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PRODUCTION SHARING AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of October, 2007, by and between the GOVERNMENT OF BELIZE, (hereinafter referred to as the "Government") acting through the Minister of Natural Resources and the Environment and Princess Petroleum Ltd. a corporation duly organized and existing under the laws of Belize with business address at Newtown Barracks, Belize City, Belize (hereinafter referred to as the "Contractor").

WHEREAS, the entire property in, and control over all petroleum resources in or under the territory of Belize is vested in the Government on behalf of Belize,

WHEREAS, no petroleum operations shall be conducted in Belize by any person other than the Government unless such person has entered into a contract in accordance with the Petroleum Act (No. 8 of 1991),

WHEREAS, the Government wishes to promote the exploration for and production of the petroleum resources in and throughout the contract area, and the Contractor desires to join and assist the Government in accelerating the exploration for and production of the petroleum resources within the contract area,

AND WHEREAS, the Contractor represents that it has the financial resources, technical competence and professional skills necessary to carry out the petroleum operations hereinafter described.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

Definitions

1.1 In this Agreement, the following terms shall have the following meanings:

1.1.1 "affiliated company" shall mean any entity directly or indirectly effectively controlling, or effectively controlled by, or under direct or indirect effective



common control of, a specified entity. For the purposes of this definition, "control", when used with respect to any specified entity, means the power to direct, administer and dictate policies of such entity (it being understood and agreed that it is not necessary to own directly or indirectly fifty percent (50%) or more of such entity's voting securities to have effective control over such entity, but ownership, direct or indirect, of fifty percent (50%) or more of such entity's voting securities shall automatically indicate effective control), and the terms "controlling" and "controlled" have meanings corresponding to the foregoing;

- 1.1.2 "appraisal well" shall mean a well drilled within the contract area, following a discovery, for the purpose of delineating the petroleum reservoir(s) to which the discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum therein;
- 1.1.3 "barrel" shall mean a quantity or unit of crude oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of sixty (60) degrees Fahrenheit (15.56 degrees Centigrade) under one atmosphere of pressure;
- 1.1.4 "calendar year" shall mean a period of twelve (12) consecutive months, according to the Gregorian Calendar, starting with the 1st of January and ending with the 31st of December;
- 1.1.5 "calendar month" or "month" shall mean any of the twelve (12) months of the calendar year;
- 1.1.6 "commercial discovery" means a discovery of petroleum which can be exploited commercially in accordance with accepted practices in the international petroleum industry;
- 1.1.7 "continental shelf" shall mean the part of the seabed and subsoil of the submarine areas adjacent to the coast of Belize, but outside the territorial waters, over which Belize is entitled by international law to exercise sovereign rights for the purposes of exploring and exploiting its natural resources;
- 1.1.8 "contract area" means a geographical area which is covered by the contract; and includes the whole of, or such part or parts of, the original area awarded to a

Contractor which shall remain at the disposal of such Contractor from time to time pursuant to the terms of the contract;

1.1.9 "contract year" shall mean a period of twelve (12) consecutive calendar months, counted from the first day of the first calendar month following the effective date of this Agreement or from the anniversary of such first day of such month;

1.1.10 "crude oil" shall mean petroleum which is in liquid state at the well head or gas/oil separator or which is extracted from natural gas, including distillate and condensate;

1.1.11 "day" shall mean a calendar day unless otherwise provided herein;

1.1.12 "delivery point" shall mean the FOB point of export in Belize or such other point which may be agreed between the Government and the Contractor;

1.1.13 "development and production operations" means operations for or in connection with the production of petroleum;

1.1.14 "development and production period" shall mean the period referred to in paragraph 3.4;

1.1.15 "discovery" in relation to petroleum, shall mean petroleum not previously known to have existed, recovered at the surface in a flow measurable by conventional petroleum industry testing methods;

1.1.16 "effective date" shall mean the date first above written;

1.1.17 "exploration expenditures" shall mean expenditures made in conducting exploration operations hereunder, but excluding expenditures made within the area of a field after a commercial discovery has been declared. Exploration expenditures shall be determined in accordance with the Income and Business Tax Act (as amended and in effect from time to time);



- 1.1.18 "exploration operations" means operations for or in connection with exploration for petroleum;
- 1.1.19 "exploration period" shall mean the period referred to in paragraph 3.1;
- 1.1.20 "exploration well" shall mean a well other than an appraisal well drilled in the course of exploration operations;
- 1.1.21 "field" shall mean an area, as designated by agreement between the Government and the Contractor, where a commercial discovery of crude oil or natural gas has been declared;
- 1.1.22 "gross revenues" shall mean the sum of all proceeds of sales and the monetary equivalent of the value of other dispositions of petroleum produced and saved and not used in petroleum operations and any other proceeds derived from petroleum operations;
- 1.1.23 "income tax" shall mean that tax imposed on net income pursuant to the Income and Business Tax Act (as amended and in effect from time to time);
- 1.1.24 "initial commercial production" shall mean the date on which the first regular shipment of crude oil or natural gas, or both, is made from a field under a program of regular production and sale;
- 1.1.25 "Inspector" shall mean the Inspector of Petroleum appointed under section 4 of the Petroleum Act (No. 8 of 1991);
- 1.1.26 "maximum efficient rate" shall mean the maximum rate of production of crude oil in a field, without excessive rate of decline of production or excessive loss of reservoir pressure, and in accordance with generally accepted practices in the international petroleum industry and the provisions of paragraph 6.3;
- 1.1.27 "Minister" shall mean the Minister responsible for petroleum affairs in the Government of Belize;

- 1.1.28 "natural gas" shall mean all petroleum which at atmospheric conditions of temperature and pressure is in a gaseous state, and includes wet mineral gas, dry mineral gas, wet gas and residue gas remaining after the extraction, processing or separation of liquid petroleum from wet gas, as well as non-petroleum gas or gases produced in association with liquid or gaseous petroleum;
- 1.1.29 "net petroleum" shall mean the value of the total quantity of petroleum produced and saved in a given calendar year and not used in petroleum operations after deduction of the value of the royalties made in such calendar year and after recovery of petroleum operations expenditures pursuant to paragraph 9.1;
- 1.1.30 "net taxable income" shall mean net taxable income as determined in accordance with the provisions of the Income and Business Tax Act (as amended and in effect from time to time);
- 1.1.31 "petroleum" means all natural organic substances composed of carbon and hydrogen; and includes crude oil and natural gas, and all other mineral substances, products, by-products and derivatives that are found in conjunction with petroleum;
- 1.1.32 "Petroleum Act" shall mean the Petroleum Act (No. 8 of 1991) and any subsidiary legislation made thereunder;
- 1.1.33 "petroleum operations" means the operations related to the exploration, development, extraction, production, field separation, transportation, storage, sale or disposal of petroleum; but does not include any transportation or other operations (i) beyond the point of export; or (ii) in the case of petroleum which is processed within Belize, beyond the point of entry into a refinery or liquefaction or natural gas treatment plant;
- 1.1.34 "petroleum operations expenditures" shall mean expenditures incurred in conducting petroleum operations hereunder, determined in accordance with the Income and Business Tax Act (as amended and in effect from time to time);
- 1.1.35 "royalty" shall mean the royalty or production payment described in Article VIII;

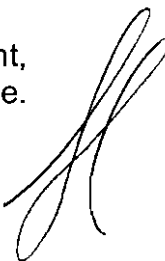


- 1.1.36 "quarter" shall mean a period of three (3) consecutive months commencing with the first day of January, April, July and October, respectively, of each calendar year;
- 1.1.37 "well" means any opening in the ground made or being made by drilling or boring, or in any other manner, in connection with exploration operations or development and production operations, other than a seismic hole;
- 1.1.38 "work programme" shall mean an itemized statement of the petroleum operations to be carried out in the contract area in each calendar year, or to be carried out for specific activities such as drilling of exploration wells and appraisal wells and development programmes, all in a form acceptable to the Government;
- 1.1.39 "work programme budget" shall mean the estimate of the costs of all items included in the corresponding work programme, including both capital and operating budgets, all in a form acceptable to the Government.

ARTICLE II

Grant of Rights to the Contractor

- 2.1 The Government grants to the Contractor, subject to the terms and conditions set forth in this Agreement, the exclusive right to conduct petroleum operations within the contract area for the term of this Agreement. Except as provided in paragraph 11.3, the Contractor shall have the right, during the term of this Agreement, to freely lift, dispose of and export its share of the petroleum produced hereunder.
- 2.2 Title to petroleum to which the Contractor is entitled hereunder shall pass to the Contractor at the delivery point.
- 2.3 The Contractor shall, except as expressly otherwise provided in this Agreement, conduct all petroleum operations hereunder at its sole risk, cost and expense.



The Contractor shall look only to the petroleum to which it is entitled under this Agreement to recover such costs and expenses, and such petroleum shall be the Contractor's sole source of compensation thereunder.

- 2.4 The Contractor shall be responsible to the Government for the execution of all petroleum operations in accordance with the provisions of this Agreement. Without prejudice to the Contractor's position as an independent contractor hereunder, the extent and character of such work to be done by the Contractor shall be subject to the general supervision, review and approval of the Government to which the Contractor shall report and be responsible as herein set forth.
- 2.5 The Contractor is authorized to construct pipelines, bridges, ferries, landing fields, radio, telephone and related communication systems as may be necessary for petroleum operations but subject to the laws in force in Belize from time to time for the regulation and control of such installations and their construction.
- 2.6 The Government reserves the right to grant licenses to others to prospect for, explore for and mine minerals other than petroleum within the contract area, and further reserves to itself the right to so prospect, explore and mine directly, all subject to the provisions of paragraph 5.3.

ARTICLE III

Term

- 3.1 The Contractor is authorized to conduct exploration operations during an exploration period which shall be comprised of (i) an initial exploration period of two (2) contract years ("Initial Exploration Period"), and (ii) subject to the conditions hereinafter provided, three (3) successive renewal periods ("First Renewal Period", "Second Renewal Period" and "Third Renewal Period") of two (2) years each to the initial exploration period. Such renewal periods shall be granted to the Contractor upon the Contractor's request delivered to the Government in writing not later than ninety (90) days prior to the expiration of the then current period, subject to the Contractor having fulfilled its obligations hereunder for the then current period, including the relinquishment provisions of

