing the approved abandonment budget by the estimated ultimate recoverable reserves, which may be revised from time to time based upon the actual performance of the Field(s) and multiplying the result by the units produced in the period.
- (hh) Contractor shall deliver to the Minister within seven (7) days after the date the abandonment programme and budget are approved an undertaking from Contractor's immediate parent company stating that such parent company shall ensure provision of financial and technical resources necessary to conduct the approved abandonment programme. The amount of the financial undertaking shall be equal to the amount recovered under Article 20.1(d) (iii) (gg) less any amounts spent under the approved



abandonment programme.

- (ii) Notwithstanding the provisions of Article 20.1(d) (iii) (ff), in the event the Minister elects to have all or a portion of the facilities delivered up to him in accordance with Article 20.1(b), the Contractor shall pay the Minister at the time of transfer the amounts stipulated in the latest approved abandonment budget for the transferred facilities. Upon transfer and receipt of the funds, the Minister shall assume all responsibilities for the transferred facilities and their abandonment and shall hold the Contractor harmless against any liability with respect thereto accruing after the date of such transfer to the Minister.
- (iv) Subject to Article 20.1 (c), in the event that the Government acquires any assets pursuant to this Article, the Government shall assume all liabilities, with respect to such assets, arising from and after the date of acquisition and shall not direct the Contractor to remove or abandon any such assets pursuant to regulation 9 (1)(a) of the Regulations. The Government shall indemnify and hold Contractor harmless for any and all costs and claims, which may arise from the use or abandonment of any asset from and after the date of acquisition by the Government.
- (v) Assets not acquired by the Government pursuant to this Article may be sold or otherwise freely disposed of by the Contractor subject to Article 21.2 and the Regulations.

## 20.2 Insurance

- (a) The Contractor shall effect at all times during the term of this Agreement, insurance as required by applicable laws, rules, and regulations and of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practice appropriate for Petroleum Operations in progress in respect of but not limited to:

- (i) loss or damage to all assets used in Petroleum Operations;  
pollution caused in the course of Petroleum Operations for which the Contractor or the Operator may be held responsible;
- (ii) loss or damage to property or bodily injury suffered by any third party in the course of Petroleum Operations for which the Contractor may be liable to provide an indemnity pursuant to Article 2.4;
- (iv) the Contractor's and/or Operator's liability to its employees engaged in Petroleum Operations.

To the extent permitted by applicable laws, rules and regulations, such insurance may be provided through Contractor's affiliate insurance company.

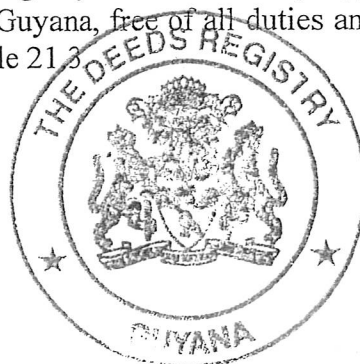


- (b) Subject to the Minister's approval, which shall not be unreasonably withheld, the Contractor, notwithstanding the provisions of Article 20.2(a), shall have the right to self-insure all or part of the aforementioned insurances in Article 20.2(a).
- (c) The Contractor shall require the Operator to carry and to endeavour to have its Sub-Contractors carry insurance of such type and in such amount as is customary in the international petroleum industry in accordance with good oil field practices.



## Article 21 - Import Duties

- 21.1 The Contractor, and the Sub-Contractors engaged in Petroleum Operations shall be permitted to import, free of duty, VAT or all or any other duties, taxes, levies or imposts, all equipment and supplies required for Petroleum Operations including but not limited to drillships, platforms, vessels, geophysical tools, communications equipment, explosives, radioactive sources, vehicles, oilfield supplies, lubricants, consumable items (other than foodstuffs or alcoholic beverages or fuel), as well as all items listed on Annex D. The aforementioned items, including but not limited to the items listed on Annex D, shall be deemed approved and certified by the Chief Inspector to be for use solely in carrying out Petroleum Operations. The Contractor shall give prior notification to the Minister of Sub-Contractors engaged in Petroleum Operations.
- (a) Subject to Article 21.1, and for as long as this Petroleum Agreement remains in force the Contractor and Sub-Contractors engaged in Petroleum Operations hereunder shall be required to pay to the relevant authority excise tax on any fuel imports, where such imports have been certified by the Chief Inspector to be used solely in carrying out Petroleum Operations in any area within the Contract Area, at a rate of ten percent (10%) or the prevailing rate, whichever is lesser.
- 21.2 Subject to Article 20, any of the items imported into Guyana may, if no longer required for Petroleum Operations hereunder, be freely exported at any time by the importing party, without the payment of any export duty or impost; provided, however, that on the sale or transfer by the importer of any such item to any person in Guyana (other than the Government) import duty shall be payable by the importer on the value thereof at the date of such sale or transfer as determined by the Customs and Excise Department in accordance with their applicable rules.
- 21.3 Each Expatriate Employee of the Contractor (including any Affiliated Company) and of Sub-Contractors, who has been assigned to work in Guyana for the Contractor or its Sub-Contractors shall be permitted, subject to the limitations and conditions set out in the Customs Act, to import into Guyana free of import duty and taxes within six (6) months on first arrival his personal and household effects including one (1) motor vehicle provided, however, that no property so imported by the employee shall be sold by him in Guyana except in accordance with Government regulations and upon the payment of the prescribed custom duties. Any importation or replacement of motor vehicles by Expatriate Employees of the Contractor (including any Affiliated Company) and of Sub-Contractors, shall be a matter for consultation with the Minister.
- 21.4 Each Expatriate Employee of the Contractor (including any Affiliated Company) and of Sub-Contractors shall have the right to export from Guyana, free of all duties and taxes, and at any time, all of the items imported under Article 21.3





## Article 22 - Foreign Exchange Control

22.1 The Contractor shall, during the term of this Agreement have the right:

- (a) to retain abroad all foreign exchange obtained from the export sales of Contractor's Petroleum and to remit and retain abroad all foreign exchange earned from sales of Petroleum or assets in Guyana;
- (b) to finance Petroleum Operations hereunder in any currency through any combination of equity, inter-affiliate or third party loans, inter-company open accounts, or production payments but no payments of principal or interest in respect thereof shall be made from any source in Guyana other than the bank accounts referred to in Article 22.1 (c);
- (c) to open and maintain bank accounts denominated in Guyanese dollars and/or United States dollars in Guyana and freely dispose of the sums deposited therein without any restriction; provided the said accounts are credited only with sums deposited in foreign currency or with the proceeds of the sale of foreign currency being credits relating to or derived from Petroleum Operations;
- (d) to open and maintain bank accounts in any foreign currency outside Guyana which may be credited without restriction and freely dispose of any sums deposited therein without restriction and without any obligation to convert into Guyana currency any part of the said amounts, save that such accounts shall not be credited with the proceeds of the sale of any Guyanese currency without the consent of the Bank of Guyana;
- (e) to purchase and, with the approval of the Bank of Guyana, to sell Guyanese currency, through the authorized banks, without discrimination, at the rate of exchange determined by the Bank of Guyana for authorized banks at the time of purchase or sale.

22.2 Expatriate Employees of the Contractor or of Affiliated Companies and of Sub-Contractors engaged in Petroleum Operations shall be subjected to all Exchange Control Regulations that may be in effect from time to time. Expatriate Employees of the Contractor and Sub-Contractors shall be entitled to remit freely abroad any portion of their salaries paid in Guyana and any investment income that may be earned on the portion of their salaries paid in Guyana.

22.3 Where Contractor, Affiliated Company or Sub-Contractor by notice in writing to the Commissioner General, Guyana Revenue Authority has guaranteed the full and proper discharge by an Expatriate Employee engaged in Petroleum Operations of his liability to income tax under the laws of Guyana, that Expatriate Employee shall be entitled to receive payment of the whole or any part of his remuneration in the country in which he is normally resident.





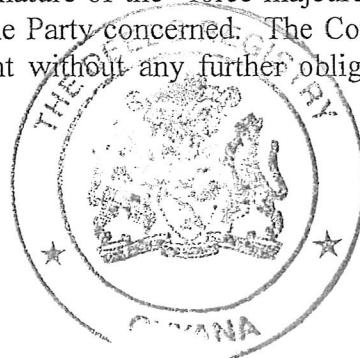
## Article 23 - Accounting and Audits

- 23.1 The Contractor shall be responsible for maintaining accounting records relating to Petroleum Operations under this Agreement in accordance with the Accounting Procedures set out in Annex C hereto.
- 23.2 The Minister shall have the right to audit the accounting records of the Contractor in respect of Petroleum Operations in accordance with Accounting Procedure.
- 23.3 Nothing in this Article shall be construed as limiting the right of Government or any officer of Government pursuant to any statutory power to audit or cause to be audited the books of the Contractor.



## Article 24 - Force Majeure

- 24.1 Any non-performance or delay in performance, wholly or in part, by any Party hereto or any of its obligations under this Agreement or in fulfilling any condition of any Licence granted to such Party or in meeting any requirement of the Act or Regulations and any Licence issued thereunder, shall, except for the payment of monies due by Government to Contractor or monies due to Government under section 43 (4) of the Act (unless such failure to pay is prevented by any action of the Government), not be a breach of this Agreement, the Licence or the Act and Regulations if and to the extent that such non-performance or delay, wholly or in part, is caused by Force Majeure as defined in this Article.
- 24.2 In this Article, the term "Force Majeure" shall mean any event beyond the reasonable control of the Party claiming to be affected by such event which has not been brought about at its instance and which has caused such non-performance or delay in performance and, without limitation to the generality of the foregoing, includes acts of God, natural phenomena or calamities, earthquakes, floods, tsunamis, epidemics, quarantines, fires, wars declared, or undeclared, hostilities, invasions, blockades, riots, strikes, insurrection, civil disturbances, mining of the seas, piracy, international disputes affecting the extent of the Contract Area and any governmental action or inaction, that would prevent the performance of an obligation or ability of the Contractor to export Petroleum (except as provided in Article 14.5).
- 24.3 Where any Party is claiming suspension of its obligations on account of Force Majeure, such Party shall promptly notify the other Parties in writing of the occurrence thereof giving particulars of the Force Majeure and obligations affected. Each Party shall promptly notify the other Parties as soon as the Force Majeure has been removed or no longer prevents it from carrying out its obligations hereunder.
- 24.4 Where a Party is prevented from exercising any rights or performing any obligations under this Agreement due to a Force Majeure, the Minister hereby agrees pursuant to section 43 (3) of the Act, subject to the proviso therein, that a period of additional time necessary for restoration of damages caused during a Force Majeure delay shall be added to the time allowed under this Agreement for the performance of such obligation and for the performance of any obligation or the exercise of any right dependent thereon and to the term of any Licence issued pursuant to this Agreement. In the event the Parties cannot agree on whether the occurrence of the event in question is considered a "force majeure" event, or if the Minister does not agree an additional time period should be added, pursuant to section 43(3) of the Act, then a Party may refer the dispute to Arbitration pursuant to Article 26, to determine the nature of the "force majeure" event and its influence on the contractual obligations of the Party concerned. The Contractor shall have the option of terminating this Agreement without any further obligation if Force Majeure exceeds one (1) year.



