



EXPLORATION AND PRODUCTION SHARING AGREEMENT

BETWEEN

NATIONAL OIL CORPORATION

and

VERENEX ENERGY AREA 47 LIBYA LIMITED

and

MEDCO INTERNATIONAL VENTURES LIMITED

Contract Area 47

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VERENEX ENERGY INC.

THIS AGREEMENT is made and entered into the ___ day of Safar, 1373, corresponding to the twelfth day of March, 2005, by and between NATIONAL OIL CORPORATION (hereinafter referred to as "NOC" or "First Party"), a corporation established by Law No. 24 of 1970, as amended, reorganized under Decision No. 10/1979 of the General Secretariat of the General People's Congress of the Great Socialist People's Libyan Arab Jamahiriya (GSPLAJ), and having its principal office at Bashir Sadawi Street, Tripoli, GSPLAJ, and

1) Verenex Energy Area 47 Libya Limited (hereinafter referred to as "Verenex"), a Corporation established under the laws of Jersey and having a branch registered in the Commercial Register of Tripoli, GSPLAJ, under No. _____ with an office at _____, GSPLAJ;

2) Medco International Ventures Limited (hereinafter referred to as "MIV"), a company established under the laws of the Labuan, Malaysia and having a branch registered in the Commercial Register of Tripoli, GSPLAJ, under No. _____ with an office at _____, GSPLAJ.

Both Verenex and MIV hereinafter being collectively referred to as Second Party.

WITNESSETH:

WHEREAS, Law No. 25 of 1955, as amended, establishes that all Petroleum existing and being within the statutory mining territory of GSPLAJ are national riches of the State;

WHEREAS, NOC has the exclusive right and authority to explore for, develop and produce Petroleum in and throughout the Contract Area described in Exhibit "A" hereto;

WHEREAS, by virtue of Decree No. 10/1979 issued by the General Secretariat of the General People's Congress of GSPLAJ on the 12th day of Ramadan, 1388, corresponding to the 5th day of August, 1979, First Party is authorized and empowered to enter into this Agreement subject to and effective upon the approval of the General People's Committee of GSPLAJ;

WHEREAS, Second Party acknowledges that it is fully familiar with the laws and regulations of GSPLAJ and has the means to maintain such familiarity during the term of this Agreement;

WHEREAS, Verenex and MIV each hold an undivided participating interest share in Second Party of fifty percent (50%) and fifty percent (50%) respectively; and

WHEREAS, First Party and each company comprising Second Party recognize and acknowledge that each other party hereto is entering into this Agreement in its own name and in its capacity as a legal entity empowered to contract on its own behalf and each party accepts that no person or entity other than any other party hereto may be liable or responsible for such other party's obligations hereunder, except in the event of an express written guarantee such as the guarantee set forth in Exhibit "D" hereto.

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and obligations herein contained, the Parties agree as follows:


ARTICLE 1
DEFINITIONS

The following definitions of certain words and terms used in this Agreement shall apply (in both singular and plural forms) for purposes of this Agreement:

- 1.1 "Abandonment"
means, the abandonment activities, including but not limited to: the plugging and abandonment of wells, the decommissioning and removal of all plants and facilities and the restoration of sites used for Petroleum Operations hereunder to a standard required under the laws and regulations of GSPLAJ and in accordance with Good Oilfield Practices.
- 1.2 "Affiliate"
means, with respect to any party hereto, any other legal entity that, directly or indirectly, controls, is controlled by or is under common control with such party. "Control" means the ownership, directly or indirectly, of 50% or more of the voting shares or voting rights of such entity.
- 1.3 "Agreement"
means this instrument, including all exhibits attached hereto, all of which are hereby made a part hereof.
- 1.4 "Appraisal Operations"
means the appraising by all appropriate means of the limits and production capacity of a Field, including, without limitation: geological and geophysical surveys; drilling of Appraisal Well(s), reservoir and other studies (including the reports and studies referred to in Article 9 hereof), and all auxiliary operations and activities required or expedient for the better conduct or result of the above activities.