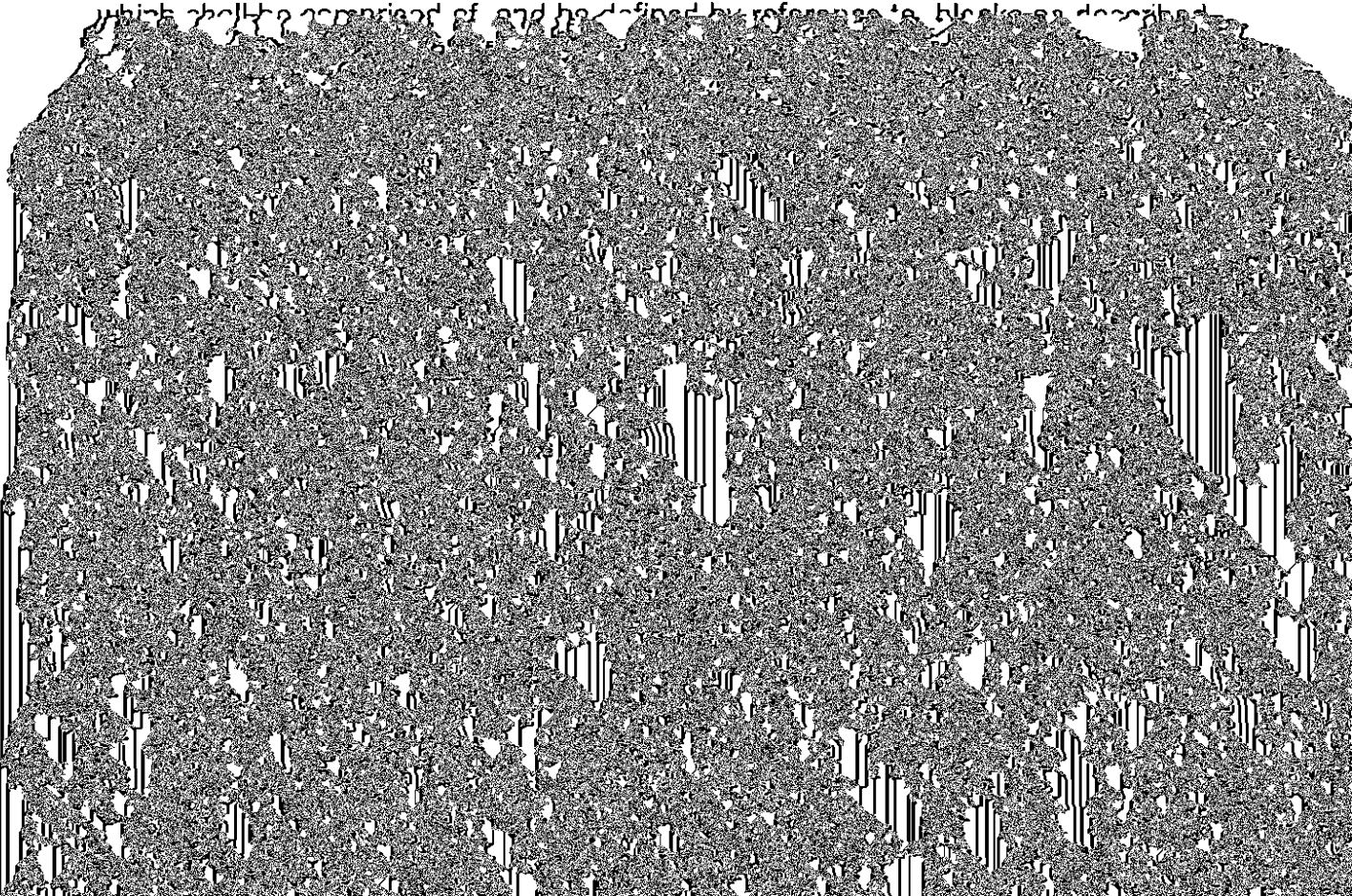
Article IV, and having submitted with such application a work programme and work programme budget for the period of renewal which is consistent with the undertakings set forth in paragraph 6.1.

- 3.2 If at the end of the exploration period, no commercial discovery has been made in any part of the contract area, this Agreement shall automatically terminate in its entirety, provided, however, that the Government undertakes to grant an extension for such period, and for such area as may be necessary, in the opinion of the Government and the Contractor, (i) for the Contractor to complete the drilling, testing, appraisal or plugging of any well actually being drilled, tested, appraised or plugged at the end of the exploration period and (ii) for the Government and the Contractor to determine that a discovery resulting from such a well is a commercial discovery pursuant to paragraphs under 6.2.
- 3.3 If a commercial discovery is made in any portion of the contract area during the exploration period, the Contractor will commence development and production operations in that particular portion of the contract area.
- 3.4 In the event of a commercial discovery, the extent of the area capable of ~~production of petroleum~~ from the formation or formations so identified shall be determined in accordance with the provisions of the paragraphs under 6.2 or Article XIV. The area so determined shall thereupon be converted automatically into a field, with effect from the date of the declaration of the commercial discovery. The term of the development and production period for each field shall extend for twenty-five (25) contract years from the first day of the calendar year commencing after the date of the declaration of the commercial discovery in said field. In the event of a new commercial discovery as a result of new exploratory drilling in formations that underlie and overlie each other in an existing field, such formations shall constitute a single field and the field shall be redefined as necessary to incorporate all underlying and overlying formations, the term of the development and underlying and overlying formations, and the term of the development and production period for such redefined field shall extend for ~~twenty-five~~ (25) contract years from the first day of the first calendar year commencing after the date of the declaration of the latest commercial discovery therein.

ARTICLE IV

Relinquishment

- 4.1 On or before the end of the initial exploration period, the Contractor shall relinquish twenty-five percent (25%) of the original contract area.
- 4.2.1 On or before the end of the first renewal period the Contractor shall relinquish an additional twenty-five percent (25%) of the original contract area.
- 4.2.2 On or before the end of the second renewal period the Contractor shall relinquish an additional twenty-five percent (25%) of the original contract area.
- 4.2 At the end of the exploration period, the Contractor shall relinquish the remainder of the original contract area not then converted to a field.
- 4.3 The size and shape of the portion or portions to be relinquished shall be determined by the Contractor, provided however, that (a) the Contractor shall advise the Government at least ninety (90) days in advance of the date of relinquishment of the description and area of the portion or portions to be relinquished, (b) the Contractor shall consult with the Government regarding the shape and size of each individual portion of the areas being relinquished, (c) the area being relinquished shall not be divided into more than two portions, each of which shall be comprised of and be defined by reference to blocks as described



in which a discovery has been made which the Contractor is not otherwise required to relinquish hereunder.

- 4.5 Upon at least ninety (90) days written notice to the Government prior to the end of any contract year, the Contractor shall have the right to relinquish all or any portion of the contract area effective as of the end of such contract year, subject to the provisions of paragraph 4.4, and such portion shall then be credited against that portion of the contract area which the Contractor is next required to relinquish pursuant to the provisions of paragraphs 4.1 and 4.2.
- 4.6 No relinquishment made in accordance with this Article IV shall relieve the Contractor of: (a) its obligations to make payments due as a result of surface rentals prior to the effective date of any such relinquishment, or (b) the minimum work and expenditure commitments undertaken pursuant to paragraphs 6.1.1 and 6.1.2.
- 4.7 Upon relinquishment of any area, the Contractor shall perform all necessary clean-up activities in accordance with generally accepted practices in the international petroleum industry, and shall take all other action necessary to prevent hazards to human life or third party property.

ARTICLE V

General Obligations of the Contractor

- 5.1 The Contractor shall be responsible for conducting all petroleum operations within the contract area diligently, expeditiously and efficiently in accordance with generally accepted practices in the international petroleum industry and pursuant to work programmes approved in accordance with paragraph 5.4. The Contractor shall ensure that all equipment, materials, supplies, plant and installations used by itself, and its contractors and subcontractors comply with generally accepted standards in the international petroleum industry and are of proper construction and kept in optimal working order.
- 5.2 Except as otherwise provided in this Agreement, the Contractor shall:

- (a) advance all necessary funds and purchase or lease all equipment, materials and supplies required to be purchased or leased in connection with petroleum operations;
- (b) furnish all the technical expertise and assistance, including foreign personnel, required for the conduct of petroleum operations; furnish all other funds for the performance of petroleum operations as may be required, including payment to foreign entities that perform services as contractors or subcontractors to the Contractor.
- (c) appoint a representative and in his absence, a replacement therefor, with respect to this Agreement, who shall have an office and be resident in Belize and who shall have full authority to represent the Contractor for all purposes of this Agreement and whose name shall, on appointment within ninety (90) days after the effective date, be made known to the Government;
- (d) provide acceptable working conditions and living accommodations, and access to medical attention and nursing care, for all personnel employed by it, its contractors and subcontractors in petroleum operations; and
- (e) pay social security for all employees as per the Laws of Belize.

5.3 If, after the effective date, others are granted licenses within the contract area authorizing prospecting for, exploration for or mining of any minerals or other substances other than petroleum, or the Government proceeds with such prospecting, exploration or mining directly in its own behalf, the Contractor shall use its best efforts to avoid obstruction or interference with such licensee's or Government's operations within the contract area. The Government shall use its best efforts to ensure that operations of third parties do not obstruct the Contractor's petroleum operations within the contract area.

5.4.1 At least ninety (90) days prior to the beginning of each calendar year, or at such other time as is mutually agreed by the parties, the Contractor shall prepare and submit for approval to the Government an annual work programme and work programme budget of petroleum operations and petroleum operations expenditures by quarters for the contract area setting forth the petroleum operations the Contractor proposes to carry out during the ensuing calendar year. Such annual work programmes and work programme budgets shall comply with the minimum work and expenditure obligations described in paragraphs 6.1. Approval by the Government of the proposed annual work programme budget of

petroleum operations and petroleum operation expenditures will not be unreasonably withheld or delayed. The Government and the Contractor shall have reached agreement upon an annual work programme and work programme budget for the period from the effective date until the end of the calendar year in which the effective date falls or for the ensuing calendar year if the effective date falls after the 30th day of September.

5.4.2 Should the Government wish to propose revisions to the annual work programme or work programme budget, it shall within thirty (30) days after receipt thereof so notify the Contractor specifying in reasonable detail its reasons therefor. Promptly thereafter the parties shall meet and endeavor to agree on the revisions proposed by the Government. If the Contractor and the Government fail to agree upon any revisions proposed by the Government within sixty (60) days of the receipt of the Contractor's proposals, the points of disagreement shall be resolved as follows:

- (i) in the case of changes to an annual work programme and work programme budget which relate to exploration operations, such changes shall be implemented to the extent that they are not inconsistent with the applicable development work programme and work programme budget adopted pursuant to paragraph 6.1 or the general objective of such annual work programme;
- (ii) in the case of changes to an annual work programme and work programme budget which relate to the development of a field, such changes shall be implemented to the extent that they are not inconsistent with the applicable development work programme and work programme budget adopted pursuant to paragraph 6.2 or the general objective of such annual work programme;
- (iii) all other aspects of the annual work programme and work programme budget to which the Government proposes revisions shall be mutually agreed before such aspects of the annual work programme and work programme budget shall be adopted.

5.4.3 It is recognized by the parties that the details of an annual work programme may require changes in light of then existing circumstances. In such event, the Contractor may introduce such changes as may be necessary, following consultation with the Government, but subject to the following:

- (i) in the case of changes to an annual work programme and work programme budget which relate to exploration operations, such changes may be



implemented to the extent that they are not inconsistent with the undertakings set forth in paragraph 6.1 or the general objective of such annual work programme;

- (ii) in the case of changes to an annual work programme and work programme budget which relate to the development of a field, such changes may be implemented to the extent that they are not inconsistent with the applicable development work programme and work programme budget adopted pursuant to paragraph 6.2 or the general objective of such annual work programme;
- (iii) all other changes may be notified in writing to the Government and shall be mutually agreed before they may be implemented.

5.4.4 To the maximum extent practicable, the Contractor shall involve representatives of the Government in the preparation of the annual work programme and work programme budget.

5.4.5 Within thirty (30) days after the end of each quarter, the Contractor shall submit to the Government a report describing and summarizing petroleum operations carried out, and petroleum operations expenditures incurred during such quarter. Such report shall be in a form acceptable to the Government.

5.5.1 The Contractor shall:

- (i) carry out decommissioning at the end of field life unless the Government expressly releases it from the obligation;
- (ii) at the time of seeking approval to develop a petroleum field, include decommissioning proposals as part of its development plan submitted to the Government;
- (iii) on commencement of production operations, and by such date and in such manner as may be prescribed by law, establish a decommissioning fund into which the Contractor shall contribute funds to complete decommissioning in accordance with the approved decommissioning plan.

- 5.5.2 Any shortfall in the decommissioning fund to meet the costs of decommissioning shall not release the Contractor from the obligation to complete decommissioning at the end of the field life in accordance with the approved decommissioning plan.
- 5.5.3 For purposes of this paragraph, "decommissioning" means the measures to be taken by the Contractor at the cessation of petroleum operations to remove or otherwise deal with installations, equipment, pipelines and other facilities whether on or off shore, erected or used in connection with the exploration for and production of petroleum and to rehabilitate land disturbed by the operations.

ARTICLE VI

Minimum Work and Expenditure Obligations

Exploration Period

- 6.1 The Contractor shall commence petroleum operations hereunder not later than ninety (90) days after the effective date.
- 6.1.1 The amount to be expended by the Contractor in conducting exploration operations in accordance with approved work programmes during the exploration period shall not be less than the following as adjusted pursuant to paragraph 6.1.3.
- 6.1.1.1 Initial Exploration Period:
- (a) First contract year: US\$50,000.
 - (b) Second contract year: US\$75,000.
- 6.1.1.2 First Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):
- (a) First contract year: US\$1,000,000.

(b) Second contract year: US\$100,000.

6.1.1.3 Second Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):

(a) First contract year: US\$2,000,000.

(b) Second contract year: US\$100,000.