- 24.5 Without prejudice to the other provisions of this Article, the Parties shall meet to discuss the consequences of the Force Majeure and the course of action to be adopted in the circumstances.
- 24.6 The Government shall not invoke Force Majeure due to any order, regulation or written directive of the Government, which affects the Government's performance of its obligations under this Agreement.



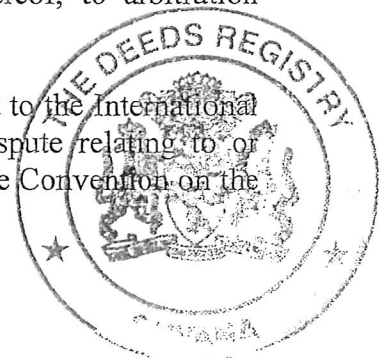
## Article 25 - Assignment

- 25.1 Subject to the regulation 20 of the Regulations, the Contractor shall not assign, or transfer in whole or in part, any of its rights, privileges, duties or obligations under this Agreement, or any Licence issued pursuant to this Agreement, to any person, firm or corporation, without the prior written consent of the Minister.
- 25.2 The Minister shall give his consent under Article 25.1 where:
- (a) the assignment or transfer will not adversely affect the performance or obligations under this Agreement;
  - (b) the assignment is not contrary to the interests of Guyana; or
  - (c) subject to (a) above, the assignment or transfer is to an approved Affiliated Company.
- 25.3 In the event that the Minister does not give his consent or does not refuse a request for an assignment or transfer by Contractor within sixty (60) days of receipt of such request, consent shall be deemed to have been given by the Minister.
- 25.4 Any assignment made pursuant to this Article shall bind the assignee to all the terms and conditions hereof and the terms and conditions of any Licence issued pursuant to this Agreement unless otherwise agreed, and as a condition to any assignment, the assignee shall provide an unconditional undertaking to the Minister to assume all obligations by the Contractor under this Agreement or any Licence issued pursuant to this Agreement.
- 25.5 An application for assignment or transfer of a Licence shall be made in accordance with Form E of the schedule specified in the Regulations. The applicant shall submit such additional information relating to the intended assignee, which the Minister may reasonably require to enable him to dispose of the application.



## Article 26 - Sole Expert Determination and Arbitration

- 26.1 The Parties shall make reasonable efforts to resolve amicably all Disputes by negotiation. A notice of the existence of a Dispute shall be given by a Party to another Party in accordance with Article 33. In the event that no agreement is reached within sixty (60) days after the date on which a Party notifies the other that a Dispute exists, or such longer period as specifically agreed by the Parties, any Party shall have the right to have such Dispute determined by arbitration or a sole expert as provided for in this Article 26.
- 26.2 Any claim, demand, cause of action, dispute, or controversy arising out of or in connection with this Agreement, including any question regarding its formation, existence, validity, enforceability, performance, termination, or alleged breach ("Dispute") which cannot be settled amicably by negotiation shall be resolved by binding arbitration or by a sole expert pursuant to Article 26.3, Article 26.4 or Article 26.6, whichever applies.
- 26.3 Any matter required to be referred to a sole expert for determination under this Agreement, including under Articles 5.4, 8.5, 12.2(a) (i), 13.4, and any other matter which the Parties expressly agree in writing to refer to a sole expert, shall be referred to a sole expert for determination, by a Party giving notice to such effect pursuant to Article 33. The sole expert shall be appointed by agreement between the Parties, and in the event the Parties fail to agree on the sole expert within thirty (30) days after receipt of the written notice from any Party proposing the appointment of a sole expert, such expert shall be appointed by the International Centre for Expertise of the International Chamber of Commerce ("ICC"). A sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience. The expert, once appointed, shall have no ex parte communications with any of the parties to the Dispute concerning the expert determination or the underlying Dispute. The Parties shall cooperate fully in the expeditious conduct of such expert determination and to provide the expert with access to all facilities, books, records, documents, information and personnel necessary to make a fully informed decision in an expeditious manner. The sole expert shall act as an expert and not as an arbitrator or mediator, and shall endeavor to resolve the Dispute within thirty (30) days of his appointment, but no later than sixty (60) days after his appointment. The sole expert shall decide the manner in which any determination is made, but in any event shall accept oral and/or written submissions and arguments from the Parties. All correspondence, documentation and information provided by a Party to the sole expert shall be copied to the other Party, and any oral submissions to the sole expert shall be made in the presence of all Parties and each Party shall have a right of response. The decision of the sole expert on matters referred to him shall be final and binding on the Parties. The Parties shall refer any Dispute arising out of or relating to such expert decision, including enforcement thereof, to arbitration pursuant to Article 26.4 or Article 26.6, whichever applies.
- 26.4 Subject to the provisions herein, the Parties hereby consent to submit to the International Centre for the Settlement of Investment Disputes (ICSID) any Dispute relating to or arising out of this Agreement to arbitration pursuant to the rules of the Convention on the



Settlement of Investment Disputes between States and Nationals of Other States (hereinafter referred to as the "Convention"). It is hereby stipulated that the transaction to which this Agreement relates is an investment within the meaning of the Convention. The Government hereby irrevocably waives any claim to immunity for itself, its agencies, its enterprises, and any of its assets with regard to any sole expert determination or arbitration pursuant to this Article 26 and to any proceedings to recognise or to enforce this Article 26 or any proceeding to recognise or enforce a sole expert determination, or an arbitral award rendered in an arbitration thereunder. Without prejudice to the generality of the foregoing, the waiver of immunity shall include immunity from service of process and immunity from jurisdiction of any competent court or any arbitration tribunal, and immunity of any of the Government's, its agencies', or its enterprises' property from execution of any sole expert determination or arbitration award or judgment entered thereon.

- 26.5 If the Secretary-General of ICSID refuses to register a request for arbitration or if a tribunal of arbitrators constituted pursuant to Article 26.4 above determines that a dispute is outside of ICSID's jurisdiction, either Party may request arbitration of the dispute before three arbitrators pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The American Arbitration Association shall administer the arbitration under the UNCITRAL Arbitration Rules and shall act as the appointing authority when the UNCITRAL Arbitration Rules call for an appointing authority.
- 26.6 The seat of the arbitration proceedings pursuant to this Article 26 shall be Washington DC, United States of America, however, hearings may be held at such other place as the Parties may agree to in writing. The arbitration proceedings shall be conducted in the English language.
- 26.7 The fees and expenses of a sole expert (as well as the charges for the use of ICSID or other facilities) shall be borne equally by the Contractor and the Government. Each Party shall bear any other expenses it incurs in connection with expert or conciliation proceedings. In the case of arbitration proceedings, the arbitrators shall assess the expenses incurred by the Parties, the fees and expenses of the arbitrators, the charges for the use of the facilities and any other costs related to the arbitration and shall decide by whom such costs shall be paid in their award. The arbitral award shall be made and payable in dollars of the United States of America, free of any tax or other deduction. The award shall include interest, unless the arbitration tribunal determines that it is not appropriate. Interest shall run from the date of any breach or violation of this Agreement. Interest shall continue to run from the date of award until the award is paid in full. Interest shall be calculated at the Agreed Interest Rate. The arbitrator(s) shall render a decision within six (6) months after having been confirmed, or such other time as the Parties may agree.
- 26.8 The decision of a majority of the arbitrators shall be final and binding on all the Parties and judgment on the award may be entered by any court of competent jurisdiction.



## Article 27 - Applicable Law

27.1 This Agreement shall be governed by, interpreted and construed in accordance with the laws of the Republic of Guyana, and, consistent with such rules of international law as may be applicable or appropriate, including the generally accepted customs and usages of the international petroleum industry.





## Article 28 - Protection of the Environment

- 28.1 In accordance with the Environmental Protection Act, 1996, the Contractor shall obtain an environmental authorization as required from the Environmental Protection Agency and comply with the provisions of that Environmental Protection Act in relation to any activity of this Agreement that is governed by that Environmental Protection Act.
- 28.2 The Contractor is precluded from initiating any exploration or development activity on those areas outside of the Contract Area which the Environmental Protection Agency may determine to be sensitive or protected.
- 28.3 In furtherance of regulation 6 of the Regulations in the conduct of Petroleum Operations the Contractor shall take necessary and adequate precautions, in accordance with good international petroleum industry practice, against pollution and for the protection of the environment and the living resources of the rivers and sea.
- 28.4 If the Contractor's failure to comply with the provisions of Article 28.1 results in pollution or damage to the environment, riverain or marine life or otherwise, the Contractor shall take all reasonable measures in accordance with good international petroleum industry practice to remedy the failure and the effects thereof and shall where pollution occurs treat or disperse it in an environmentally acceptable manner. The Contractor shall not be obligated to remedy or clean up pollution or environmental damage of any type that existed prior to the commencement of Petroleum Operations by the Contractor or arises as a consequence of pre-existing environmental conditions.
- 28.5 The Contractor shall notify the Minister forthwith in the event of any emergency or accident arising from Petroleum Operations affecting the environment and shall take such action as may be prudent and necessary in accordance with good international petroleum industry practice in such circumstances.
- 28.6 If the Contractor does not act promptly pursuant to Article 28.4 so as to control or clean up any pollution within a reasonable period specified by the Minister, the Minister may, after giving the Contractor reasonable notice in the circumstances, take any actions which are necessary in accordance with good international petroleum industry practice and the reasonable costs and expenses of such actions shall be borne by the Contractor.