- 1.5 "Appraisal Well"
means any well drilled in the Contract Area whose purpose at the time of commencement of drilling is the determination of the extent or volume of Petroleum reserves contained in a Discovery within a single geological feature.
- 1.6 "Associated Gas"
means Natural Gas which existed or exists in a reservoir in solution with Crude Oil, or as free gas cap gas.
- 1.7 "Barrel"
means a quantity or unit of Crude Oil equal to forty-two (42) United States gallons at standard conditions (sixty (60) degrees Fahrenheit, 14.7 psi).
- 1.8 "Block"
means a division of the Contract Area as described in Exhibit "A" hereto.
- 1.9 "Budget"
means a cost estimate of all items included in a Work Program.
- 1.10 "Calendar Quarter"
means a period of three (3) consecutive months according to the Gregorian calendar starting on 1 January, 1 April, 1 July or 1 October.
- 1.11 "Calendar Year"
means a period of twelve (12) months according to the Gregorian calendar commencing on any January 1st and ending on the following December 31st.
- 1.12 "Commercial Production Start Date"
means the date when regular production starts for the purpose of the line fill and commercial use of such production.
- 1.13 A "Commercial Discovery"
will have been made:
- (a) with respect to Crude Oil, if and at the time that the Management Committee decides to proceed with the development of a Field pursuant to Article 10.1 herein, where a Discovery of Crude Oil has been made, or
 - (b) with respect to Non-associated Gas, if and at the time that the Management Committee decides to proceed with the development of a Field pursuant to Article 13.3.3 herein, where a Discovery of Non-associated Gas has been made.



- 1.14 "Contract Area"
means the entire area described in Exhibit "A" hereto, as the same may be amended in accordance with Article 3.2 hereof.
- 1.15 "Contract Year"
means a period of twelve (12) consecutive months according to the Gregorian calendar counted from the Effective Date or any anniversary thereof.
- 1.16 "Crude Oil"
means crude petroleum oil and all other hydrocarbons, regardless of gravity, produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas.
- 1.17 "Development Expenditures"
means any and all costs, expenses and liabilities of or relating to Development Operations.
- 1.18 "Development Operations"
means any and all operations carried out in accordance with a Development Plan, conducted with a view to developing a Field in which a Commercial Discovery has been made, including, without limitation: the drilling of wells; primary and subsequent recovery projects and pressure maintenance; the engineering, building and erecting or laying of production plants and facilities (including, without limitation: separators; compressors; generators; pumps and tankage; gathering lines; pipelines; and all facilities required to be installed for production, pressure maintenance, and treatment, storing and transporting of Petroleum, and loading Petroleum into seagoing tankers); the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations and activities required or expedient for the better conduct or result of the above activities.
- 1.19 "Development Plan"
means a time scheduled program specifying Development Operations required to develop an increment of producing capacity in a particular Field, such as initial, intermediate or complete Field Development, a Field extension, or a secondary or other subsequent recovery project.
- 1.20 A "Discovery"
will have been made when Petroleum has been found as a result of the drilling, completing and testing of a New-Field Wildcat Well.



- 1.21 "Effective Date"
means the date of approval of this Agreement by the General People's Committee of GSPLAJ.

- 1.22 "Excess Associated Gas"
means the Associated Gas available after deduction of the quantities of Associated Gas required for Petroleum Operations.

- 1.23 "Exploitation Area"
means such number of Sectors within the Contract Area covering the whole extension of the underlying structures or stratigraphic closures defining the reservoir or pay zone of any Field where a Commercial Discovery has been made.

- 1.24 "Exploitation Capital Expenditures"
means, with respect to any Exploitation Area, all capital expenditures incurred after the Commercial Production Start Date, including but not limited to, development drilling, acquisition of physical assets related to Petroleum Operations, and construction of new facilities.

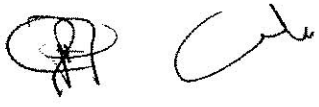
- 1.25 "Exploitation Operations"
means any and all activities carried out in an Exploitation Area after the Commercial Production Start Date, including, without limitation, petroleum engineering, operating, servicing, repairing and maintaining any and all wells, plants, equipment, pipelines, terminals and all other installation facilities.

- 1.26 "Exploitation Operations Expenditures"
means any and all costs, expenses and liabilities of or relating to Exploitation Operations and all auxiliary activities required or expedient for the better conduct or result of the activities.