6.1.1.4 Third Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):

(a) First contract year: US\$2,000,000.

(b) Second contract year: US\$100,000.

6.1.2 The Contractor undertakes to carry out and comply with the following minimum work commitments.

6.1.2.1 Initial Exploration Period:

(a) First contract year:

Conduct geological studies and compile data.

(b) Second contract year:

Reprocess and interpret existing geophysical data.

6.1.2.2 First Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):

Acquire 200 kms of 2D seismic.

Process and interpret seismic.

6.1.2.3 Second Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):

Drill first exploration well.

Evaluate results of first exploration well. Plan second exploration well.

6.1.2.4 Third Renewal Period (if requested by the Contractor pursuant to paragraph 3.1):

Drill second exploration well.

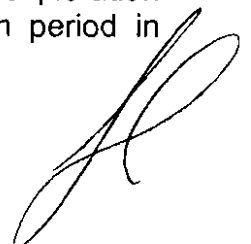
Evaluate results of second exploration well.

6.1.3 If, during any contract year in the exploration period, the Contractor should expend more than the required minimum annual exploration expenditures, the Contractor may subtract an amount equal to the excess amount spent from the required minimum exploration expenditures for the ensuing contract year in the exploration period. If works carried out in any contract year exceed the minimum work commitment relating to such contract year as provided in paragraph 6.1.2, the excesses may, with the Government's prior written consent, count towards the satisfaction of the minimum work commitments for the ensuing contract year.

Compliance with the required minimum exploration expenditures for a given contract year shall not relieve the Contractor of its obligation to comply with the required minimum work commitment, nor shall compliance with the required minimum work commitment for a given contract year relieve the Contractor of its obligation to comply with the required minimum exploration expenditures for such contract year.

6.1.4

(a) Within ninety (90) days of the effective date and, where this Agreement has been extended pursuant to paragraph 3.1, on the first day of each extension period, the Contractor shall provide security by means of a bank guarantee, in a form set forth in Exhibit C, equal to the total unadjusted minimum exploration expenditures for the initial exploration period, or, as the case may be, for the first, second and third renewal periods, as set forth in paragraph 6.1.1. Upon prior confirmation by independent accountants acceptable to both the Contractor and the Government of the exploration expenditures actually incurred, such security shall be reduced at the end of each contract year in the exploration period to the extent that the Contractor has spent the prescribed minimum amounts stipulated in paragraph 6.1.1, provided that the outstanding balance shall not be less than the required minimum exploration expenditures for the remaining contract year of the exploration period in



question, as stipulated in paragraph 6.1.1 and as adjusted pursuant to paragraph 6.1.3.

- (b) If, at the expiration of the exploration period, or upon the date of termination of this Agreement, or upon relinquishment of the entire contract area by the Contractor pursuant to paragraph 4.6, whichever first occurs, the Contractor has not expended for exploration operations sums at least equal to the total minimum exploration expenditures, as adjusted, required hereunder, the balance of the security corresponding to the unexpended minimum exploration expenditures, as adjusted, automatically shall be paid to the Government.
- (c) If, at the end of any contract year in the exploration period, the Contractor has not expended for exploration operations sums at least equal to the minimum exploration expenditures, as adjusted, required hereunder for such contract year, a portion of the security corresponding to the unexpended minimum exploration expenditures, as adjusted, for such contract year automatically shall be paid to the Government.

Discovery and Development Period

6.2 The terms and conditions relating to the discovery and development period shall be as follows.

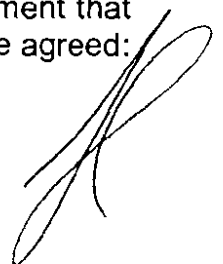
6.2.1 When in the course of petroleum operations, a discovery of petroleum is made, the Contractor shall immediately notify the Government in writing accordingly, specifying in such notice all pertinent information concerning the discovery.

6.2.2 If the Contractor determines to conduct a drill-stem or production test, in open hole or through perforated casing, with regard to the discovery, it shall notify the Government of the time of such test at least twenty-four (24) hours prior to the proposed test, and the Government shall have the right to have a representative present during such test. Not later than ninety (90) days after completion of such test or tests, the Contractor shall complete the analysis and interpretation of the data resulting from such test and submit a report to the Government which shall contain copies of such data and its analysis and interpretation thereof, and which shall also contain a written notification of whether or not, in the Contractor's opinion, such discovery is of potential commercial interest. If the Contractor plugs and abandons the well which encountered such discovery without conducting a drill stem or production test, or fails to conduct a drill stem or production test with respect to such discovery within one hundred and eighty

(180) days from the date on which such discovery has been made, it shall be deemed to have notified the Government that, in the Contractor's opinion, such discovery is not of potential commercial interest.

- 6.2.3 If, pursuant to paragraph 6.2.2, the Contractor notifies, or is deemed to have notified, the Government that such discovery is not of potential commercial interest, the Government shall have the option, exercisable by notice in writing to the Contractor, to require the Contractor to relinquish the area corresponding to such discovery and forfeit any rights relating to such discovery and any production therefrom. The area subject to relinquishment shall not exceed the prospective producing area determined by taking into account the area of the structural closure of the prospective horizon and other relevant technical factors. Any such relinquishment by the Contractor of the area relating to such discovery before the end of the exploration period shall be carried out in accordance with paragraphs 4.4, 4.6 and 4.8.
- 6.2.4 If, pursuant to paragraph 6.2.2, the Contractor notifies the Government that the discovery is of potential commercial interest, the Contractor shall promptly prepare and submit for approval to the Government a work programme and work programme budget for the appraisal of such discovery. Such appraisal work programme and work programme budget shall include a complete programme of appraisal operations necessary to determine whether such discovery is a commercial discovery.
- 6.2.5 Within fifteen (15) days after the submission of the appraisal work programme and work programme budget pursuant to paragraph 6.2.4, the Contractor and the Government shall meet with a view to adopting such work programme and work programme budget or mutually agreeing upon amendments or additions thereto. Failing agreement between the Contractor and the Government as to such work programme and work programme budget at such meeting, or within fifteen (15) days thereafter, the original appraisal work programme and work programme budget submitted by the Contractor, revised in accordance with any agreed amendments or additions thereto, shall be deemed adopted, and the Contractor shall immediately commence implementation thereof. On adoption of the appraisal work programme and work programme budget, the annual work programme and work programme budget adopted pursuant to paragraph 5.6 shall be revised accordingly.
- 6.2.6 If, pursuant to paragraph 6.2.2, the Contractor has notified the Government that the discovery is of potential commercial interest, it shall, unless otherwise agreed:

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- (a) in respect of a discovery of crude oil, advise the Government by notice in writing, whether or not in its opinion, the discovery is commercial within a period of eighteen (18) months from the date on which the Contractor notified the Government that said discovery was of potential commercial interest:

Provided that in respect of a discovery of crude oil in water depths of more than 600 feet, such period may be increased by mutual agreement from

evaluations, interpretations and analyses of such data and feasibility studies relating to the discovery prepared by the Contractor, its contractors, subcontractors and affiliated companies.

- (b) In addition, if the Contractor believes that the discovery is commercial, he shall submit to the Government with the report described in paragraph 6.2.8
 - (a) a work programme and work programme budget for the development of such discovery. Such development work programme and work programme

6.2.10

- (a) At the meeting described in paragraph 6.2.9, the Contractor shall carefully consider and take into account the proposals of the Government and the reasons therefor and shall attempt in good faith to reach an agreement with the Government on the points at issue paying particular consideration to the objective of achieving initial commercial production expeditiously taking into account generally accepted engineering practices and economics of the international petroleum industry.
- (b) If the Government and the Contractor agree upon the boundaries of the area to be delineated as a field and upon the adoption of a work programme and work programme budget for the development of the discovery, the date upon which such agreement is reached, as reflected in writing signed by both parties, shall be the date of the declaration of the commercial discovery for all purposes of this Contract. The area so determined shall, on such date, be automatically converted into a field, and the Contractor shall, as soon as is practicable, commence development and production operations in the field according to the adopted work programme and work programme budget. Upon adoption of the development work programme and work programme budget, the annual work programme and work programme budget adopted pursuant to paragraph 5.4 shall be revised accordingly.
- (c) In the event that no agreement is reached between the Government and the Contractor within one hundred and eighty (180) days from the date of submission of the report and work programme and work programme budget pursuant to paragraph 6.2.8 as to (i) matters relating to the adoption of the work programme and work programme budget for the development of the discovery or (ii) the boundaries of the area to be delineated as a field, the Government or the Contractor may refer the matter for determination by a Sole Expert. The determination by a Sole Expert in accordance with this paragraph shall be final and the work programme and work programme budget for the development of the discovery and the boundaries of the area to be delineated as a field, as the case may be, shall be deemed to have been adopted and agreed as determined, except that the Contractor may, within sixty (60) days of receipt of such determination, notify the Government that the discovery to which such work programme and work programme budget and area so determined is no longer considered to be commercial. If the Contractor so notifies the Government, the provisions of paragraph 6.2.7 shall apply. Failing such notification, the date after sixty (60) days of the receipt of such determination shall be deemed to be the date of the declaration of the commercial discovery for all purposes of this Contract. The area so determined shall, on such date, be automatically converted into a field and the Contractor shall, as soon as is practicable, commence



development and production operations in the field according to the work programme and work programme budget so adopted. Upon adoption of the

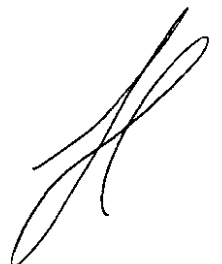
that required to satisfy any contracts then in existence for the sale of such natural gas.

- 6.3.2 Not less than ninety (90) days prior to the beginning of each calendar year following initial commercial production, the Contractor shall prepare and furnish to the Government for approval a forecast statement setting forth by quarters the total quantity of crude oil (by quality, grade and gravity) and natural gas that the Contractor estimates can be produced, saved and transported hereunder during such calendar year in accordance with generally accepted practices in the international petroleum industry. The Contractor shall endeavor to produce in each calendar year the forecast quantity. The crude oil shall be run to storage tanks, constructed, maintained and operated by the Contractor in accordance with Government Regulations, in which such crude oil shall be metered or otherwise measured for all purposes required by this Agreement.

ARTICLE VII

Obligations of the Government

- 7.1 The Government shall:
- 7.1.1 assist the Contractor in the execution of work programmes by supplying or otherwise making available all geological, geophysical, geographical, drilling, well, production and other information, including well location maps, relating to the contract area in the possession of the Government or coming into the possession of the Government;
- 7.1.2 provide the right of ingress to and egress from the contract area and any facilities used in petroleum operations, and, upon application in the prescribed manner, all necessary visas, work permits, import licenses and rights of way and easements as may be required by the Contractor and its contractors and subcontractors and which may be available from resources within the Government's control.



ARTICLE VIII

Royalty/Production Payment

- 8.1 The Contractor shall pay to the Government a royalty equal to (i) seven and a half percent (7.5%) of the value of the annual gross production of crude oil produced and saved in each calendar year and not used or consumed in petroleum operations and (ii) five percent (5%) of the value of the annual gross production of natural gas produced, saved and sold in each calendar year and not used or consumed in the conduct of petroleum operations.
- 8.2 The royalty with respect to crude oil shall be payable in cash and/or kind at the option of the Government. The royalty with respect to natural gas shall always be paid in cash.
- 8.3 For the purposes of determining the amount of the royalty due, crude oil and natural gas shall be valued in accordance with paragraphs 10.1, 10.2 and 14.4, less such costs as the Government may reasonably allow for handling and transportation from the wellhead to the delivery point as described in such paragraphs, and the royalty shall be payable quarterly within thirty (30) days of the end of each quarter on the basis of crude oil production or natural gas sales which occur in each such quarter. Payment shall be accompanied by a certificate from the Contractor setting forth in detail the basis for computation of the royalty. Such certificate shall be in a form acceptable to the Government.
- 8.4 If the Government elects to take the Royalty with respect to Crude Oil, or any part thereof, in kind, it shall notify the Contractor in accordance with the provisions of paragraph 11.2.