## Article 29 - Termination and Cancellation

- 29.1 This Agreement shall be deemed to have been terminated if the Petroleum Prospecting Licence granted to the Contractor pursuant to Article 3 and every Petroleum Production Licence granted to the Contractor under Article 8 has either expired or, under and in accordance with the Act and any relevant provision of this Agreement, been surrendered by the Contractor or lawfully cancelled by the Minister pursuant to section 42 of the Act but save as aforesaid, shall continue in full force and effect so long as the Contractor continues to hold any of the said Licences.
- 29.2 Should any issue arise between the Parties as to whether the Contractor is in default and such issue cannot be amicably settled by consultation between the Parties and a dispute thereon is referred for resolution pursuant to Article 26, this Agreement and the said Licences shall continue in force pending resolution of such dispute.
- 29.3 Pursuant to section 42 of the Act, the Minister shall not cancel a Licence on the basis of default unless the Minister has, by notice served on the licensee, given not less than thirty (30) days' notice of such intention and the basis of default. In the notice, the Minister shall specify a reasonable date, not less than sixty (60) Business Days, before which the licensee may submit a written response or remedy the default.
- 29.4 On termination of this Agreement, or cancellation of any Licence as aforesaid, the rights and obligations of the Parties shall cease by the termination or cancellation, but such termination, or cancellation shall not affect any right of action existing or liabilities incurred by a Party before the date of termination or cancellation, and any legal proceedings that might have been commenced or continued against a Party may be commenced or continued against it.



## Article 30 - Effective Date

30.1 The Effective Date shall be the date on which this Agreement is duly signed.



## Article 31 - Miscellaneous

- 31.1 The Government assures the Contractor that the Contract Area lies entirely within the territorial limits of Guyana and that Guyana has sovereignty over such area. The Government shall continue to assert its right to the entire Contract Area and seek to resolve current or future claims, if any, by other States that impugn any portion of the Contract Area. The Government shall also use its best efforts to permit due observance of the terms and conditions of this Agreement by both Parties. Both Parties undertake not to take any action inconsistent with the terms and conditions of the Agreement
- 31.2 This Agreement shall not be amended or modified in any respect except by written agreement entered into by all the Parties, which shall state the date upon which the amendment or modification shall become effective.
- 31.3 In the event of any conflict between any provisions in the main body of this Agreement and any provisions in the Annexes, the provision in the main body shall prevail.
- 31.4 The headings of this Agreement are for convenience of reference only and shall not be taken into account in interpreting the terms of this Agreement.
- 31.5 A reference to the singular in this Agreement includes a reference to the plural and vice versa.
- 31.6 The provisions of this Agreement shall inure to the benefit of and be binding upon the Parties and their permitted assignees and successors in interest.
- 31.7 No waiver by any Party of any one or more obligations or defaults by any other Party shall be construed as a waiver of any other obligations or defaults whether of a like or of a different character.
- 31.8 This Agreement 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 Agreement.



## Article 32 - Stability of Agreement

- 32.1 Except as may be expressly provided herein, the Government shall not amend, modify, rescind, terminate, declare invalid or unenforceable, require renegotiation of, compel replacement or substitution, or otherwise seek to avoid, alter, or limit this Agreement without the prior written consent of Contractor.
- 32.2 After the signing of this Agreement and in conformance with Article 15, the Government shall not increase the economic burdens of Contractor under this Agreement by applying to this Agreement or the operations conducted thereunder any increase of or any new petroleum related fiscal obligation, including, but not limited to, any new taxes whatsoever, any new royalty, duties, fees, charges, value-added tax (VAT) or other imposts.
- 32.3 If at any time after the signing of this Agreement there is a change in the laws of Guyana whether through the amendment of existing laws (including the hydrocarbons law, the customs code or tax code) or the enactment of new laws or a change having the force of law in the interpretation, implementation or application thereof (whether the change is specific to the Agreement, the Contractor or of general application) and such change has a materially adverse effect on the economic benefits, including those resulting from the fiscal regime provided by this Agreement, accruing to the Contractor hereunder during the term of this Agreement, the Government shall promptly take any and all affirmative actions to restore the lost or impaired economic benefits to Contractor, so that Contractor receives the same economic benefit under the Agreement that it would have received prior to the change in law or its interpretation, application, or implementation. The foregoing obligation shall include the obligation to resolve promptly by whatever means may be necessary any conflict or anomaly between this Agreement and any such new or amended legislation, including by way of exemption, legislation, decree and/or other authoritative acts.
- 32.4 In the event that Contractor's overall economic benefits have been materially and adversely affected by actions or changes as set forth above in Section 32.3, whether directly or indirectly, Contractor may notify the Government in writing. The Parties shall then meet within thirty (30) days after such notification with the objective of reaching agreement on a remedial action to be taken by the Government, whether by exemption, legislation, decree and/or other authoritative acts or by amendment to the terms of the Agreement. If the Parties are unable to resolve their differences within one hundred twenty (120) days after Contractor has issued the aforementioned notification, then the Contractor may refer the matter to arbitration in accordance with Article 26. In such case, the arbitral tribunal is authorized to modify the Agreement to re-establish the economic benefits under the Agreement to Contractor described in Article 32.3, or in the event this is not possible, including for example where such dispute would not qualify or constitute a legal dispute under Article 25 of the ICSID Convention, to award damages to Contractor that fully compensate it for the loss of economic benefits under the Agreement, both historical and future losses.

**Article 33 - Notices**

33.1 All notices and other communications to be given under this Agreement shall be deemed to have been made properly if delivered in person in writing, mailed with charges prepaid or sent by facsimile, by one Party to the other at their respective addresses in Guyana as - set forth below and copied to their overseas addresses. Any such notice or communication given as aforesaid shall be deemed to have been given and received at the time of delivery (if delivered by hand or by courier) or at the time of receipt (if transmitted by facsimile):

The Minister Responsible for Petroleum  
c/o Guyana Geology and Mines Commission  
Upper Brickdam, Stabroek,  
P.O. BOX 1028, Georgetown, GUYANA.  
Attention: Commissioner, GGMC  
Telephone 592-225-3047/223-5223  
Facsimile: 592-227-0084/223-5223



The President,  
Mid- Atlantic Oil and Gas Inc.  
c/o 44B High St, Kingston, 2<sup>nd</sup> floor,  
Georgetown, GUYANA  
Attention: Hewley A. Nelson  
Telephone: 592-624-0826/222-3349  
Facsimile: 592-222-2121  
Email: [edrisny@aol.com](mailto:edrisny@aol.com); [nelsonhewley@yahoo.com](mailto:nelsonhewley@yahoo.com)

33.2 Any Party may, by notice as provided hereunder to the other Parties and GGMC change its address and other particulars for notice purposes.

IN WITNESS whereof the Parties have caused their duly authorised representatives to set their hands at the City of Georgetown, in the Republic of Guyana in the presence of one another the day and year first above written.

Signed by :The Minister Responsible For Petroleum  
Representing the Government of the Republic of Guyana.

*[Handwritten signature of Donald Ramotar]*

His Excellency, Donald Ramotar  
President of the Republic of Guyana



Signed by :The President of Mid-Atlantic Oil & Gas Inc.

*[Handwritten signature of Hewley A. Nelson]*  
Hewley A. Nelson  
**MID ATLANTIC OIL  
& GAS INC**

TRUE COPY of the original which  
was registered in the Deeds Registry at  
Georgetown, Demerara, Guyana on the  
17<sup>th</sup> day of March 04 MAR 2015  
65 *[Signature]*  
Assistant Sworn Clerk

**GEETA ANIRUDH**  
Notary Public  
REPUBLIC OF GUYANA  
2015-3-17

2015-03-17





## Annex A – Description of Contract Area

Description of area being applied for under a petroleum prospecting licence.

The area comprises approximately 6,100 square kilometres described herein consisting of graticular blocks as shown on Block Reference Map attached.

Latitude and Longitude Measurements are North and West, respectively.

Point No.	LATITUDE	LONGITUDE	COMMENTS
1	9° 00' 00" N	-57° 10' 00" W	
2	9° 00' 00" N	-57° 00' 00" W	
3	8° 55' 00" N	-57° 00' 00" W	
4	8° 55' 00" N	-56° 50' 00" W	
5	8° 50' 00" N	-56° 50' 00" W	
6	8° 50' 00" N	-56° 40' 00" W	
7	8° 45' 00" N	-56° 40' 00" W	
8	8° 45' 00" N	-56° 30' 00" W	
9	8° 40' 00" N	-56° 30' 00" W	
10	8° 40' 00" N	-56° 10' 00" W	
11	8° 35' 00" N	-56° 10' 00" W	
G/S	-	-	Then eastwards to the Guyana/Suriname Maritime Boundary
G/S	-	-	Then southwards along Guyana/Suriname Maritime Boundary to the intersection with 7° 45' 00" N
12	7° 45' 00" N	-56° 20' 00" W	
13	7° 50' 00" N	-56° 20' 00" W	
14	7° 50' 00" N	-56° 25' 00" W	
15	8° 00' 00" N	-56° 25' 00" W	
16	8° 00' 00" N	-56° 30' 00" W	
17	8° 10' 00" N	-56° 30' 00" W	
18	8° 10' 00" N	-56° 35' 00" W	
19	8° 15' 00" N	-56° 35' 00" W	
20	8° 15' 00" N	-56° 40' 00" W	
21	8° 20' 00" N	-56° 40' 00" W	
22	8° 20' 00" N	-56° 45' 00" W	
23	8° 30' 00" N	-56° 45' 00" W	
24	8° 30' 00" N	-56° 50' 00" W	
25	8° 45' 00" N	-56° 50' 00" W	
26	8° 45' 00" N	-57° 00' 00" W	
27	8° 50' 00" N	-57° 00' 00" W	
28	8° 50' 00" N	-57° 05' 00" W	
29	8° 55' 00" N	-57° 05' 00" W	
30	8° 55' 00" N	-57° 10' 00" W	