- 1.27 "Exploitation Period"
means the period of twenty five (25) Contract Years commencing from the end of the Exploration Period and any extension thereof.

- 1.28 "Exploration and Appraisal Expenditures"
means any and all costs, expenses and liabilities of or relating to Exploration Operations and Appraisal Operations.

- 1.29 "Exploration Operations"
means any and all operations conducted with a view to discovering Petroleum, including, without limitation: any and all activities necessary to commence operations; any and all topographical, hydrographical, geological, geophysical, aerial and other surveys and activities (including interpretations, analyses and



related studies) having as a scope the subsurface investigation for the proper location of New-Field Wildcat Wells; the drilling of shot holes, core holes and stratigraphic test holes; the spudding, drilling, testing, coring, logging and equipping of New-Field Wildcat Wells; the obtaining of such material, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations and activities required or expedient for the better conduct or result of the above activities.

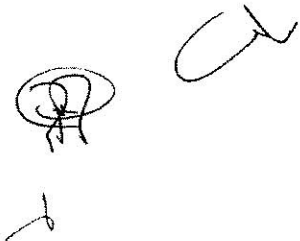
- 1.30 "Exploration Period"
means the period of five (5) Contract Years commencing on the Effective Date and any extension thereof.
- 1.31 "Exploration Program"
means the minimum exploration program specified in Exhibit "B" hereto.
- 1.32 "Field"
means one or several petroleum reservoirs that are related to a single geological feature and their projection(s) on the ground surface.
- 1.33 "Good Oilfield Practices"
means those practices, methods, standards, and procedures generally accepted and followed by prudent, diligent, skilled and experienced operators in petroleum exploration, development and production operations and which, at the particular time in question, in the exercise of reasonable judgment and in light of facts then known at the time a decision was made, would be expected to accomplish the desired results and goals.
- 1.34 "Libor"
means the London Inter-Bank Offered Rate at which U.S. Dollar deposits for three (3) months are offered in the Inter Bank market in London as quoted by the British Bankers Association for the day or days in question.
- 1.35 "Liquid Hydrocarbon By-Products"
means any hydrocarbon liquid resulting from processing of Natural Gas.
- 1.36 "Management Committee"
means the committee to be appointed under Article 4.1 hereof.
- 1.37 "Maximum Efficient Rate" or "MER"
means the maximum rate, according to Good Oilfield Practices, at which oil or gas can be produced without excessive decrease of reservoir pressure or loss of reservoir energy.

- 1.38 "Natural Gas"
means any and all hydrocarbon substances which are or would be in gaseous or vaporous form at atmospheric pressure and temperature, regardless of their status in the reservoir.
- 1.39 "New-Field Wildcat Well"
means a hole drilled on a geologic structure or in a geologic environment where Petroleum has not yet been discovered.
- 1.40 "Non-associated Gas"
means Natural Gas other than Associated Gas and Residue Gas.
- 1.41 "Operator"
means such entity as may be appointed pursuant to Article 5 hereof to serve as Operator with responsibility for carrying out Petroleum Operations in the Contract Area subject to and under the provisions of this Agreement. If, in accordance with the provisions of Article 5 hereof, more than one Operator exists at any time under this Agreement, references herein to the term "Operator" shall be to each Operator with respect to the parts of the Contract Area in which it conducts Petroleum Operations.
- 1.42 "Operating Account"
means the operating account defined in the Accounting Procedure attached hereto as Exhibit (C).
- 1.43 "Operator's Management Committee"
means the committee to be appointed under Article 5.2 hereof.
- 1.44 "Party"
means First Party or Second Party.
- 1.45 "Petroleum"
means Crude Oil, Natural Gas, solid petroleum (such as asphalt, ozokerite, petroliferous rocks and petroleum shale) and all other hydrocarbon substances that may be found in and produced or otherwise obtained and saved from the Contract Area.
- 1.46 "Petroleum Law"
means the Libyan Petroleum Law No. 25 of 1955, as it has been and may be amended from time to time, and all regulations thereunder.