ARTICLE IX

Recovery of Petroleum Operations Expenditures: Production Sharing

- 9.1 In each calendar year, after discharging its obligation for the royalty payment due to the Government pursuant to Article VIII, the Contractor shall be entitled to

recover all petroleum operations expenditures incurred hereunder, out of one hundred percent (100%) of the petroleum produced and saved in such calendar year and not used in petroleum operations by retaining and disposing of that amount of petroleum equal in value to the unrecovered petroleum operations expenditures for that calendar year plus all unrecovered petroleum operations expenditures from prior calendar years. All such petroleum operations expenditures shall be recovered without a ceiling in the manner, to the extent provided for, in the Income and Business Tax Act. For the purpose of determining the value of the quantity of petroleum to which the Contractor is entitled in each calendar year pursuant to this paragraph 9.1, the provisions of Article X shall be applied.

- 9.2 The remaining quantity of petroleum produced and saved in a given calendar year and not used in petroleum operations, after deduction of the value of the royalty payments made in such calendar year and after recovery by the Contractor of petroleum operations expenditures pursuant to paragraph 9.1, ("Net Petroleum") shall be taken and disposed of separately by the Government and the Contractor in each calendar year in the following proportions:

	Government's Production Share Percent (%)	Contractor's Production Share Percent (%)
Daily Average Production		
First 30,000 barrels	7.5	92.5
Next 20,000 barrels	12.5	87.5
Any volume over first 50,000 barrels	17.5	82.5

ARTICLE X

Valuation and Measurement of Petroleum

- 10.1 Crude oil sold by the Contractor in arm's length commercial transactions shall be valued at the net realized price on such sales.

For purposes of this paragraph, "net realized price" means the price realized at the delivery point as calculated by adjusting the price actually received at the point of sale with allowable deductions. In calculating the net realized price, deductions may only be made for (a) transportation costs between the delivery point and the point of sale, (b) commissions and brokerages, and (c) handling charges; and the deductions shall be limited to amounts that do not exceed customary and prevailing rates charged therefor in the international oil industry between independent parties in arm's length commercial transactions.

- 10.2 Crude oil sold by the Contractor in sales other than arm's length commercial transactions shall be valued by reference to world market prices of comparable crude oils sold in arm's length commercial transactions for export in the major world petroleum markets, and adjusted for oil quality, location and conditions of pricing, delivery and payment.

- 10.3 Natural gas shall be valued in accordance with the provisions of paragraph 14.4.

- 10.4 Sales in arm's length commercial transactions referred to in this Article shall mean sales other than barter sales made by the Contractor to purchasers that are not affiliated companies of the Contractor and with whom (at the time the same is made) the Contractor has no contractual interest involving directly or indirectly any joint interest.

- 10.5 The Contractor shall, prior to initial commercial production in any field, carry out an assay of the crude oil from such field for its valuation and shall promptly submit the results of such assay to the Government.

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- 10.6 In the event that petroleum operations involve the segregation of crude oils of different quality, grade or gravity, and if the parties do not otherwise mutually agree, any and all provisions of this Agreement concerning valuation of crude oil shall separately apply to each segregated crude oil. However, in electing to take crude oil for internal consumption pursuant to paragraph 11.7 and to take royalty in kind pursuant to paragraph 11.2, the Government shall have the right to receive, crude oil of the quality, grade and gravity of its choice.
- 10.7 The Contractor shall supply, operate and maintain equipment for measuring the volume and quality of the petroleum produced and saved hereunder, including gravity, density, temperature and pressure measuring devices and any other devices that may be required. All measurement equipment and devices shall, prior to their installation or usage, be approved by the Inspector of Petroleum. Such equipment and devices shall at all reasonable times be available for inspection and testing by the Inspector of Petroleum or other authorized representatives. Any such inspection or testing shall not interfere with the normal operation of the facilities involved. The equipment and devices used or installed pursuant to this paragraph shall not be replaced or altered without the prior approval of the Government.
- 10.8 The Contractor shall undertake to measure the volume and quality of the petroleum produced and saved hereunder, consistent with generally accepted practices in the international petroleum industry, with the frequency and according to procedures which shall be approved by the Government.
- 10.9 The Contractor shall give the Inspector of Petroleum timely notice of its intention to conduct measuring operations and the Inspector shall have the right to be present at and supervise, either directly or through authorized representatives, such operations.
- 10.10 If it is determined, following an inspection or test carried out by the Government or its representatives, that the equipment, devices or procedures used for measurement are inaccurate and exceed the permissible tolerances which shall be established by agreement between the Government and the Contractor, and such determination is verified by an independent surveyor acceptable to both parties, such inaccuracy shall be deemed to have existed for one-half of the period since the last previous such inspection or test, unless it is proved that such inaccuracy has been in existence for a longer or shorter period. Appropriate



adjustments covering such period shall be made within thirty (30) days from the date of such determination.

ARTICLE XI

Marketing, Royalty in Kind and Domestic Requirements

- 11.1 The Contractor shall be obligated to market all crude oil produced and saved from the contract area, in accordance with marketing agreements first approved by the Government, and subject to the provisions hereinafter set forth.
- 11.2 If the Government elects to take the royalty payment on crude oil in kind, it shall so notify the Contractor in writing not less than sixty (60) days prior to the commencement of each six month semester of each calendar year specifying the quantity, and designating the grade and quality that it elects to take in kind, based upon estimates, including those contained in the forecast statement furnished pursuant to paragraph 6.3.2. Final adjustments shall be made within ninety (90) days of the end of each calendar year on the basis of actual quantities. Such notice shall be effective for the ensuing six month semester of that calendar year. Failure to give such notice shall be conclusively deemed to indicate the election by the Government not to take in kind.
- 11.3 Any sale by the Contractor of any part of the Government's share of crude oil production shall not be for a term expiring more than six (6) months after the date of execution of the sales contract without the Government's written consent. If the Government so consents, the Government shall not exercise its rights to receive crude oil in kind pursuant to paragraph 11.2.
- 11.4 Any sale by the Contractor of any part of its share of the crude oil produced and saved from the contract area shall not be for a term expiring more than twelve (12) months after the date of execution of the sales contract without the Government's written consent. If the Government so consents, the Government shall not exercise its rights under paragraph 11.7 to require the Contractor to satisfy the internal consumption requirements of Belize from crude oil which is subject to such contract.

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- 11.5 Crude oil which the Government has elected to take in kind shall be delivered by the Contractor, free of cost to the Government, at regularly spaced intervals at the delivery point or to the Government's storage facilities in the field, or both, at the option of the Government. The Government shall provide at such delivery points, at its sole expense, all storage, transportation and other facilities necessary to receive such crude oil, provided, however, that if the Government requests, the Contractor shall provide adequate storage facilities at such places, free of charge, at the risk of the Government, for a quantity of the Government's crude oil not exceeding one hundred thousand (100,000) barrels for each field. If storage exceeds one hundred thousand (100,000) barrels per field at any time, the Government shall pay to the Contractor a reasonable storage charge for such excess.
- 11.6 If the Government elects to meet all or part of the requirements of the domestic market of Belize from crude oil production in Belize, it shall use its share of production from all crude oil production in Belize to do so. If in any year there is domestic demand in excess of the Government's share of such production, the Government may require the Contractor to sell crude oil in Belize on a *pro rata* basis with other producers in Belize, according to the quantity of crude oil production of each producer in each year. The Government shall give the Contractor at least three (3) months notice in advance of such requirement and the term of supply will be on an annual basis. The price for such sales shall be the price as calculated pursuant to paragraph 10.2 above.
- 11.7 If the Government elects to exercise its rights under paragraph 11.6, it shall notify the Contractor in accordance with the provisions of paragraph 11.2 relating to the Government's election to take royalty payment in kind. The amounts to be taken shall be based upon estimates, including those contained in the forecast statement furnished pursuant to paragraph 6.3.2, and final adjustments shall be made within ninety (90) days of the end of each calendar year on the basis of actual quantities.
- 11.8 Not less than twelve (12) months prior to initial commercial production in any field, the Contractor shall submit to the Government for approval, proposed procedures and related operating regulations and financial terms covering the scheduling, storage and lifting of crude oil from such field. The procedures, regulations and terms shall comprehend the subjects necessary to efficient and equitable operations including, but not limited to: rights of parties, notification time, maximum and minimum quantities, duration of storage, scheduling,

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conservation, spillage, liabilities of the parties, and penalties for over and under lifting, safety and emergency procedures.

ARTICLE XII

Payment Procedure

- 12.1 All payments due to the Government hereunder shall be made in United States dollars at a bank to be designated by the Government, or at the Contractor's election, such other currency as is acceptable to the Government.
- 12.2 All payments due to the Contractor hereunder shall be made in United States dollars at a bank to be designated by the Contractor, or, at the Government's election, such other currency as is acceptable to the Contractor.
- 12.3 Except as otherwise expressly provided herein, all payments required to be made pursuant to this Agreement shall be made within thirty (30) days following the end of the calendar month in which the obligation to make such payment occurs.
- 12.4 If any payment is not made when due, such unpaid amount shall bear interest from and after the due date at an interest rate compounded annually at two percent (2%) greater than the interest rate charged by any Commercial Bank in Belize to prime commercial customers for ninety (90) day loans as in effect from time to time until the date of payment.

ARTICLE XIII

Surface Rentals

- 13.1 The Contractor shall be liable for payment of such fees and surface rentals as are stipulated in the Petroleum Regulations 1992. The fees payable for each year shall be paid in advance and in accordance with paragraph 12.3. The fees for the first year shall be paid within one month with reference to the effective date of this Agreement.

ARTICLE XIV

Natural Gas

- 14.1 The Contractor shall have the right to use associated natural gas for petroleum operations, including re-injection for pressure maintenance in the field or adjacent fields of the Contractor. Associated natural gas which is, in the opinion of both the Contractor and the Government, not economical, shall be returned to the subsurface structure, or may be flared with the consent of the Government. In the event that the Contractor chooses to process and sell associated natural gas, the Contractor shall notify the Government of the same and upon such notification, the Government and the Contractor shall, as soon as practicable thereafter, meet together with a view to reaching an agreement on the production, processing and sale of such gas. In the event the Contractor chooses not to process and sell associated natural gas, the Government may elect to off-take at the outlet flange of the gas-oil separator and use such associated natural gas which is not required for petroleum operations. There shall be no charge to the Government for such associated natural gas, provided that the cost to gather such associated natural gas in the field at the point of being flared and to process and utilize it shall be for the account of the Government.
- 14.2 Where non-associated natural gas is discovered in the contract area and the Contractor has, pursuant to paragraph 6.2 informed the Government that the discovery is of potential commercial interest, the Government and the Contractor will, on completion of the appraisal programme relating to such discovery, or sooner if so agreed, meet together with a view to reaching an agreement on the development, production, processing, utilization, disposition or sale of such gas.
- 14.3 In the event that the development, production, processing, utilization, disposition or sale of natural gas from the contract area is determined by the parties to be economically feasible in accordance with this Article XIV, the costs of development and production of the same from the reservoir to the delivery point, and the revenue derived therefrom, shall, unless otherwise agreed pursuant to paragraphs 14.1 and 14.2, be included in petroleum operations expenditures and gross revenues, respectively, for all purposes of this Agreement, subject to the accounting procedures prescribed by the Income Tax Commissioner.
- 14.4 The price to be paid for natural gas, or the value to be attributed thereto shall –



- 14.4.1 for sales in arm's length commercial transactions, be equal to the price actually realized by the Contractor for such Natural Gas at the delivery point;
- 14.4.2 for sales other than in arm's length commercial transactions, be determined by agreement between the Government and the Contractor, provided, however, that such price or value shall reflect the following: (i) the quality and quantity of the natural gas (ii) the price at which sales of natural gas from other sources in Belize, if any, are then being made, (iii) the price at which sales, if any, of natural gas imported into Belize are being made, (iv) the purpose for which the natural gas is to be used, and (v) the international market price of competing or alternative fuels or feedstocks.
- 14.4.3 Sales in arm's length commercial transactions shall mean sales as described in paragraph 10.4

ARTICLE XV

Taxes

- 15.1 The Contractor and its contractors and subcontractors shall be obligated to pay income tax for the applicable calendar year upon net taxable income derived from petroleum operations pursuant to the Income and Business Tax Act.
- 15.2 In each calendar year, the Contractor's income tax shall be payable to the Government in installments on the last day of each quarter on the basis of the estimate, and quarterly updates thereto, provided to the Government. The estimated unpaid liability for income tax for each calendar year as of the current estimate or quarterly update shall be payable equally over the remaining quarterly installments for such calendar year. Adjusting payments or refunds, as the case may be, shall be made within ninety (90) days of the end of the calendar year based upon the detailed accounts submitted for such calendar year pursuant to paragraph 26.2 and as approved by the Government.