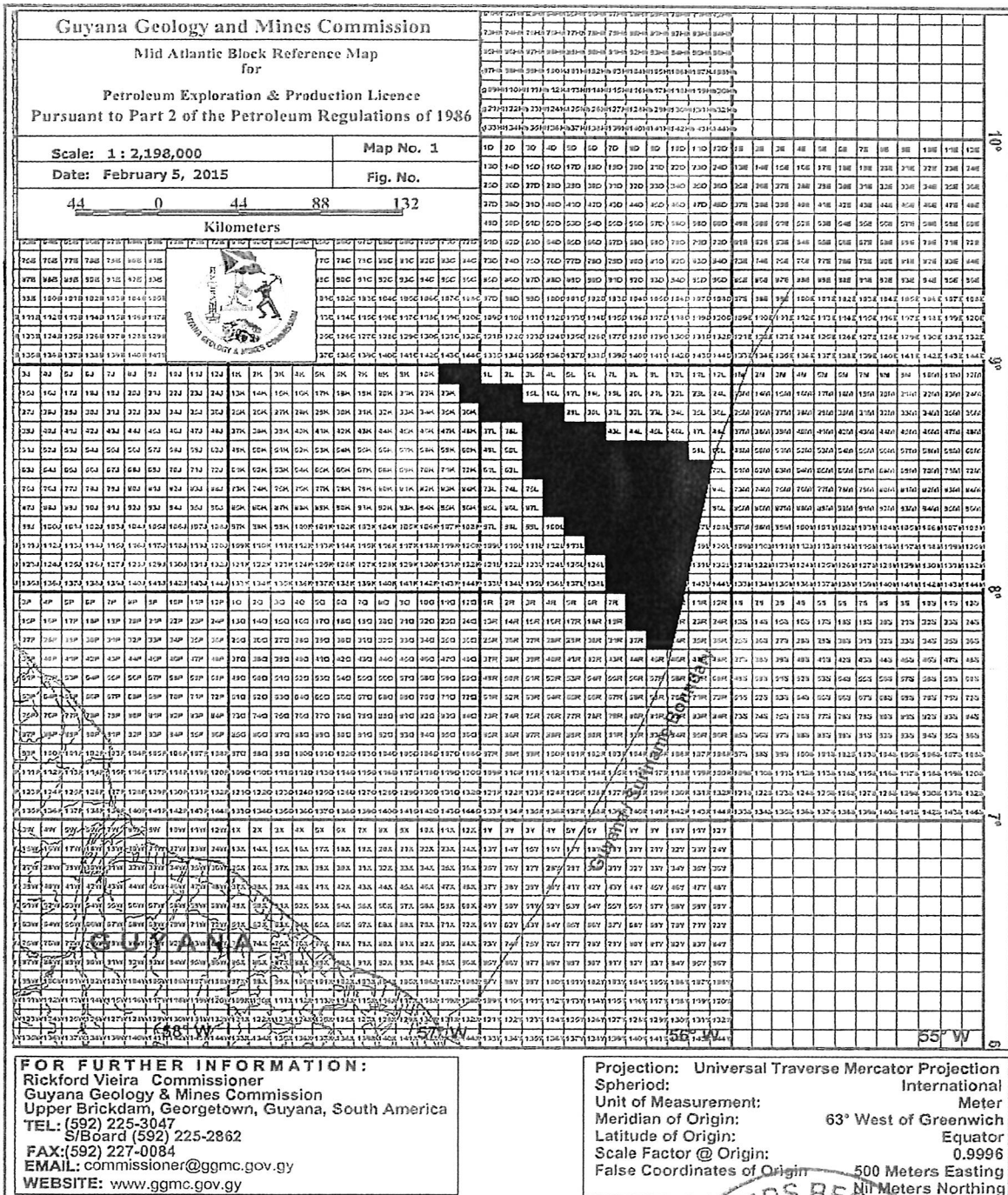
Description of Area

The following five (5) minute by five (5) minute square graticular blocks are shown on the Block Reference Map attached.

Block K	11, 12, 24
Block L	13, 14, 25, 26, 27, 28, 39, 40, 41, 42, 51, 52, 53, 54, 55, 56, 57, 58, 63, 64, 65, 66, 67, 68, 69, 70, 71*, 72*, 76, 77, 78, 79, 80, 81, 82, 83* 84*, 88, 89, 90, 91, 92, 93, 94, 95*, 101, 102, 103, 104, 105, 106, 107*, 114, 115, 116, 117, 118, 119*, 127, 128, 129, 130, 131*, 139, 140, 141, 142*, 143*
Block R	8, 9, 10*, 20, 21, 22*, 33, 34*



**Annex B - Map of Contract Area ( CANJE BLOCK)**



Annex B Page 1



## ANNEX C - ACCOUNTING PROCEDURE

This Annex is part of this Petroleum Agreement (hereinafter referred to as "the Agreement")

### SECTION 1 - GENERAL PROVISIONS

#### 1.1 Definitions

For the purpose of this Accounting Procedure the terms used herein which are defined in the Agreement or in the Act shall have the same meaning when used in this Accounting Procedure.

#### 1.2 Documentation Required to be Submitted by the Contractor

- (a) The Contractor shall keep the accounts, operating records, reports and statements relating to the Petroleum Operations:
  - (i) in accordance with the terms of the Agreement and this Accounting Procedure; and
  - (ii) in such form as may be agreed from time to time between the Parties which shall identify the categories of costs, expenses, expenditures and credits classified in Sections 2 and 3 of this Annex.
- (b) Pursuant to (a) above, the Contractor shall make quarterly Statements relating to the Petroleum Operations including:
  - (i) Production Statement (see Section 5 of this Annex).
  - (ii) Value of Production and Pricing Statement (see Section 6 of this Annex).
  - (iii) Statement of Expenditures and Receipts (see Section 7 of this Annex).
  - (iv) Cost Recovery Statement (see Section 8 of this Annex).
  - (v) End-of-Year Statement (see Section 9 of this Annex).
  - (vi) Budget Statement (see Section 10 of this Annex).

#### 1.3 Language, Units of Account and Exchange Rates

- (a) Accounts shall be maintained in Guyanese dollars and United States dollars, however, the United States dollars accounts will prevail in case of conflict. Barrels shall be employed for measurements of production of Crude Oil required



under the Agreement and this Annex. Standard cubic feet (scf) shall be employed for measurements of production of Natural Gas required under the Agreement and this Annex. The language employed shall be English.

(b) Should there be any gain or loss from exchange of currency, it will be credited or charged to the accounts under the Agreement.

(c)

(i) Amounts received and costs, expenses and expenditures made in currencies other than United States dollars or Guyanese dollars shall be converted into United States dollars by using the relevant foreign exchange rate published in the Wall Street Journal on the first business day following the Month in which the relevant transaction occurred.

(ii) Amounts received and costs, expenses and expenditures made in Guyanese dollars or in United States dollars shall be converted from Guyanese dollars into United States dollars or from United States dollars into Guyanese dollars on the basis of the average of the buying and selling exchange rates between the currencies in question as determined and published by the Bank of Guyana, prevailing on the last Business Day of the Calendar Month preceding the Calendar Month that the relevant transaction occurred.

(iii) The actual exchange rates applied in accordance with sub-section 1.3 (c) (ii) above and, where relevant, sub-section 1.3 (c) (i) above, shall be identified in the relevant Statements required under sub-Section 1.2 (a) of this Annex.



#### 1.4 Payments

(a) All payments between the Parties under the Agreement shall, unless otherwise agreed, be made in United States dollars and through a bank designated by the receiving Party.

(b) All sums due under the Agreement during any Calendar Month shall, for each day such sums are overdue bear interest at the Agreed Interest Rate.

#### 1.5 Audit and Inspection Rights of Government

(a) The Minister shall have the right to audit upon ninety (90) days written notice, at his sole cost and expense, accounts and records of the Contractor, maintained hereunder with respect to each Calendar Year within two (2) years from the end of each such Year. For purposes of auditing, the Minister may audit, examine and verify, at reasonable times during normal business hours but not more than once

per Calendar Year, all charges and credits relating to the Contractor's activities under the Agreement and all books of accounts, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents; correspondence and records necessary to audit and verify the charges and credits. During such annual audit, examination and verification in respect of each Calendar Year the Minister may review items previously subjected to audit in earlier Years but such review shall:

- (i) only be carried out in conjunction with the annual audit for any given Year; and
- (ii) subject to Section 1.5 (b), no sooner than twelve (12) months following the previous audit thereof; and
- (iii) only be for the purposes of verifying a matter arising in a later period, which relates to the earlier Year(s) in question or as specified in Section 1.5 (b).

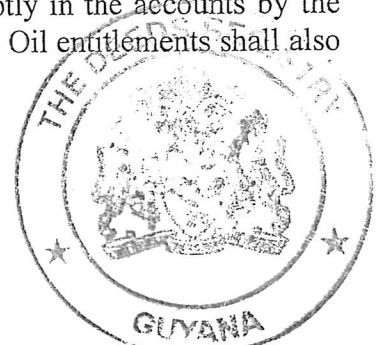
In conducting such audits, the auditors may physically examine at the sole cost and expense of the Minister, property, facilities and stocks used in Petroleum Operations wherever located. Such examinations shall take place at reasonable times during normal business hours upon fifteen (15) days prior notice.

- (b) At the conclusion of each audit, the Parties shall endeavour to settle outstanding matters and a written report will be issued to the Contractor within sixty (60) days of the conclusion of such audit. The report shall include all claims arising from such audit.

The Contractor shall reply to the report in writing as soon as possible and in any event not later than sixty (60) days following receipt of the report indicating acceptance or rejection of the audit claim and in the case of a rejection showing explanations thereof.

Should the Minister consider that the report or reply requires further investigation on any item therein, the Minister shall have the right to conduct further investigation in relation to such matter within sixty (60) days of its receipt of Contractor's reply. If within sixty (60) days of the Minister's further investigation, the Parties are unable to agree to the disposition of the Minister's audit claim, the claim shall be submitted to arbitration in accordance with Article 26 of the Agreement.

All adjustments resulting from an audit agreed to by the Contractor and the Minister conducting the audit shall be reflected promptly in the accounts by the Contractor and any consequential adjustments in Crude Oil entitlements shall also

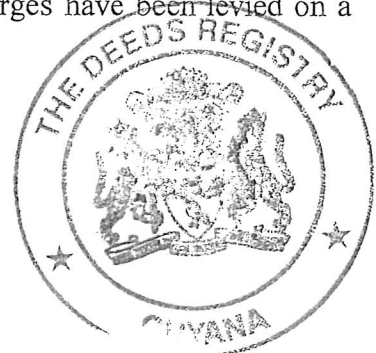




be made promptly.