- 1.47 "Petroleum Operations"
means any and all Exploration Operations, Appraisal Operations, Development Operations, Exploitation Operations and Abandonment, as well as any other operation or activity related thereto and authorized or contemplated hereunder.
- 1.48 "Petroleum Operations Expenditures"
means any and all costs, expenses and liabilities of or related to Petroleum Operations hereunder. Provided, however, that, notwithstanding anything in this Agreement to the contrary, (i) no costs, expenses or liabilities incurred prior to the Effective Date shall constitute Petroleum Operations Expenditures and (ii) no interest expenses or other financing charges of any nature incurred by Second Party shall constitute Petroleum Operations Expenditures.
- 1.49 "Residue Gas"
means the gaseous hydrocarbons remaining after the processing of Natural Gas and deduction therefrom of commercial substances.
- 1.50 "Sector"
means a subdivision of a Block covering an area of one (1) minute in latitude by (1) one minute in longitude.
- 1.51 "Signature Date"
means the date on which this Agreement is signed by the Parties.
- 1.52 "U.S. Dollars" or "U.S.\$"
means dollars of the United States of America.
- 1.53 "Work Program"
means a statement itemizing the Petroleum Operations to be carried out in the Contract Area pursuant to this Agreement during any Calendar Year or part thereof.

ARTICLE 2
SCOPE

This Agreement is an exploration and production sharing arrangement with respect to the Contract Area. The Parties recognize that this Agreement does not award ownership rights over Petroleum "in situ" in the Contract Area, but relates to providing of: (i) technical and financial resources for Petroleum Operations in the Contract Area, (ii) the manner in which such Petroleum Operations are to be conducted and (iii) the allocation of Petroleum produced and saved under this Agreement from the Contract Area.

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ARTICLE 3
TERM

3.1 Term of Agreement

Subject to the terms and conditions of this Agreement, the term of this Agreement, shall be composed of the Exploration Period and the Exploitation Period. If commercial production continues during the last three (3) years before the end of the term, Second Party may request an extension of the term of this Agreement for a reasonable time. First Party may, at its sole discretion, approve such a request subject to terms and conditions to be agreed upon between the Parties.

3.2 Early Termination

At the end of the Exploration Period, only the Exploitation Area(s) shall be retained under this Agreement, and this Agreement shall terminate in respect of all other parts of the Contract Area. The Exploration Period may only be extended in the following cases:

- a) If a New-Field Wildcat Well(s) is being drilled or tested at the end of the Exploration Period, then the Exploration Period shall be extended for a period of time, not to exceed ninety (90) days, in order to complete the drilling and testing, if any, of such well(s).
- b) If a Discovery has been made within six (6) months prior to the end of the Exploration Period but there has not been sufficient time to conduct adequate Appraisal Operations thereof prior to the end of the Exploration Period, then the Exploration Period shall be extended for the Block(s) in which such Discovery was made for a period of time, sufficient to conduct such Appraisal Operations, not to exceed two (2) Contract Years.
- c) By agreement of the Parties for an initial period of one (1) Calendar Year, if at the end of the Exploration Period the Management Committee is still considering declaring a Commercial Discovery and approving a Development Plan related thereto pursuant to Article 10.1. If the Management Committee does not adopt a Development Plan within such initial period, then such period may be extended by agreement of the Parties for a period not exceeding three (3) Calendar Years.
- d) As per Article 13.3 herein.

3.3 Withdrawal by Second Party

3.3.1 Second Party shall have the right, upon one (1) month's prior notice to First Party, to withdraw from this Agreement at any time during the Exploration Period, provided that the Exploration Program has been properly completed or Second Party has paid to First Party the amounts specified in Article 8 hereof for the number of kilometres of seismic survey not executed and the number of well(s) not drilled.

3.3.2 Second Party shall have the right upon one (1) year prior notice (the "Notice Period") to First Party to withdraw from this Agreement with respect to any Exploitation Area at any time during the term of this Agreement. At the end of the Notice Period, this Agreement shall terminate with respect to such Exploitation Area and any outstanding amounts owed by Second Party with respect to such Exploitation Area shall become immediately due and payable to First Party.

During the Notice Period, Second Party shall continue to enjoy all its rights under this Agreement, provided that, Second Party satisfies all obligations and liabilities it has incurred prior to its withdrawal, including, without limitation, any expenditures budgeted and/or approved by the Management Committee prior to its notification of withdrawal, and any liability for acts, occurrences or circumstances taking place or existing prior to the effective date of its withdrawal. Furthermore, any liens, charges and other encumbrances which Second Party placed on its interest prior to its withdrawal shall be fully satisfied or released, at its expense, prior to its withdrawal. Second Party's withdrawal shall not relieve it from liability to First Party with respect to any obligations or liabilities attributable to Second Party which are not identified or identifiable for a period of time not exceeding fifteen (15) years after withdrawal.