15.3

- (a) The Contractor shall within ninety (90) days of the end of each calendar year, notify the Government of any and all amounts paid to its contractors with respect to operations carried out by them in Belize and in turn shall notify its contractors that they must similarly advise the Government within ninety (90) days after the end of each calendar year of any and all amounts paid to their sub-contractors with respect to operations carried out by them in Belize.
- (b) The Contractor shall also advise each of its contractors, and shall require such contractors to likewise notify their subcontractors that for every six (6) months such contractors and subcontractors shall furnish to the Government a list of all their Belizean and expatriate personnel, along with the remuneration received by each of such personnel, and that they shall be required, prior to leaving Belize to establish to the satisfaction of the Government that the necessary income taxes have been paid.

15.4 The Contractor and its contractors and subcontractors and their respective personnel shall be obligated to pay such reasonable transfer taxes and stamp duties as may be in effect from time to time at the rates which are generally applicable to all persons or entities in Belize.

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

ARTICLE XVI

Exemptions from Custom Duties

16.1 The Contractor and its non-Belizean contractors and subcontractors engaged in conducting petroleum operations under this Agreement shall, upon application to and approval by the Minister of Finance, be provided exemptions from customs duties with respect to the importation of, machinery, equipment, spare parts,

materials, supplies, consumable items, moveable property, and any other items or articles connected with petroleum operations, subject to the provisions of paragraph 16.2.

- 16.2 The exemptions provided in paragraph 16.1 shall not apply to any imported item when, in the reasonable opinion of the Government, items of the same, or substantially the same, kind and quality are manufactured locally and are available for purchase and timely delivery at the Contractor's operating base in Belize at a price equal to the cost of the imported item(s).
- 16.3 The Government reserves the right to inspect the records, documentation or the physical item or items for which an exemption is or has been provided under paragraph 16.1 to determine that such item or items are being or have been imported solely for the purpose for which the exemption was granted.
- 16.4 The item or items exempt from customs duties hereunder shall not be sold to third parties (who are not in their own right exempt from such customs duties) for use or consumption in Belize unless prior written authorization is obtained from the Government and the importing party pays the tax or duty due on the assessed value of such item or items at the time of sale.
- 16.5 Any of the items imported into Belize, whether exempt or non-exempt from customs duties, may be exported by the importing party at any time without the payment of any export duties, taxes or imposts.
- 16.6 "Custom duties" as used herein shall include all duties, taxes, or imposts (except those charges, as may be in force from time to time, paid to the Government for actual services rendered such as normal handling and storage charges) which are payable as a result of the importation of the item or items under consideration.
- 16.7 The Contractor shall be exempted from any duty, fee or any other financial imposts (except those charges paid to the Government for actual services rendered such as normal handling and storage charges, if any) in respect of the export of petroleum to which the Contractor is entitled hereunder.

- 16.8 The Contractor shall not, directly or indirectly, export any petroleum produced from the contract area to any country or person which the Government has by law or official pronouncement declared to be hostile or unfriendly.

ARTICLE XVII

Exchange and Currency Controls

- 17.1 The Contractor shall be subject to the applicable exchange control legislation and regulations in effect from time to time in Belize, provided, however, that:
- (i) the Contractor shall be permitted, after satisfying its obligations of payment of taxes, bonuses, royalties and other fees to the Government, to receive and hold the proceeds from the sale of its share of any petroleum produced in Belize in its offshore banking accounts;
 - (ii) the Contractor shall be permitted, after satisfying its obligations of payment of taxes, bonuses, royalties and other fees to the Government, to remit any funds in Belize received from the sale of its share of any petroleum produced therefrom and which are not required for conducting the petroleum operations, to its offshore banking accounts;
 - (iii) the Contractor shall have the right to establish and maintain local bank accounts which may be denominated in Belize dollars or, subject to the prevailing regulations of the Central Bank of Belize, in US dollars which may be utilized as necessary for payment of Contractor's obligations in Belize;
 - (iv) no restriction shall be placed on the importation by the Contractor of funds necessary for carrying out the petroleum operations stipulated in this Agreement;
 - (v) the Contractor shall have the right to pay directly outside of Belize from its offices abroad for purchases or services for petroleum operations hereunder, provided, however, that no such payments shall be made to residents of Belize or to firms using Belize as their main base of operations (whether natural or juridical) contrary to the Laws of Belize.

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ARTICLE XVIII

Title to Equipment

- 18.1 All equipment and assets which are fixed installations and are not exported by the Contractor under paragraph 16.6 shall become the property of the Government, without cost, as soon as this Agreement is terminated.

ARTICLE XIX

Government Participation

- 19.1 The Government shall have the option to acquire for itself or for its designee an undivided and unencumbered working interest of up to ten percent (10%) of the interest of the Contractor with respect to a particular field where a discovery has been made and in return therefor shall furnish its participating interest share of the funds as provided in paragraph 19.3.
- 19.2 If the Government exercises its option to participate, (a) it shall, within ninety (90) days following the date of declaration of commercial discovery for the relevant field, by written notice, inform the Contractor of its decision to exercise its option to participate in such field and (b) the Contractor (or each corporation, individual or entity comprising the Contractor at that time *pro rata*) shall assign and transfer to the Government or its designee the percentage interest that the Government has opted to acquire. The Government or its designee shall assume all rights and obligations of the Contractor *pro rata* with its participating interest, in connection with the particular field for which it has exercised its option to participate. The rights and obligations assumed by the Government or its designee with respect to its participating interest shall commence from the date of declaration of the commercial discovery and shall in no case imply any obligation for the Government or its designee to reimburse the Contractor for any exploration costs.
- 19.3 The Government may, upon giving the Contractor reasonable written notice, require the Contractor to lend the Government up to one hundred percent (100%)

of the funds required to pay the Government's *pro-rata* share of development operations expenditure. The loan shall bear interest at six percent (6%). The Government shall make repayments of the loan on a quarterly basis in an amount equal to thirty-five percent (35%) of the difference between the gross revenue attributable to the Government's Participating Interest in the field and the costs and expenses, including royalty but excluding income taxes, attributable to the Government's Participating Interest in the field. Repayments of the loan shall be applied first to accrued and unpaid interest and the balance shall be applied in reduction of the outstanding principal balance.

ARTICLE XX

Training and Employment

- 20.1 The Contractor agrees to train and employ qualified nationals of Belize in its petroleum operations and, after initial commercial production, will undertake the schooling and training of nationals of Belize for staff positions, including administrative and executive management positions. The Contractor will require its contractors and subcontractors to do the same. The Contractor undertakes to gradually replace its expatriate staff with qualified nationals of Belize as they become available. An annual programme for training and phasing in of nationals of Belize shall be established by the Contractor and shall be submitted for approval to the Government. Such programme shall be included in the annual work programmes submitted by the Contractor pursuant to paragraph 5.4. Within thirty (30) days of the end of each calendar year, the Contractor shall submit a written report to the Government describing the number of personnel employed, their nationality, their positions and the status of training programmes for nationals of Belize.
- 20.2 The Contractor shall also be required to establish a programme, satisfactory to the Government, to train personnel of the Government to undertake skilled and technical jobs in petroleum operations for the Government. Such programme shall also include provisions for practical training by involving representatives of the Government in the Contractor's on-the-job training for its staff and in the preparation of the annual work programme and work programme budgets as required by paragraph 5.4.4.

- 20.3 The Contractor shall also be required to make available annually to the Government a sum which is not less than seventy-five thousand United States Dollars (US\$75,000) for the purposes of:
- (a) sending suitable nationals of Belize selected by the Government on petroleum and energy-related courses at universities, colleges or other training institutions;
 - (b) attending petroleum and energy-related conferences and workshops; and/or
 - (c) purchasing for the Ministry responsible for petroleum affairs technical books, professional publications, scientific instruments or other equipment required by the Ministry.

ARTICLE XXI

Purchases in Belize

- 21.1 In procurement, the Contractor shall give preference to goods which are produced or available in Belize and services which are rendered by nationals of Belize and companies of Belize, provided such goods and services are offered on terms equal to or better than imported goods and services with regard to quality, price and availability at the time and in the quantities required.
- 21.2 Locally produced or available equipment, materials and supplies shall be deemed equal in price to imported items if the local cost of such locally produced or available items at the Contractor's operating base in Belize is not more than ten percent (10%) higher than the cost of such imported items before customs duties but after transportation and insurance costs have been added.

ARTICLE XXII

Unitization

- 22.1 If a field is designated within the contract area and such field extends beyond the contract area to other areas of Belize over which other parties have the right to conduct exploration, development and production operations the Government may require that the development of the field and the production of petroleum

therefrom be carried out in collaboration with the other contractors. The same rule shall be applicable if deposits of petroleum within the contract area, although not equivalent to a commercial discovery if developed alone, would be deemed to be a commercial discovery if developed with those parts of the deposits which extend to areas controlled by other contractors.

- 22.2 If the Government so requests, the Contractor shall collaborate with other contractors in preparing a collective proposal for common development and production of the deposits of petroleum for approval by the Government.
- 22.3 If the proposal for common development and production has not been presented within ninety (90) days of the request described in paragraph 22.2, or if the Government does not approve such proposal, the Government may prepare or cause to be prepared, for the account of the Contractor and the other contractors involved, a reasonable plan for common development and production. If the Government adopts such plan, the Contractor shall comply with all conditions established in such plan.
- 22.4 The Contractor may within twenty eight (28) days from the date on which notice in writing of such plan has been given to it by the Minister refer the matter to arbitration pursuant to Article XXIV. In such event the plan shall not be implemented until the Tribunal renders a decision or the parties agree on a compromise plan, whichever occurs first.
- 22.5 This Article XXII shall also be applicable to discoveries of deposits of petroleum within the contract area which extend to areas that are not within the dominion of Belize, provided that in these cases the Government shall be empowered to impose the special rules and conditions which may be necessary to satisfy obligations under any agreements with international organizations or adjacent states with respect to the development and production of such deposits of petroleum.
- 22.6 Within ninety (90) days following the approval or adoption of a unitization plan for common development and production, the Contractor shall proceed to operate under any such plan. If a clause of a cooperative or unitary development and production plan which by its terms affects the contract area or a part of the same, contradicts a clause of this Agreement, the clause of the cooperative or unitary plan shall prevail.

ARTICLE XXIII

Danger to Persons, Property or Environment

- 23.1 The Contractor shall act in accordance with the relevant provisions of environmental laws and regulations in force from time to time in Belize, including with respect to requirements for the conduct of environmental studies and the terms and conditions of any approval or authorisation granted to the Contractor under the relevant environmental laws and regulations.
- 23.2 The Contractor shall employ advanced techniques, practices and methods of operation and take other steps as are necessary and adequate in accordance with good international oil industry practice, and subject to the requirements of the laws and regulations specified in paragraph 23.1 to:
- (a) protect the environment and prevent pollution;
 - (b) ensure adequate compensation for damage to the environment proved to have been caused by the carrying out of the activities under this Agreement by the Contractor; and,
 - (c) ensure adequate compensation for injury to persons or damage to property proved to have been caused by the carrying out of the activities under this Agreement by the Contractor.
- 23.3 Subject to the relevant provisions of environmental laws and regulations in force from time to time in Belize, the Contractor shall cause two environmental impact assessment reports to be prepared in accordance with the following arrangements:
- (a) the first environmental impact assessment report, relating to exploration and appraisal operations, shall, if determined to be required by the Department of the Environment, be conducted and submitted by the Contractor, as part of the Contractor's submission of an exploration programme, in order to determine the effect of the relevant petroleum operations on the environment;
 - (b) the second environmental impact assessment report, covering field development and production activities, shall be submitted by the Contractor, as part of its submission of a development work programme, in order to determine the effect of the relevant petroleum operations on the environment.