In the event that an audit claim by the Minister is not settled to the satisfaction by the Contractor's reply as provided for above, the Contractor shall be entitled to recover any disputed amounts pending final resolution of the claim. However, any subsequent adjustments in the Minister's share of Profit Oil following resolution of the claim shall be repaid with interest, at the Agreed Interest Rate as a first claim from Contractor's share of future Profit Oil. In the event that the Contractor's share of Profit Oil is insufficient to provide for the Minister's extra entitlement including interest, the Contractor shall promptly make an equivalent payment in United States dollars to the Minister.

- (c) Without prejudice to the finality of matters as described in sub-sections 1.5 (a) and 1.5 (b) all documents referred to in those sub-sections shall be maintained and made available for inspection by the Minister for two (2) years following their date of issue providing, however, that where issues are outstanding with respect to an audit, the Contractor shall maintain documents for a longer period until the issues are resolved.
- (d) The Contractor may require that audits hereunder of accounts and records maintained by Affiliated Companies of the Operator, other than any Affiliated Company of the Operator which is conducting a substantial part of the Petroleum Operations on behalf of the Contractor be conducted either by the Operator's statutory auditors working under the instruction of the Minister (provided such appointment is accepted by the statutory auditors), failing which, by an independent firm of auditors of international standing to be approved by the Minister.
- (e) Nothing herein above provided shall entitle the Minister or his auditors to have access to data and records which:
  - (i) are subject to statutory restrictions on disclosure; or
  - (ii) do not relate to Petroleum Operations; or
  - (iii) are not customarily disclosed in auditing practice in the international petroleum industry; provided however, that where the Minister or his auditors seek confirmation that charges subject to restricted access under (a), (b) and (c) above have been properly charged under this Agreement and Accounting Procedure, they shall be entitled to seek (at their sole cost) from the statutory auditors of the Contractor or its Affiliated Companies, as the case may be, certification that such charges have been levied on a fair and reasonable basis.



**SECTION 2 - CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS, EXPENSES AND EXPENDITURES**

All costs, expenses and expenditures relating to the Petroleum Operations referred to in Section 3 shall be classified, defined and allocated as follows:

- 2.1 Exploration Costs are all direct and allocated indirect expenditures incurred in the search for Petroleum in an area which is or was, at the time when such costs were incurred, in the Contract Area, including:
- (a) Aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation provided the data relates to the Contract Area.
  - (b) Core hole drilling and water well drilling.
  - (c) Labour, materials or equipment, and services used in drilling Exploration and Appraisal Wells with the object of finding Petroleum or for the purposes of appraising the extent of producible reservoirs already discovered provided such wells are not completed as producing wells.
  - (d) Facilities or allocated portions thereof used solely in support of the purposes described in (a) (b) and (c) above.
  - (e) All General and Administrative Costs, Annual Overhead Charges and all Service Costs allocated to Exploration Costs.
  - (f) Any other Contract Costs incurred in the search for and appraisal of Petroleum after the Effective Date.
  - (g) Annual amounts set forth and paid to GGMC pursuant to Article 19.3 of the Agreement.
  - (h) Rentals.
  - (i) Licenses and other fees.
- 2.2 Development Costs shall consist of all expenditures incurred in:
- (a) Drilling wells, which are completed as producing wells and drilling wells for purposes of producing from a producible reservoir whether these wells are dry or producing, and drilling wells for the injection of water or gas to enhance recovery of Petroleum.
  - (b) Completing wells by way of installation of casing or equipment or otherwise after



a well has been drilled for the purpose of bringing the well into use as a producer or as a well for the injection of water or gas to enhance recovery of petroleum.

- (c) Intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of wells for production purposes.
- (d) The costs of field facilities such as pipelines, flow lines, production and treatment units, wellhead equipment subsurface equipment, enhanced recovery systems, offshore platforms, petroleum storage facilities, export terminals and piers, harbours and related facilities and access roads for production activities.
- (e) Engineering and design studies for field facilities.
- (f) All General and Administrative Costs, Annual Overhead Charges and all Service Costs allocated to Development Costs.

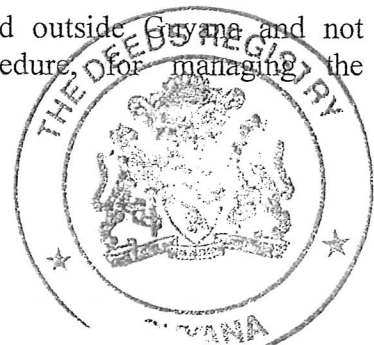
2.3 Operating Costs are all expenditures incurred in the Petroleum Operations, which are other than Exploration Costs, Development Costs, General and Administrative Costs and Annual Overhead Charge and Service Costs. The balance of General and Administrative Costs and Service Costs not allocated to Exploration Costs or Development Costs shall be allocated to Operating Costs.

#### 2.4 Service Costs

- (a) These are direct and indirect expenditures in support of the Petroleum Operations including but not limited to warehouses, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities and safety and security services. Service Costs in any Calendar Year shall include the total costs incurred in such Year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same.
- (b) All Service Costs will be allocated to Exploration Costs, Development Costs and Operating Costs in accordance with standard industry accounting practice or on an equitable basis otherwise agreed between the Minister and the Contractor.

#### 2.5 General and Administrative Costs and Annual Overhead Charge

- (a) General and Administrative Costs are all general and administrative costs in respect of the local office or offices including but not limited to supervisory, accounting and employee relations services, but which are not otherwise recovered.
- (b) An Annual Overhead Charge for services rendered outside Guyana and not otherwise charged under this Accounting Procedure for managing the



Contractor's activities under the Agreement and for staff advice and assistance including but not limited to financial, legal, accounting and employee relations services. For the period from the Effective Date until the date on which the first Petroleum Production Licence under the Agreement is granted by the Minister this annual charge shall be five percent (5%) of the Contract Costs including those covered in sub-sections 2.1 through 2.5(a), incurred during the Calendar Year. From the date of grant of the Petroleum Production Licence the Annual Overhead Charge will be:

First US\$5,000,000.00 of Contract Costs:	5%
Next US\$10,000,000.00 of Contract Costs:	3%
In excess of US\$20,000,000.00 of Contract Costs	1.5%

- (c) All General and Administrative Costs and Annual Overhead Charge will be allocated to Exploration Costs, Development Costs and Operating Costs in accordance with standard industry accounting practice or on an equitable basis otherwise agreed between the Minister and the Contractor.



SECTION 3 - COSTS, EXPENSES, EXPENDITURES AND CREDITS OF THE CONTRACTOR

3.1 Costs Recoverable Without Further Approval of the Minister

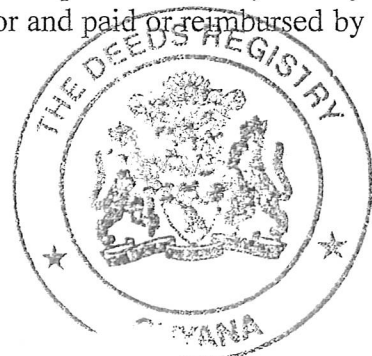
Subject to the provisions of the Agreement, the Contractor shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are all recoverable as Contract Costs by the Contractor under the Agreement.

(a) Surface Rights

This covers all costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for the Contract Area including any amounts payable pursuant to Article 10 of the Agreement.

(b) Labour and Associated Labour Costs

- (i) Gross salaries and wages including bonuses of the employees of the Parties comprising the Contractor directly engaged in the Petroleum Operations, irrespective of the location of such employees, it being understood that in the case of those personnel only a portion of whose time is wholly dedicated to Petroleum Operations, only that pro-rata portion of applicable wages and salaries will be charged.
- (ii) Costs regarding holiday, vacation, sickness and disability payments applicable to the salaries and wages chargeable under (i) above.
- (iii) Expenses or contributions made pursuant to assessments or obligations imposed under the laws of the Republic of Guyana which are applicable to cost of salaries and wages chargeable under (i) above.
- (iv) Cost of established plans for employees' life insurance, hospitalisation, pensions, and other benefits of a similar nature customarily granted to the employees of the Parties comprising the Contractor.
- (v) Reasonable travel and personal expenses of such employees including those made for travel and relocation of the Expatriate Employees assigned to the Republic of Guyana all of which shall be in accordance with the normal practice of the Parties comprising the Contractor.
- (vi) Any personal income taxes owing to the Republic of Guyana by employees of the Parties comprising Contractor and paid or reimbursed by a Party comprising the Contractor.



(c) Transportation

The cost of transportation of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations.

(d) Charges for Services

(i) Third Party Contracts

The actual costs of contracts for technical and other services entered into by the Contractor for the Petroleum Operations, made with third parties other than Affiliated Companies of the Contractor are recoverable; provided that the prices paid by the Contractor are competitive with those generally charged by other international or domestic suppliers for comparable work and services.

(ii) Affiliated Companies

Without prejudice to the charges to be made in accordance with sub-section 2.5, in the case of services rendered to the Petroleum Operations by an Affiliated Company, the charges will be based on actual costs without profits. The charges will be no higher than the usual prices charged by the Affiliated Company to third parties for comparable services under similar terms and conditions elsewhere and will be fair and reasonable in the light of prevailing international oil industry practice and conditions.

The salaries, wages and related costs of employees of an Affiliated Company that are temporarily or permanently assigned in Guyana and are directly engaged in Petroleum Operations shall be chargeable to the project at their actual documented cost. The salaries, wages and related costs of employees of an Affiliated Company that are temporarily or permanently outside of Guyana and are directly engaged in Petroleum Operations shall be chargeable to the project at their actual documented cost. Costs for salaries, wages and related costs shall be charged to the project on an actual basis or at a rate based upon the average cost in accordance with the Affiliated Company's usual practice. The methodology of determining rates based on average cost shall be provided to the Government upon their request. Such rates may be reviewed at least annually with the Minister. Reasonable actual documented expenses (including travel costs) of those employees whose salaries and wages are chargeable to the project and are reimbursed by the Contractor under their usual practice shall also be charged to the project.





(e) Material

(i) So far as is practicable and consistent with efficient and economical operation, only such material or equipment shall be purchased or furnished by the Contractor for use in the Petroleum Operations as may be required for use in the reasonably foreseeable future and the accumulation of surplus stocks shall be minimized.