- 23.4 The environmental impact assessment reports prepared and submitted by the Contractor in accordance with paragraph 23.3 shall, in addition to any other requirements under the relevant environmental laws and regulations, include proposed environmental management plans to minimize environmental damage, and shall include measures on the following matters: wildlife and habitat protection; marine resource protection; prevention of air and water pollution; fuel storage and handling; waste management and disposal; protection of cultural and archaeological sites; selection of drilling sites; blow-out prevention; flaring during completion and testing of gas and oil wells; noise control; and site reclamation and restoration plans.
- 23.5 The Contractor shall ensure that the environmental management plans are made available to its employees and to its sub-contractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out its petroleum operations; and that any agreement entered into between the Contractor and its sub-contractors relating to its petroleum operations shall include the terms set out in this Agreement and any established measures and methods for the implementation of the Contractor's obligations in relation to the environment under this Agreement.
- 23.6 Where the activities of the Contractor result in pollution or damage to the environment or marine life or otherwise, the Contractor shall, in accordance with good international oil industry practice and subject to the environmental laws and regulations in force in Belize, take all necessary measures to effect immediate remedy of the failure and the effects thereof. If such pollution or damage is the result of gross negligence or wilful misconduct of the Contractor, the cost of the remedy or penalties payable under the law shall not be allowable deductions in the computation of income tax.
- 23.7 The Contractor shall notify the Government forthwith in the event of any emergency or accident affecting the environment and shall, in accordance with good international oil industry practice and subject to the environmental laws and regulations in force in Belize, take such action as may be prudent and necessary in such circumstances.
- 23.8 If after notifying the Government pursuant to paragraph 23.7 the Contractor does not act promptly so as to control or clean up any pollution or make good any



damage caused, the Government may, after giving the Contractor reasonable notice in the circumstances, take any actions which are necessary in accordance with environmental laws and regulations in force in Belize and the costs and expenses of such actions shall be recoverable from the Contractor.

- 23.9 If the Government reasonably determines that any works or installations erected by the Contractor or any operations conducted by the Contractor endanger or may endanger persons or third party property or cause pollution or harm wild-life or the environment to an unacceptable degree, the Government may require the Contractor to take remedial measures within a reasonable period established by the Government and to repair any damage to the environment. If the Government deems it necessary, it may also require the Contractor to discontinue petroleum operations in whole or in part until the Contractor has taken such remedial measures or has repaired any damage. In the event that the Contractor fails to take the remedial measures required by the Government within the time period established by the Government, the Government may carry out such remedial measures for the Contractor's account and the Contractor shall additionally be liable for adequate compensation for any damage to the environment, injury to persons or damage to property proved to have been caused by the petroleum operations of the Contractor.

ARTICLE XXIV

Arbitration

- 24.1 In the event of a dispute arising between the Government and the Contractor concerning the interpretation or application of this Agreement, the parties shall seek to resolve the dispute by consultations and negotiations.
- 24.2 Subject to paragraph 24.3, where a dispute cannot be resolved through consultations and negotiations within a period of six months, either party may do one of the following:
- (a) where the Contractor is duly incorporated, constituted, set up, or otherwise duly organized under the law of a State Party to the 1965 *Convention on the Settlement of Investment Disputes between States and Nationals of other States* ('the Convention'), refer the dispute to the International Centre for

Settlement of Investment Disputes ('ICSID') for arbitration pursuant to Article 36 of the Convention;

- (b) where the Contractor is not duly incorporated, constituted, set up, or otherwise duly organized under the law of a State Party to the Convention, refer the dispute to an *ad hoc* arbitral tribunal in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (1976), subject to the following provisions:
- (i) The arbitral tribunal shall consist of three arbitrators. Each party shall select an arbitrator, and those two arbitrators shall then appoint by mutual agreement a third arbitrator, the Chairperson, who shall be a national of a third State. All arbitrators shall be appointed within two months from the date when a party informs the other party of its intention to submit the dispute to arbitration under this sub-paragraph.
 - (ii) If the necessary appointments are not made within the period specified above, either party to the dispute may, in the absence of any other agreement, request the Secretary-General of the Permanent Court of Arbitration to make the necessary appointments.
 - (iii) The arbitral award shall be made in accordance with this Agreement. The arbitral tribunal shall decide all questions presented on the basis of:
 - (a) the laws and regulations of Belize applicable to this Agreement and other relevant laws, both national and international;
 - (b) the provisions of the Agreement, and
 - (c) trade usages and customs of the international petroleum industry.
 - (iv) The place of arbitration shall be Belmopan, Belize.
 - (v) The arbitral tribunal shall reach its decision by a majority of votes.
 - (vi) The decision of the arbitral tribunal shall be final and binding and the Parties to the dispute shall abide by and comply with the terms of its award.

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- (vii) The arbitral tribunal shall state the basis of its decision and give the reasons for its decision.
 - (viii) Each party to the dispute shall bear the cost of its own arbitrator and its representation in the arbitral proceedings. The cost of the Chairperson in discharging his or her duties in relation to the arbitration and the remaining costs of the arbitration shall be borne equally by the parties to the dispute. The arbitral tribunal may, however, direct in its decision that a higher proportion of costs shall be borne by one or other of the parties to the dispute, and this award shall be binding on the parties to the dispute.
- 24.3 In the case of any disputes concerning a matter identified in paragraph 6.2.10 (c) of Article VI of this Agreement, the procedures relating to the referral of a matter to a sole-expert for determination shall apply to the resolution of the dispute.
- 24.4 The language to be used in arbitration proceedings shall be English.

ARTICLE XXV

Termination

- 25.1 The Government shall have the right to terminate this Agreement upon giving thirty (30) days written notice of its intention to do so if the Contractor,
- (a) fails to make any monetary payment required by law or under this Agreement for a period of thirty (30) days after the due date for such payment,
 - (b) fails to comply with any other material obligation that it has assumed under this agreement,
 - (c) fails to comply with the Petroleum Act (No. 8 of 1991) and any lawful acts, regulations, orders or instructions issued by the Government or any department or agency of the Government, or
 - (d) becomes bankrupt, or goes into liquidation because of insolvency or makes a composition with its creditors.

- 25.2 If the circumstance or circumstances that result in termination under paragraph 25.1 (a), (b) or (c) are remedied by the Contractor within the thirty (30) days period following the notice of termination as aforesaid, such termination shall not become effective.
- 25.3 If the circumstance or circumstances that would otherwise result in termination under paragraph 25.1 (b) or (c) are the result of force majeure, then termination shall not take place so long as such force majeure continue and for such period thereafter as the Government may determine to be reasonable.
- 25.4 The termination of this Agreement for whatever reason shall be without prejudice to the obligations incurred and not discharged by the Contractor prior to the date of termination.
- 25.5 In the event of termination pursuant to paragraph 25.1 or 25.7, the Government may require the Contractor, for a period not to exceed one hundred eighty (180) days, to continue, for the account of the Government, crude oil or natural gas production activities until the right to continue such production has been transferred to another entity.
- 25.6 Within ninety (90) days after the termination of this Agreement pursuant to paragraph 25.1 or paragraph 25.7, unless the Minister has granted an extension of this period, the Contractor shall complete any reasonably necessary action as directed by the Government to avoid environmental damage or a hazard to human life or third party property.
- 25.7 The Contractor shall have the right to terminate this Agreement totally or partially, (a) with respect to any part of the contract area other than a field then producing, or that prior thereto had produced, crude oil or natural gas upon giving ninety (90) days written notice of its intention to do so, and (b) with respect to any field then producing, or that prior thereto had produced, crude oil or natural gas upon giving one hundred and eighty (180) days written notice of its intention to do so. Upon termination, the provisions of paragraphs 4.7 and 4.8 shall apply.

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ARTICLE XXVI

Books, Accounts and Audits, Records, Reports and Inspections

- 26.1 The Contractor shall be responsible for keeping complete accounts, books and records reflecting all petroleum operations expenditures and gross revenues consistent with generally accepted procedures and standards in the international petroleum industry and in accordance with accounting procedures prescribed for petroleum operations by the Income Tax Commissioner.
- 26.2 Within ninety (90) days after the expiration of each calendar year, the Contractor shall submit to the Government detailed accounts showing all petroleum operations expenditures and all gross revenues during the past calendar year. Before submission to the Government, the accounts shall be audited and certified by an independent chartered accountant or certified public accountant acceptable to both parties, at the expense of the Contractor. It is understood that the Government retain the authority to review and audit the Contractor's accounts, books and records with respect to petroleum operations conducted hereunder either directly or through an independent accountant designated by the Government.
- 26.3 The Government and its duly authorized representatives shall have full and complete access to the contract area at all reasonable times with a right to observe petroleum operations and shall have the right to inspect all assets, records, books, accounts and data kept by the Contractor relating to petroleum operations and this Agreement. In doing so, the Government and its representatives shall not unduly interfere with the Contractor's petroleum operations. However, the Government and its representatives may make a reasonable number of surveys, drawings, tests and copies for the purpose of implementing this Agreement. In so doing, the Government and its representatives shall be entitled to make reasonable use of the equipment and instruments of the Contractor provided that no damage to the equipment or instruments or impediment to the petroleum operations hereunder shall result from such use. The Government shall indemnify and reimburse the Contractor for any loss or damage which may in fact result from any such use of equipment and instruments, provided that such loss or damage is reported to the Government within twenty-four (24) hours from the time of such inspection. The Government and its representatives shall be given reasonable assistance by the Contractor for such functions, and the Contractor shall afford to the Government and its representatives, field office facilities and such other additional facilities and

privileges afforded to its own personnel in the field that may be necessary to carry out the functions.

- 26.4 The Contractor shall prepare and maintain accurate and current records of its activities in the contract area hereunder. The Contractor shall furnish the Government in conformity with the applicable regulations, and as the Government may reasonably require, information, reports and data concerning its activities and operations under this Agreement.
- 26.5 The Contractor shall save and keep for the duration of this Agreement all unused cores and samples taken from the wells drilled, which shall be forwarded to the Inspector of Petroleum or his authorized representatives at such time and in the manner directed by the Government. All cores and samples acquired by the Contractor shall be available for inspection by the Inspector of Petroleum or his authorized representatives at all reasonable times. Unless previously forwarded to the Government pursuant to instructions given under this paragraph, the Contractor shall forward to the Government all remaining cores and samples upon the expiration or termination of this Agreement.
- 26.6 Unless otherwise agreed to by the Government, in the case of exporting any rock or petroleum samples from Belize for the purpose of testing and analysis, samples equivalent in size and quantity shall, before such exportation, be delivered to the Inspector of Petroleum.
- 26.7 Originals of records and other data can be exported only with the permission of the Government, provided, however, that magnetic tapes and any other data which must be processed or analyzed outside Belize may be exported if a comparable record is maintained in Belize and provided that such exported records and data shall be repatriated to Belize.
- 26.8 The Contractor shall provide to the Inspector of Petroleum in appropriate form all original data resulting from petroleum operations, including, but not limited to, geological, geophysical, petrophysical engineering, well logs, production data and completion status reports and any other data which the Contractor may compile during the term hereof including all reports, analyses, interpretations, maps and evaluations thereof prepared by the Contractor and any contractors, subcontractors or consultants to the Contractor or by affiliated companies, and cuttings of all samples that have been obtained or compiled during the term

hereof ("data"). The Government shall have title to all such data. Such data shall not be disclosed to third parties by the Government prior to relinquishment of the area to which they relate, or prior to the end of the exploration period if such area is not sooner relinquished, provided, however, that the Government may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders and such Government entities as may need to be made aware thereof or have the right to require disclosure. In any event, the Contractor may retain copies of all such data. The Contractor shall not disclose such data to any third parties without the Government's prior written consent, provided, however, that the Contractor may make copies available to professional consultants, legal counsel, accountants, underwriters, lenders, affiliated companies and contractors and subcontractors of the Contractor and such government entities as may need to be made aware thereof or have the right to require disclosure. Any data which are disclosed by the Government or the Contractor to third parties pursuant to this paragraph (26.8) shall be disclosed on terms which ensure that such data are treated as confidential by the recipient. To the extent that there is any inconsistency between the provisions of this paragraph (26.8) and the provisions of Article XXXIII, the provisions of this paragraph (26.8) shall govern.

ARTICLE XXVII

Insurance and Indemnification

- 27.1 To ensure that the Contractor shall meet its obligations to third parties, or to Government agencies, that might arise in the event of damage or injury (including environmental damage or injury, removal of wrecks and cleaning up caused by accidents) caused by petroleum operations, notwithstanding that the damage is accidental, the Contractor shall maintain in force a third party liability insurance policy covering the activities of itself, its contractors and subcontractors and the employees of all such parties. Such insurance policy shall include the Government as an additional insured, shall waive subrogation against the Government, and shall provide that it may not be cancelled except upon thirty (30) days prior written notice to the Government. A certificate evidencing such insurance policy shall be furnished to the Government within ninety (90) days of the effective date. The limits, coverage, deductibles and other terms thereof shall be subject to approval in writing by the Government. To the extent that such third party liability insurance is unavailable or is not obtained, or does not cover part or all of any claims or damage caused by or resulting from petroleum operations, the Contractor shall remain fully responsible and shall defend, indemnify and hold

the Government harmless against all such claims, losses and damages of any nature whatsoever.

- 27.2 The Contractor shall indemnify, defend and hold the Government harmless against claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons, caused by or resulting from any petroleum operations conducted by or on behalf of the Contractor, provided that the Contractor shall not be held responsible to the Government under this paragraph (27.2) for any loss, claim, damage or injury caused by or resulting from any negligent action of personnel of the Government.
- 27.3 The Contractor shall contribute five tenths of one percent (0.5%) of the value of the annual gross production of crude oil and/or natural gas produced and saved in each calendar year and not used or consumed in petroleum operations to a Common Fund to be held in trust by the Government and managed for the sole purpose of indemnification against any or all environmental damages caused during the petroleum operations.
- 27.4 Nothing contained in paragraph (27.3) above shall be construed to relieve the Contractor of its obligations of indemnification as set out in this Agreement.

ARTICLE XXVIII

Assignment

- 28.1 The Contractor may assign, transfer, convey or otherwise dispose of any part or all of its rights or interest under this Agreement with the prior written consent of the Government, which consent shall not be unreasonably withheld.
- 28.2 Notwithstanding the provisions of paragraph 28.1, if the Contractor assigns to any affiliated company, the Contractor shall remain fully liable for the performance of this Agreement and shall be fully liable for the performance of any such assignee.

- 28.3 In the case of an assignment to any non-affiliated company, the Contractor shall provide to the Government an unconditional undertaking by the assignee to assume all obligations of the Contractor under this Agreement. Notwithstanding such undertaking, the Contractor shall remain jointly and severally liable with the assignee for performance of the obligations of the Contractor unless the Contractor assigns its entire interest under this Agreement.

ARTICLE XXIX

Law of the Agreement

- 29.1 This Agreement shall be construed under, governed by and interpreted in accordance with the laws of Belize and such principles of international law as may be applicable.

ARTICLE XXX

Force Majeure

- 30.1 Except as otherwise provided in this Article, each party shall be excused from complying with the terms of this Agreement, except for payment of monies due, for so long such compliance is prevented by strikes, wars (declared or undeclared), acts of God, or by any act or cause that is reasonably beyond the control of such party, such causes being herein called "force majeure". In the event that either party hereto is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this Agreement, such party shall give notice and details of force majeure in writing to the other party within seven (7) days after its occurrence. In such cases, the obligations of the party giving the notice shall be suspended during the continuance of any inability so caused. Such party shall do all that is reasonably within its power to remove such cause and to mitigate the consequences. Such party shall also promptly notify the other party as soon as conditions of force majeure no longer prevent that party from carrying out its obligations and following such notice shall resume its obligations as soon as reasonably practicable.



ARTICLE XXXI

Entire Agreement and Amendments

- 31.1 This Agreement embodies the entire agreement and understanding between the Contractor and the Government relative to the subject matter hereof, and supercedes and replaces any provisions on the same subject in any other Agreement between the parties, whether written or oral, prior to the date of this agreement. This Agreement may not be amended, modified, varied or supplemented except by an instrument in writing signed by the Contractor and the Government.

ARTICLE XXXII

Waiver

- 32.1 Performance of any condition or obligation to be performed hereunder shall not be deemed to have been waived or postponed except by an instrument in writing signed by the party which is claimed to have granted such waiver or postponement.
- 32.2 No waiver by any party of any one or more obligations or defaults by any other party in the performance of this Agreement shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

ARTICLE XXXIII

Confidentiality

- 33.1 This Agreement and any confidential information of any party hereto which becomes known to the other party in connection with the performance of this Agreement shall not be published or disclosed to third parties without the former party's written consent, except as otherwise provided herein, and provided

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however that such other party may communicate confidential information to legal counsel, accountants, other professional consultants, underwriters, lenders, agents, contractors or shipping companies to the extent necessary in connection with this Agreement, with the obligation of the parties receiving such information to maintain confidentiality, or to an agency of the Government of the country of the Contractor having authority to require such disclosure.

The term "confidential information" as used herein shall mean information identified as "confidential" by the party originally in possession of it and disclosed to the other party, excluding information previously known to the other party or information which is publicly known (except through disclosure of the other party in violation of this Article XXXIII) or information that comes into the legitimate possession of such other party. The term "confidential information" shall not include information about any money or other consideration paid by the Contractor to the Government or a person acting on behalf of the Government under or in connection with the terms of this Agreement.

- 33.2 The confidentiality obligations of this Article XXXIII shall expire upon relinquishment of the area to which the information relates.

ARTICLE XXXIV

Notices

- 34.1 All notices and other communications required or permitted hereunder or any notices that one party may desire to give to the other party shall be in writing in the English language and deemed to have been properly delivered if personally handed to an authorized representative of the party for whom intended, or sent by registered airmail or by facsimile transmission at or to the address of such party for whom intended, or such other addresses as any party may from time to time designate by notice in writing to the other party.



EXHIBIT "A"
DESCRIPTION OF THE CONTRACT AREA

BLOCK	SUB-BLOCKS	NO. OF SUB-BLOCKS	SQUARE KILOMETERS	ACRES
29	A thru Y	25	100	24,710.54
30	A thru Y	25	100	24,710.54
31	A thru Y	25	100	24,710.54
32	A thru Y	25	100	24,710.54
33	A thru Y	25	100	24,710.54
34	A thru Y	25	100	24,710.54
46	A thru Y	25	100	24,710.54
47	A thru Y	25	100	24,710.54
48	A thru Y	25	100	24,710.54
49	A thru Y	25	100	24,710.54
50	A thru Y	25	100	24,710.54
51	A thru Y	25	100	24,710.54
66	D,E,I,J,N,O,S,T,X,Y and half of C,H,M,R,W	12.5	50	12,355.27
67	A thru Y	25	100	24,710.54
68	A thru Y	25	100	24,710.54
69	A thru Y	25	100	24,710.54
70	A thru Y	25	100	24,710.54
71	A thru Y	25	100	24,710.54
72	A thru Y	25	100	24,710.54
87	A thru Y	25	100	24,710.54
88	A thru Y	25	100	24,710.54

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89	A thru Y	25	100	24,710.54
90	A thru Y	25	100	24,710.54
91	A thru Y	25	100	24,710.54
92	A thru Y	25	100	24,710.54
93	A thru Y	25	100	24,710.54
108	A thru Y	25	100	24,710.54
109	A thru Y	25	100	24,710.54
110	A thru Y	25	100	24,710.54
111	A thru Y	25	100	24,710.54
112	A thru Y	25	100	24,710.54
113	A thru Y	25	100	24,710.54
128	A thru Y	25	100	24,710.54
129	A thru Y	25	100	24,710.54
130	A thru Y	25	100	24,710.54
131	A thru Y	25	100	24,710.54
132	A thru Y	25	100	24,710.54
133	A thru Y	25	100	24,710.54
148	A thru Y	25	100	24,710.54
149	A thru Y	25	100	24,710.54
150	A thru Y	25	100	24,710.54
151	A thru Y	25	100	24,710.54
152a	A thru Y	25	100	24,710.54
152b	A thru Y	25	100	24,710.54
167	A thru Y	25	100	24,710.54
168	A thru Y	25	100	24,710.54

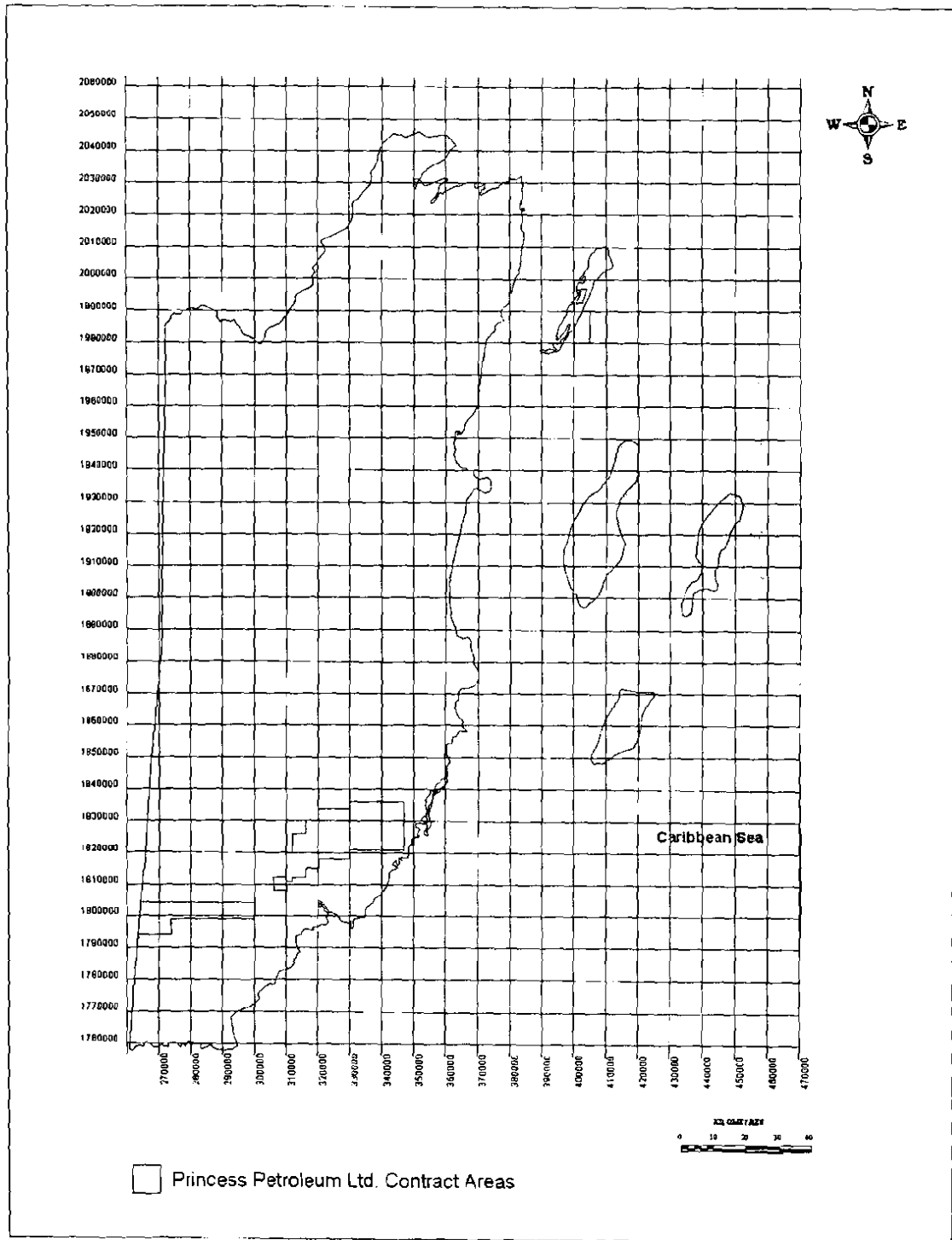
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169	A thru Y	25	100	24,710.54
170	A thru Y	25	100	24,710.54
171a	A thru Y	25	100	24,710.54
171b	A thru Y	25	100	24,710.54
186	A thru Y	25	100	24,710.54
187	A thru Y	25	100	24,710.54
188	A thru Y	25	100	24,710.54
189	A thru Y	25	100	24,710.54
190a	A thru Y	25	100	24,710.54
190b	A thru Y	25	100	24,710.54
206	A thru Y	25	100	24,710.54
207	A thru Y	25	100	24,710.54
208	A thru Y	25	100	24,710.54
209a	A thru Y	25	100	24,710.54
209b	A thru Y	25	100	24,710.54
225	A thru Y	25	100	24,710.54
226	A thru Y	25	100	24,710.54
227a	A thru Y	25	100	24,710.54
227b	A thru Y	25	100	24,710.54
227c	A thru Y	25	100	24,710.54
244	A thru Y	25	100	24,710.54
245a	A thru Y	25	100	24,710.54
245b	A thru Y	25	100	24,710.54
245c	A thru Y	25	100	24,710.54
262	A thru Y	25	100	24,710.54