(ii) The Contractor does not warrant material beyond the supplier's or manufacturer's guarantee express or implied, and in case of defective material or equipment, any adjustment received by the Contractor from the suppliers/manufacturers or their agents will be credited to the accounts under the Agreement.

(iii) (a) Except as provided in (b) below, material purchased by the Contractor for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, custom duties, consular fees, other items chargeable against imported material and, where applicable, handling and transportation expenses from point of importation to warehouse or operating site, and cost of the material in question should not exceed those prevailing in normal arms length transactions on the open market for material of similar quality and supplied on similar terms at the time of procurement.

(b) Material purchased from Affiliated Companies of the Parties comprising Contractor shall be charged at the prices specified at (1) and (2) hereof.

(1) New Material (Condition "A")

Shall be valued and invoiced at a price, which should not exceed the price prevailing in normal arms length transactions on the open market at the time of procurement.

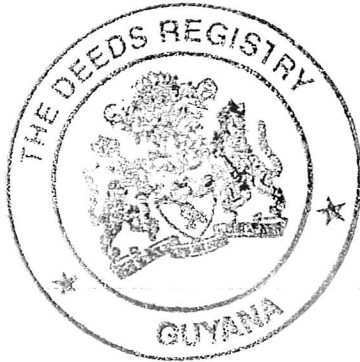
(2) Used Material (Conditions "B" and "C")

(i) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as Condition "B" and priced at not more than seventy-five percent (75%) of the price of new material defined in (1) above.





- (ii) Material, which cannot be classified as Condition "B" but which:
- (a) after reconditioning will be further serviceable for original function as good second-hand material (Condition "B"), or
  - (b) is serviceable for original function but not suitable for reconditioning; shall be classified as Condition "C" and priced at not more than fifty percent (50%) of the current price of new material (Condition "A") as defined in (1) above. The cost of reconditioning shall be charged to the reconditioned material provided that the Condition "C" material value plus the cost of reconditioning does not exceed the value of Condition "B" material.



- (iii) Material, which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.
- (iv) When the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price as provided for in (2) (ii) hereof, such material shall be priced on a basis that will result in a net charge to the accounts under the Agreement consistent with the value of the service rendered.

(f) Rentals, Duties and Other Assessments

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the Government in connection with the Petroleum Operations and paid directly by the Contractor.

(g) Insurance and Losses

Insurance premium and cost incurred for insurance pursuant to Article 20 provided that if such insurance is wholly or partly placed with an Affiliated Company of the Parties comprising the Contractor, such premium and costs shall be recoverable only to the extent generally charged by competitive insurance companies other than an Affiliated Company of a Party comprising the

Contractor. Costs, losses and damages incurred to the extent not made good by insurance, are recoverable, including costs, losses or damages resulting from the indemnities in Article 2 of the Agreement, unless such costs, losses or damages have resulted solely from an act of willful misconduct or gross negligence of the Contractor.

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement or sums paid in respect of legal services necessary or expedient for the protection of the interest of the Parties are recoverable. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Contractor or an Affiliated Company of the Parties comprising Contractor, such compensation will be included instead under sub-section 3.1(b) or 3.1(d) above as applicable.

(i) Training Costs

All costs and expenses incurred by the Contractor in training of Guyanese personnel and such other amounts as may be expended on training under Article 19 of the Agreement.

(j) General and Administrative Costs and Annual Overhead Charge

The costs described in sub-section 2.5(a) and the charge described in sub-section 2.5(b).

(k) Pre-Contract Costs

The sum of Five hundred thousand United States Dollars (US\$ 500,000.00) in respect of all costs incurred by Contractor prior to the Effective Date.

(l) Interest and Financing Costs

Interest, expenses and related fees incurred on loans raised by the Parties comprising the Contractor for Petroleum Operations and other financing costs provided that such expenses, fees and costs are consistent with market rates.

(m) Abandonment Costs

Amortized abandonment costs calculated pursuant to Article 20.1(d)(iii).



3.2 Costs Recoverable only with Approval of the Minister

- (a) Commission paid to intermediaries by the Contractor.
- (b) Donations and contributions to organisations in Guyana.
- (c) Expenditure on research into and development of new equipment, material and techniques for use in searching for developing and producing petroleum which will be of benefit to Petroleum Operations.

3.3 Costs not Recoverable under the Agreement

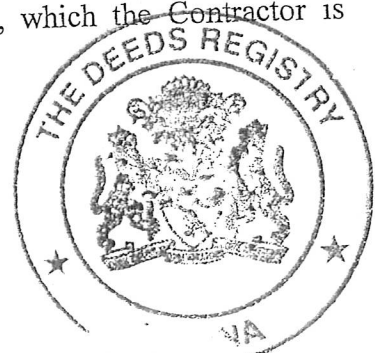
- (a) With the exception of the sum specified in sub-section 3.1(k), costs incurred before the Effective Date.
- (b) Petroleum marketing or transportation costs of Petroleum beyond the Delivery Point.
- (c) Amounts paid under Article 3.2 of the Agreement, if any, and, other amounts paid with regard to non-fulfillment of contractual obligations, subject to Section 3.1(g).
- (d) Costs of arbitration and the sole expert in respect of any dispute under the Agreement.
- (e) Fines and penalties imposed by Courts of Laws of the Co-operative Republic of Guyana.
- (f) Payments made in accordance with Article 15.4 of the Agreement.
- (g) Costs incurred as a result of willful misconduct or gross negligence of the Contractor or failure to insure where insurance is required pursuant to Article 20.2(a) of the Agreement.

3.4 Other Costs and Expenses

Other costs and expenses not covered or dealt with in the provisions of this Section 3 and which are incurred by the Contractor in the conduct of the Petroleum Operations are recoverable subject to the approval of the Minister.

3.5 Credits under the Agreement

The net proceeds of the following transactions will be credited to the Accounts under the Agreement and shall reduce the amount of Contract Costs, which the Contractor is entitled to recover from Cost Oil, by a corresponding amount:



- (a) The net proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts under the Agreement when such operation or assets were insured and the premium charged to the accounts under the Agreement.
- (b) Revenue received from third parties for the use of property or assets the cost of which has been charged to the accounts under the Agreement.
- (c) Any adjustment received by the Contractor from the suppliers/manufacturers or their agents in connection with defective material the cost of which was previously charged to the accounts under the Agreement.
- (d) Rentals, refunds or other credits received by the Contractor which apply to any charge which has been made to the accounts under the Agreement, including any costs and expenses previously charged to the accounts pursuant to sub-section 3.1(h) and which have been successfully recouped from legal proceedings but excluding any award granted to the Contractor under arbitration or sole expert proceedings referred to in sub-section 3.3(d) above.
- (e) The value at the time of export of inventory materials subsequently exported from the Co-operative Republic of Guyana without being used in the Petroleum Operations, the acquisition costs of which have been charged to the accounts under the Agreement.
- (f) The proceeds from the sale or exchange by the Contractor of materials, equipment, plant or facilities, the acquisition costs of which have been charged to the accounts under the Agreement, including such items sold to the Government;
- (g) The proceeds from the sale of Petroleum Data which relates to the Contract Area provided that the acquisition costs of such rights and information have been charged to the accounts under the Agreement;
- (h) The proceeds derived from the sale or licence of any intellectual property the development costs of which have been charged to the accounts under the Agreement.

### 3.6 Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting Procedure, it is the intention that there shall be no duplication of charges or credits to the accounts under the Agreement.



#### SECTION 4 - RECORDS AND VALUATION OF ASSETS

The Contractor shall maintain detailed records of property in use for the Petroleum Operations in accordance with normal practice in exploration and production activities of the international petroleum industry. The Contractor shall notify the Minister annually in writing of all assets acquired and all assets disposed of during the preceding twelve (12) months. At reasonable intervals but at least once a year with respect to moveable assets and once every three (3) years with respect to immovable assets, inventories of the property under the Agreement shall be taken by the Contractor. The Contractor shall give the Minister at least thirty (30) days written notice of its intention to take such inventory and the Minister shall have the right to be represented when such inventory is taken. The Contractor will state clearly the principles upon which valuation of the inventory has been based. When an assignment of rights under the Agreement takes place a special inventory may be taken by the Contractor at the request of the assignee provided that the costs of such inventory are borne by the assignee.



## SECTION 5 - PRODUCTION STATEMENT

5.1 Upon commencement of production of Petroleum from the Contract Area, the Contractor shall submit a monthly Production Statement to the Minister showing the following information separately for each Field and in aggregate for the Contract Area.

- (a) The gross quantity of Crude Oil and Natural Gas produced.
- (b) The quantities of Crude Oil and Natural Gas used for the purpose of carrying on Petroleum Operations including drilling and Production Operations and pumping to Field storage.
- (c) Quantities of Crude Oil and Natural Gas lost.
- (d) The quantities of Natural Gas flared.
- (e) The quantity of Crude Oil produced and saved.
- (f) The quantity of Natural Gas produced and saved.
- (g) The quantity of stocks of Crude Oil held at the beginning of the Calendar Month in question.
- (h) The quantity of stocks of Crude Oil held at the end of the Calendar Month in question.
- (i) The number of days in the Month during which Petroleum was produced from each Field.
- (j) The average daily production rate for each Field, calculated in accordance with Article 11.6 of the Agreement.

5.2 The Production Statement for each Calendar Month shall be submitted to the Minister not later than sixty (60) days after the end of such Calendar Month.



## SECTION 6 - VALUE OF PRODUCTION AND PRICING STATEMENT

- 6.1 The Contractor shall, for the purposes of Article 13 of the Agreement prepare a statement providing calculations of the value of Crude Oil and the value of the Natural Gas produced and saved during each Calendar Month for each Field. This statement, which shall be prepared for each quality of Crude Oil and the Natural Gas produced from the Contract Area, shall contain the following information:
- (a) The quantities, prices and receipts realised therefor by the Contractor as a result of Third Party Sales of Crude Oil and the Natural Gas made during the Calendar Month in question.
  - (b) The quantities, prices and receipts realised therefor by the Contractor as a result of sales of Crude Oil and the Natural Gas made during the Calendar Month in question, other than Third Party Sales.
  - (c) The percentage of total volume of Crude Oil sales, which were Third Party Sales.
  - (d) The percentage of total volume of Natural Gas sales, which were Third Party Sales.
  - (e) Information supplied to the Minister by Contractor for the purposes of Article 13.2 of the Agreement.
- 6.2 The Value of Production and Pricing Statement for each Calendar Month shall be submitted to the Minister not later than thirty (30) days after the end of such Calendar Month.