263	A thru Y	25	100	24,710.54
280a	A thru Y	25	100	24,710.54
280b	A thru Y	25	100	24,710.54
335	P thru Y	10	40	9,884.22
336	K thru Y	15	60	14,826.32
337	K,L,M,P,Q,R,U,V,W and half of N,S,X	10.5	42	10,378.43
350	D,E,I,J,L,M,N,O,Q,R,S,T,V, W,X,Y	16	64	15,814.75
351	A thru Y	25	100	24,710.54
352	A thru T and half of U,V,W,X,Y	22.5	90	22,239.49
353	A,B,C,F,G,H,K,L,M,P,Q,R,U ,V,W and half of D,I,N,S,U,V,W,X	19	76	18,780.01
365	X and Y	2	4	988.42
366	A thru J; K,L,M,P,Q,R and half of N,O,U	17.5	70	17,297.38
367	A thru E	5	20	4,942.11
377	R,S,T,W,X,Y	6	24	5,930.53
378	P thru Y	10	40	9,884.22
379	P thru Y	10	40	9,884.22
380	P thru Y	10	40	9,884.22
381	D and E	2	4	988.42
392	C,D,E,H,I,J,M,N,O	9	36	8,895.79
393	A,B,F,G,K,L and half of C,D,E	7.5	30	7,413.16
394	Half of A,B,C,D,E	2.5	10	2,471.05
395	Half of A,B,C,D,E	2.5	10	2,471.05
TOTAL				2,013,909.02

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EXHIBIT "B"
MAP OF THE CONTRACT AREA



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EXHIBIT "C"
BANK GUARANTEE

Ministry of Finance,
Government of Belize,
Belmopan, Belize

Gentlemen,

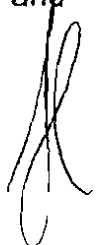
RE: OUR IRREVOCABLE LETTER OF GUARANTEE NO. _____

In compliance with the request of _____ ("the Contractor"), we, (Name of Bank), issue this unconditional irrevocable letter of guarantee in your favour for a sum not exceeding _____ United States Dollars (US \$ _____), which represents the total minimum exploration expenditures set forth in paragraph 6.1.1 of the Agreement ("Agreement"), dated _____, 200_, between the Contractor and the Government of Belize ("Government"), relating to petroleum exploration, development and production in the territory of Belize, to guarantee the Contractor's faithful performance of its minimum exploration expenditures obligations as provided for in the Agreement, the said sum of _____ United States Dollars (US \$ _____) to be reduced at the end of each contract year, as defined in the Agreement, by the amount stipulated to be expended in such contract year, if such amount is in fact expended as evidenced by a signed certificate from the Government, provided, however, that said sum shall under no circumstances be reduced below the stipulated minimum exploration expenditures for the remaining contract year of the initial exploration period, as set forth in paragraphs 6.1.1 of the Agreement, as adjusted in accordance with paragraphs 6.1.3 and 6.1.4 of the Agreement as evidenced by a signed certificate from the Government.

The terms and conditions of this Letter of Guarantee are as follows:

1. The said amount, or any part thereof, shall be paid to you upon our receipt of your written statement that the amount claimed is duly payable under the Agreement.
2. We hereby waive diligence, presentment, demand for payment, protest, any requirement that the Government exhaust any right or power or take any action against the Contractor, all notices (whether of non-payment by the Contractor, dishonour, protest or otherwise) and all demands whatsoever. Our obligations hereunder are continuing, absolute and unconditional, and will not be in any way affected by giving of time or any forbearance by the Government, the waiver or consent by the Government with respect to any provisions of the Agreement, and irrespective of the validity, regularity, enforceability or value of the Agreement, or by any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, all of which are hereby expressly waived.
3. Our obligations hereunder shall be paid in United States Dollars to the bank account designated by the Government, free and clear of and without reduction by reason of any and all present and future taxes, levies, assessed, imposed or collected with respect thereto by the Government of _____ or any political sub-division or taxing authority thereof or therein. We shall bear and pay any and all fees and expenses in relating to or in connection with this Letter of Guarantee.
4. In order to give effect to this Letter of Guarantee, we hereby declare that the Government shall be at liberty to act as though we were the principal debtor, and

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we hereby waive all and any of the rights as surety which may at any time be inconsistent with any of the above provisions.

5. Any claim or demand under this Letter of Guarantee shall be presented to us on or before the expiration of the date of the validity of the Letter of Guarantee.
6. This Letter of Guarantee shall be effective immediately and expire ninety (90) days after the end of the initial exploration period as defined in the Agreement, and thereafter automatically without any formality become null and void for all its effects and this Letter of Guarantee shall be returned to us immediately.

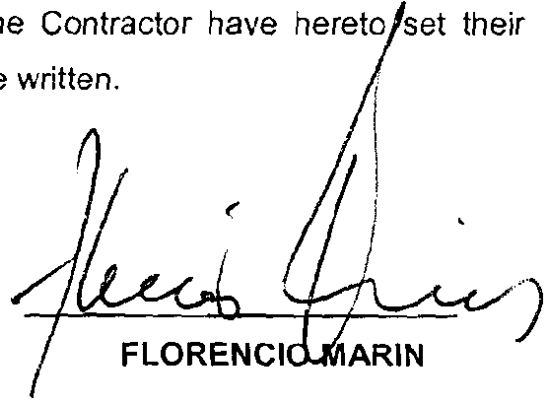
Yours very truly,

(Name of Bank)



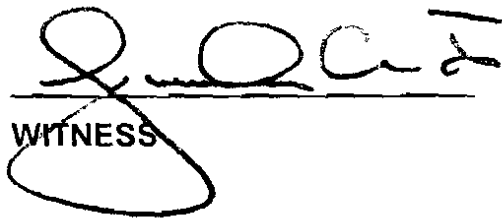
IN WITNESS WHEREOF the Government and the Contractor have hereto set their hands and seals the day and year first herein before written.

SIGNED, SEALED AND DELIVERED)
by **FLORENCIO MARIN**, Minister of Natural)
Resources and the Environment)
for and on behalf of the)
Government of Belize)



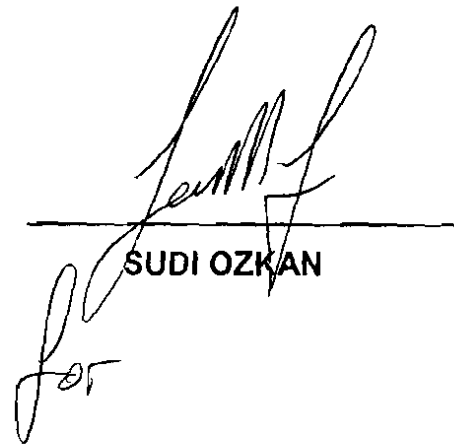
FLORENCIO MARIN

In the presence of:



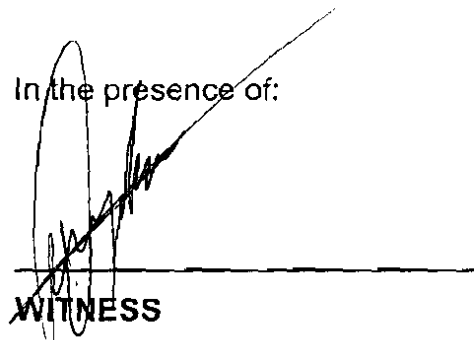
WITNESS

SIGNED, SEALED AND DELIVERED)
by **SUDI OZKAN**)
for and on behalf of Princess Petroleum Ltd.)

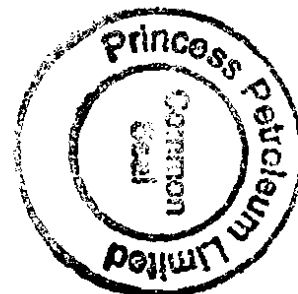


SUDI OZKAN

In the presence of:



WITNESS

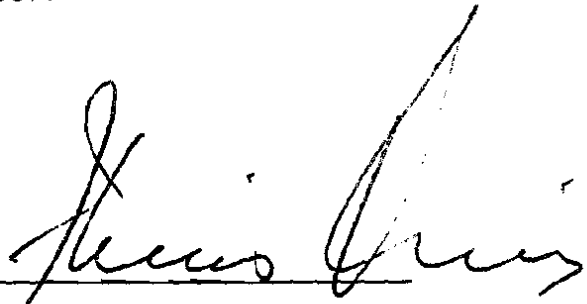


AA



I, **FLORENCIO MARIN**, Minister of Natural Resources and the Environment hereby acknowledge that I did sign, seal and deliver the within written document as my act and deed.

Acknowledge at BELMOPAN this 12th day of October, 2007.

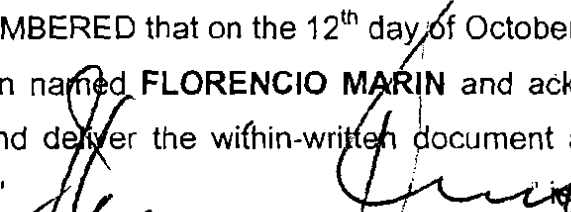


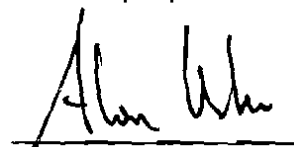
FLORENCIO MARIN

Before me,



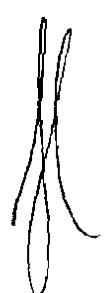
CHIEF EXECUTIVE OFFICER

BE IT REMEMBERED that on the 12th day of October, 2007 personally appeared before me the within named **FLORENCIO MARIN** and acknowledged before me that he did sign, seal and deliver the within-written document as his act and deed and that the signature "  in his own proper handwriting.



CHIEF EXECUTIVE OFFICER






I, **SUDI OZKAN**, hereby acknowledge that I did sign, seal and deliver the within written document as my act and deed for and on behalf of Princess Petroleum Ltd.

Acknowledge at BELMOPAN this 12th day of October, 2007.

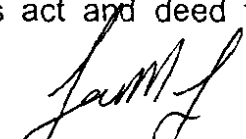


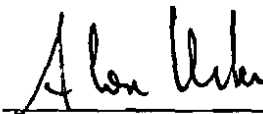
SUDI OZKAN

Before me,

for


CHIEF EXECUTIVE OFFICER

BE IT REMEMBERED that on the 12th day of October, 2007 personally appeared before me the within named **SUDI OZKAN** and acknowledged before me that he did sign, seal and deliver the within-written document as his act and deed for and on behalf of Princess Petroleum Ltd. and that the signature “ for ” is in his own proper handwriting.



CHIEF EXECUTIVE OFFICER



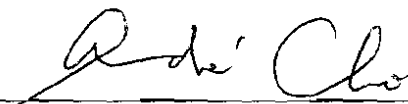


I hereby certify that I have counted the within-written document and that it contains two hundred fifty-nine (259) folios of seventy-two (72) words each and thirty-seven (37) words over and no more.

AS WITNESS my hand this 12th day of October, 2007.


WITNESS

This Document was prepared and drawn in the Ministry Of Natural Resources and the Environment.


INSPECTOR OF PETROLEUM