## SECTION 7 - STATEMENT OF EXPENDITURE AND RECEIPTS

- 7.1 The Contractor shall prepare with respect to each Calendar Quarter, or on a monthly basis if requested by the Minister in writing, a Statement of Expenditure and Receipts under the Agreement. The Statement will distinguish between Exploration Costs, Development Costs and Operating Costs consistent with the individual categories specified in Sections 2 and 3 herein and will separately identify major items of expenditures within these categories. The statement will show the following:
- (a) Actual expenditures and receipts on a monthly basis for the period in question.
  - (b) Cumulative expenditure and receipts for the budget year in question.
  - (c) Cumulative expenditures and receipts since the Effective Date.
  - (d) Latest forecast of cumulative expenditures to year end.
  - (e) Variations between budget forecast and latest forecast, with explanations thereof.
- 7.2 Subject to 7.1, the Statement of Expenditure and Receipts shall be submitted to the Minister no later than thirty (30) days after the end of such Calendar Quarter or Month as the case may be.



## SECTION 8 - COST RECOVERY STATEMENT

- 8.1 The Contractor shall prepare with respect to each Calendar Month a Cost Recovery Statement containing the following information:
- (a) Recoverable Contract Costs carried forward from the previous Month, if any.
  - (b) Recoverable Contract Costs for the Month in question.
  - (c) Total Recoverable Contract Costs, which is that cost at sub-section 8.1 (a) plus that cost at sub-section 8.1 (b).
  - (d) Quantity and value of Cost Oil taken and disposed of by the Contractor for the Month in question.
  - (e) Contract Costs recovered for the Month in question.
  - (f) Total cumulative amount of Contract Costs to be carried forward into the next Month.
- 8.2 The information to be submitted under Section 8.1 (d) and (e) above shall be given in separate statements for each Field, so as to indicate together, the Contractor's total allocation of Cost Oil as required under Article 11 of the Agreement.
- 8.3 The Cost Recovery Statement to be submitted under sub-section 8.1 shall identify the unrecovered cost of assets for the purpose of Article 20.1(b)(iii) of the Agreement.
- 8.4 The Cost Recovery Statement for each Month shall be submitted to the Minister no later than thirty (30) days after the end of such Month.



## SECTION 9 - END-OF-YEAR STATEMENT

9.1 The Contractor shall prepare an End-of-Year Statement. The Statement will contain aggregated information for the Year in the same format as required in the Value of Production and Pricing Statement, Cost Recovery Statement and Statement of Expenditures and Receipts but will be based on actual quantities of Petroleum produced and expenses incurred. The End-of-Year Statement for each Calendar Year shall be submitted to the Minister within one hundred and twenty (120) days of the end of such Calendar Year.

(a) Crude Oil

- (i) In the event the domestic supply obligations under Article 17 are effected by the Government as to Crude Oil, not later than one hundred and twenty (120) days after the end of each Calendar Year, the Minister, acting on behalf of the Government, shall make available to Contractor an annual summary (the "Domestic Supply Report") describing (a) the Government's total entitlement from all Crude Oil production in Guyana during the prior Calendar Year, (b) the quantity of Crude Oil actually provided to the Government by Contractor and all third parties which produce Crude Oil in Guyana during the prior Calendar Year, and (c) a description of the quantities and use of all Crude Oil provided to the Government by Contractor and all third parties which produce Crude Oil in Guyana, including without limitation, domestic power supply from power plant facilities, refined products for domestic consumption from refineries, etc., and any quantities of Crude Oil, refined products, petrochemicals or fuel for power generation that are exported from Guyana.



(b) Natural Gas

- (i) In the event the domestic supply obligations under Article 17 have been effected by the Government as to Natural Gas, not later than one hundred and twenty (120) days after the end of each Calendar Year, the Minister, acting on behalf of the Government, shall make available to Contractor an annual summary (the "Domestic Supply Report") describing (a) the Government's total entitlement from all Natural Gas production in Guyana during the prior Calendar Year, (b) the quantity of Natural Gas actually provided to the Government by Contractor and all third parties which produce Natural Gas in Guyana during the prior Calendar Year, and (c) a description of the quantities and use of all Natural Gas provided to the Government by Contractor and all third parties which produce Natural Gas in Guyana, including without limitation, domestic residential, commercial and industrial consumption, fuel used for domestic power generation, etc.,

or, and any quantities of Natural Gas liquefied or compressed in Guyana for export or used as feedstock for petrochemical exports, such as methanol and fertilizer.



## SECTION 10 - BUDGET STATEMENT

- 10.1 The Contractor shall prepare an annual budget pursuant to Article 7 of the Agreement (the "Budget Statement"). The Budget Statement will distinguish between Exploration Costs, Development Costs and Operating Costs consistent with the individual categories specified in Sections 2 and 3 and will show the following:
- (a) Forecast expenditures and receipts under the Agreement for the Calendar Year.
  - (b) Cumulative expenditures and receipts to the end of the said Year.



## ANNEX D - Pre-Approved and Certified Petroleum Operations Items

### A

Acids (stimulation) – chemicals used downhole or injected in oil/gas formations  
Acoustical survey equipment – including sonar, side scanning sonar, full wave form sonic loggers  
Aeromagnetic recording survey systems  
Air slips also known as tubing slips  
All terrain vehicles (ATVs)  
Automated equipment at the well head, processing plant or refinery used to monitor and control production

### B

Bags (cloth) with printed tags – used in well testing  
Bails (links)  
Barrel – chemical mixing when used at the well head  
Batteries – for production machinery and equipment  
Batteries - geophysical when used exclusively for seismic prospecting in blasting and recording systems  
Bits – drill includes PDCs, tricones  
Blasting systems - used for seismic prospecting  
Blowout ignition system  
Blowout preventers (BOPs)  
Boxes – shipping (used in well testing), core  
Building – portable  
Building - support - when used as weather-related protective covering for equipment such as electrical generators or instrumentation  
Buildings – that provide office or dwelling space; geologist lab trailers; skid-mounted living trailers  
Bulldozers - earth moving equipment

### C

Cable – electrical  
Cable - wire rope  
Cables – electrical (integrated into machinery)  
Cables used for seismic prospecting  
Calibration gas – for H<sub>2</sub>S monitors and H<sub>2</sub>S analyzers  
Casing  
Casing accessories  
Catwalks – see Scaffolding  
Cement – oilwell  
Cementing equipment  
Centralizers – casing attachment  
Centrifuge – used to remove fine drill solids from mud systems  
Chemical mixing barrel – when used at the well head  
Chemical storage drums – when used at the manufacturing or processing site  
Chemicals used in drilling and production operations  
Chemicals used in refining operations  
Choke manifold and valves  
Circulating system – includes discharge and return lines  
Circulating systems – includes mud tanks, mud mixers, discharge and return lines and separators  
Cleaners/degreasers – includes oilfield equipment  
Cloth bags with printed tags – used in well testing  
Coil tubing  
Coil tubing reel  
Collars – drilling



Communication equipment – includes satellite communications equipment  
Compressors – for compression of air or natural gas  
Computers – to monitor production/drilling machinery and equipment  
Consumables - consumable equipment used in drilling and production operations  
Control panels – used to run generators at a well head  
Core boxes  
Corrosion inhibitors – added to upstream installations for preventative maintenance  
Couplings  
Custom software – designed for and integrated into drilling and production machinery or equipment

#### D

Data processing units used for seismic prospecting  
DC electric motors (integrated) used to drive the drawworks mud pumps, or top drives, also commonly called traction motors  
Deflocculants – used in fresh water mud systems  
Dehydration chemicals  
Dehydrators – including mole sieve used at the well head; used during the production testing phase  
Demulsifiers – used in production operations to remove water from crude oil  
Density counters – spectral gamma-gamma  
Detectors – flame, when used during the production testing phase as an alternative to a flare stack  
Diesel power generating systems  
Discharge and return lines  
Dispersants - production chemicals  
Distribution panel – electrical that controls the electrical distribution for the entire rig package  
Dope – pipe  
Drifts – for casing, tubing, and line pipe  
Drill bits, includes tricone, PDCs (Polycrystalline Diamond Compact)  
Drill collar handling equipment  
Drill collars – used in exploration and development drilling  
Drill line spool - wire rope  
Drill pipe – used in exploration and development drilling  
Drill pipe handling equipment  
Drill stem testing equipment – includes instrumentation  
Drilling – detergent; muds; surfactants  
Drilling Rigs and associated equipment - Onshore and Offshore  
Drilling fluid - chemicals used to create drilling fluid (see mud)  
Drills - all drills used exclusively for seismic prospecting includes heli, enviro, LIS, track, truck, buggy  
Drives – top, rotary and pump  
Drums – for chemical storage when used at the manufacturing or processing site



#### E

EDR system (only an EDR and the embedded dedicated computer equipment that is integrated into the unit) used at the drilling site  
Electric generators and alternators  
Electric logging equipment  
Electrical cable - distribution panel, electrical generating systems  
Electrical distribution panel  
Electrical generating systems (integrated)  
Electrical submersible pumps - ESP - for artificial lift of petroleum  
Electrical surveying equipment  
Electrical thermostats  
Electromagnetic surveying equipment – includes time and frequency domain induced polarization equipment



Emergency gas shut off devices  
Engine oils  
Engines - used for oilfield service  
Equipment – hoisting  
Explosives – includes those used in seismic, coring, construction

## F

Field potentiometers  
Filter bags – for the production machinery and equipment  
Fishing tools for retrieving tools lost downhole  
Fittings – includes those used in the transportation and distribution system, for example, on gathering lines  
Flame detectors – when used during the production testing phase as an alternative to a flare stack  
Flare stacks – includes mobile flare stacks used during the production testing phase  
Flare tank systems, located at the wellsite, that are directly connected to the drilling rig and are used to control polluting emissions  
Flare tanks and lines  
Float equipment  
Fluids – fracturing, stimulating, well servicing  
Foamers – used downhole to enhance production  
Forklifts  
Fracturing chemicals  
Fracturing equipment  
Fuel gas lines – for oil and gas production machinery  
Fuel storage tanks – see Tanks  
Full wave form sonic loggers

## G

Gamma-ray spectrometers  
Gas – welding, acetylene, argon – when used as an inert welding gas or in repair jobs; calibration gas for H<sub>2</sub>S monitors and H<sub>2</sub>S analyzers  
Gas dehydration equipment used in processing plants or refineries up to the point where the petroleum or natural gas is a marketable product  
Gas detection monitors that detect hazardous gas and provide a warning  
Gas flow equipment – when used downhole to monitor gas flow  
Gas lift lines – located at a production wellsite to encourage the flow or transport of gas from the reservoir to the surface  
Gas shut off devices (emergency) – that are attached to a gas line and automatically shut off gas supply  
Gauges – engine  
Generating systems – diesel power, electrical  
Gensets/generators – portable, mobile or standby alternators generators/gensets)  
Geophones  
Geophysical batteries - when used exclusively for seismic prospecting in blasting and recording systems  
Geronimo and escape lines  
Global positioning systems used for seismic prospecting; used for creating stakeless surveys  
Graders  
Gradiometers – includes potassium gradiometers for radioactive methods of geophysical prospecting  
Gravel – for well pads, processing plant on-site roads  
Gravitational recording survey systems  
Gravity meters  
Grease  
Ground penetrating radar equipment  
Gunny sacks



Guns – perforating that are used during the production testing phase

## H

Hammer wrenches

Hand held tools

Heat exchangers

Heaters – line, located at the well head to preheat gas but not line heaters on pipeline; used during the production testing phase

Heli-drills for seismic prospecting

Hoisting equipment

Hooks and swivels – drill pipe handling equipment

Hydraulic tank

Hydraulic winches

Hydrogen sulfide – used for gas scrubbing

Hyperspectral spectrometers used for remote sensing

## I

Imaging equipment – seismic

Incinerator – when used during the production testing phase in place of a flare stack to burn off excess natural gas

Indicator – weight

Inductive conductivity probes used for electrical or electromagnetic surveying

infrared and hyperspectral spectrometers

Infrared spectrometers used for remote sensing

Inhibitors – corrosion added to upstream installations for preventative maintenance

Injector head that runs or retrieves the coil tubing

Instruments -

instruments or equipment for seismic prospecting

Integrated diesel power generating systems

Integrated electrical operating systems

Integrated fuel tanks – see Tanks

Integrated navigation systems used for seismic prospecting

Integrated pump units

Integrated steam heaters

## L

Lab testing equipment – used for testing drilling fluids

Lab testing equipment – used for testing production fluids

Labels – for vials used in well testing

Laptop computers (see entry under Computers)

LIDAR (Light Detection and Ranging) mapping equipment used for remote sensing

Light towers or light plants

Lighting – industrial explosion proof

Lights

Lignite – drilling mud or fluid

Line heaters – located at the well head to preheat gas, but not line heaters on the pipeline

Line heaters – used on pipelines, but not line heaters located at the well head for preheating gas Industry)

Line pipe

Liners used on the ground

Lines – catline, drill, flare, loadline, geronimo and escape, sandline, spool, tong

Lines – discharge, return, flare

Links (bales)



Liquefaction equipment – used in a processing plant or refinery to liquefy CO<sub>2</sub> so that it can be transported and marketed

Liquid viscosifiers

Loaders – includes loaders used to move drill pipe to and from the drilling rig

Logging equipment – electric wireline

Lubricants - specialty

## M

Machinery and equipment used to inject substances into a reservoir

Magnetic susceptibility meters

Magnetometers

Main – drum (also known as a drill drum)

Main drum also known as drill drum – part of the drawworks

Maintenance tools – includes cheater bars

Manifold – choke, valve that is an integral piece of the high pressure pumping system

Manifold – choke; mud

Manufactured proppant

Measurement while drilling equipment (MWD) – used to monitor the drill bit's downhole position

Meter skids – used in the transportation of natural gas or petroleum from the well head as they are part of the distribution system

Mobile radios

Molecular sieve (Mole sieve pellets) – when used as a part of exempt dehydrator equipment

Monitoring equipment – that monitors or controls the operation of machinery and equipment

Monitors – hazardous gas detection monitors that provide a warning

Mooring systems - for storage vessels

Motors – includes mud motors

Motors – traction, mud

Motors – used in the production testing phase; mud motors used downhole in the drilling process

Mud - chemicals used in the creation of drilling fluid

Mud – mixers, tank, manifold, motors

Mud logging equipment and supplies

MWD (Measurement While Drilling) equipment and supplies

## N

Navigation systems used for seismic prospecting; used for creating stakeless surveys

Nitrogen – used to stimulate production

Non-polarizing electrodes used for making measurements in drill holes

## O

Optical sensors

## P

Packers

Paint supplies

Perforating guns – used during the production testing phase

Pipe dope

Pipeline installation equipment

Pipeline coatings - cement or otherwise

Piping systems – used downhole in the production and testing phase

Pit volume totalizer (PVT) – used for monitoring the bore hole

Polarization equipment – time and frequency domain induced

Portable building

Potentiometers – field



Power – tongs and jaws (also see Tongs)  
Power plants – includes diesel, electrical  
Power tongs  
Power washers  
Pressure piping systems and its components – used during the production testing phase  
Preventers – blowout (BOP)  
Probes – inductive conductivity used for electrical or electromagnetic surveying  
Production processing equipment - includes separators, compressors, tanks, flow lines, pumps and valves  
Prospecting, seismic – see seismic prospecting  
Protectors – thread  
Pump lines and valves that run from the mud pump to well  
Pump units – includes submersible trash or sump  
Pumpjacks  
Pumps - explosion proof  
Pumps and motors – used in the production testing phase



## R

Racks – pipe used in the drilling process  
Radar equipment – ground penetrating, side looking aperture  
Radio – phone, mobile, VHF, two-way  
Radio antenna – MDS  
Radioactive prospecting – scintillometers, spectral gamma-gamma density counters, geiger muller counters, gamma-ray spectrometers, potassium gradiometers  
Radioactive sources - used in wireline logging  
Ram thread protectors – telescoping  
Reactive welding gases – when used in a repair service  
Recorder box used for seismic prospecting  
Recording system used for seismic prospecting  
Reel for coil tubing  
Reflectance equipment used for remote sensing  
Regulators – includes when used in the transportation and distribution system, for example, gathering lines  
Remote sensing equipment – includes ultraviolet lamps and reflectance, infrared and hyperspectral spectrometers  
Resistivity survey equipment used for electrical or electromagnetic surveying  
Return and discharge lines of a circulating system  
Rod basket  
Rotary and pump drives  
Rotary and pump drives  
Rotary table

## S

Safety valves – used for well control that are a part of the equipment on the service rig  
Sand – includes sand used to stimulate well production  
Satellite communications equipment  
SCADA equipment – (Supervisory Control and Data Acquisition) used at the well head, processing plant or refinery  
Scintillometers  
Seismic – instrumentation, drilling equipment, imaging equipment  
Seismic explosives  
Seismic prospecting – recording system, seismic instrumentation, geophones, cables, data processing units

Seismic vessels and associated equipment  
Self-potential meters used for electrical or electromagnetic surveying  
Sensors – optical  
Separator vessels – used during the production testing phase  
Snubbing unit – composed of a blowout preventor stack, a hydraulic jack and a power unit to run the hydraulics  
Solids control equipment  
Sonar – includes side scanning  
Sonic loggers – full wave form  
Spectral gamma-gamma density counters  
Spectrometers – infrared or hyperspectral used for remote sensing, gamma ray  
Spools – includes drill line spool  
Spools (specialized pieces that adapt tubing to BOPs or for spacing requirements between BOP and wellhead)  
Stabbing guides – used in the drilling process  
Stimulating fluids  
Stimulation acids – chemicals used downhole or injected in oil/gas formations  
Storage tanks – (see Tanks)  
Submersible trash pump unit – used to pump drilling fluids, mud/water  
Sulphur recovery equipment – used in processing plants and refineries  
Survey equipment (see Global positioning systems and Navigation systems)

#### T

Tank battery  
Tanks – flare, integrated fuel, mud or water, stand alone fuel tank fully integrated with drilling rig that serves as the direct fuel supply for the rig  
Tanks – storage – used at a refinery or processing plant  
Tanks – water storage  
Telecommunication equipment  
Thermostats – electrical designed for use with any of the machinery or equipment on this list  
Thread protectors – used in the drilling process  
Time and frequency domain induced polarization equipment used for electrical or electromagnetic surveying  
Tongs – backup and integral tongs, power tongs and jaws  
Tongs – power also called rotary or casing tongs, power tongs and jaws, backup and integral tongs  
Tools – fishing tools for retrieving tools lost downhole  
Tools - hand  
Top drives - Drill Rig  
Torque gauges – used in the drilling process  
Towers – light  
Traction motors  
Travelling blocks  
Tricones – drill bits  
Tubing – includes coil  
Tubing slips also known as air slips  
Two-way radios

#### U

Ultraviolet lamps used for remote sensing

#### V

Vacuum and wash pump used to clean up around rig and wash equipment  
Vacuum tanks or systems – truck- or trailer-mounted



Vacuum units  
Valve – outlet, manifold (integral part of the high pressure pumping system)  
Valve manifold (integral part of the high pressure pumping system)  
Valves – includes those used in the transportation and distribution system, for example, gathering lines  
Valves – safety – used for well logging, drill stem testing or the production testing phase  
Vehicles  
Vessels – separator – used during the production testing phase  
Vessels - supply and anchor handling for offshore petroleum operations  
Vessels - for storage of crude oil (FPSO)  
Vessels - Mobile Offshore Drilling Units  
Vibrators used for seismic prospecting  
Viscosifiers – liquid; dry polymer; concentrated

## W

Walkways – see Scaffolding  
Waste gas transmission – see Pipes  
Waste management bins  
Waste water treatment units – mobile  
Water clarifiers – used to remove residual oil in produced water prior to disposal or re-use  
Water disposal lines – includes associated machinery and equipment that are located within the processing plant  
Water storage tanks  
Welding equipment and supplies  
Well flow lines transporting raw product from a well to a satellite, battery, line pipe or processing plant  
Well logging equipment – includes surface and downhole tools  
Well testing equipment - includes surface and downhole tools  
Wellhead equipment  
Winches  
Wireline (or slickline) unit – skid- or truck-mounted