ARTICLE 4
MANAGEMENT COMMITTEE

4.1 Appointment of Management Committee

Petroleum Operations in the Contract Area shall be conducted under the control and supervision of a Management Committee composed of four (4) members, two (2), including the chairman, to be appointed by First Party, and two (2) to be appointed by Second Party. The Management Committee shall be formed not later than one (1) month after the Effective Date. Each Party shall notify the other of the members of the Management Committee it appoints.

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4.2 Decisions

The Management Committee shall make all important decisions relating to Petroleum Operations, including, without limitation, the approval of Work Programs and Budgets prepared by Operator for Petroleum Operations. Decisions of the Management Committee shall be made by the unanimous vote of its members. Decisions of the Management Committee may be made by correspondence if the members of the Management Committee have indicated their approval of a decision in such correspondence.

In case of a deadlock, the Management Committee shall refer the matter to the senior management of Parties. In case the Parties reach an agreement, the Management Committee shall convene and adopt such a decision.

Without prejudice to the provisions of Article 10.3 hereof, the decisions of the Management Committee shall be final and binding on the Parties and shall be implemented with due diligence by Operator.

4.3 Meetings

4.3.1 The Management Committee shall meet at least twice per Calendar Year upon a call by the chairman giving not less than twenty (20) days' notice to the other members, or shorter notice in a case requiring urgent action. Such call shall specify the proposed time, place and agenda of the meeting.

Any member of the Management Committee may request an extraordinary meeting by notice to the chairman, specifying the agenda and the time of the meeting. The chairman shall, after consultation with the other members of the Management Committee, call for the extraordinary meeting observing the requirements for calling a meeting set forth above unless waived by unanimous agreement of all members.

All meetings of the Management Committee shall require the presence of all members in person or through a proxy. Any and all costs related to the Management Committee meetings shall be charged to the Operator.

4.3.2 The Operator shall be generally responsible, in consultation with the chairman of the Management Committee, for preparation of the agenda and supporting documents for each meeting of the Management Committee and for preparing and keeping minutes of the meetings and decisions. Copies of such minutes shall be forwarded to each Party.

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4.3.3 Observers from each Party may be invited to attend the meetings of the Management Committee in a non-voting capacity.

4.3.4 The Parties shall have the right to inspect the records of the Management Committee at any time.

4.4 Procedures

The Management Committee shall adopt such procedures as it deems appropriate regarding the conduct of its meetings and the form of its decisions.

ARTICLE 5
OPERATOR

5.1 Operator during Exploration Period

5.1.1 Verenex is hereby appointed and agrees to serve as Operator on behalf of the Parties with responsibility for carrying out Exploration and Appraisal Operations and Abandonment related to such operations in accordance with the terms of this Agreement under the control and supervision of the Management Committee. In its capacity as Operator, Verenex shall not enjoy any profit or suffer any loss, except as provided in Article 5.9 hereof.

5.1.2 In the event that Verenex in its capacity as Operator commits a material breach of its duties as Operator under this Agreement during the Exploration Period (including, without limitation, its duty to implement decisions of the Management Committee) and fails to remedy such breach within ninety (90) days from receipt of a notice from First Party detailing such breach, then First Party may remove the Operator and appoint another operator to carry out Petroleum Operations under this Agreement upon written notice to Second Party. In such case the replacement Operator may be one of the other companies comprising Second Party, subject to First Party approval.

5.2 Operator during Exploitation Period

5.2.1 After the first declaration of a Commercial Discovery by the Management Committee, the Parties shall enter into a shareholders agreement substantially in the form attached as Exhibit "G" hereto and form a Joint Operating Company ("JOC") to be established in a jurisdiction to be agreed upon. The JOC shall act as Operator for the Development Operations, Exploitation Operations and Abandonment for



and on behalf of the Parties according to an operating agreement substantially in the form attached as Exhibit "H" hereto. The JOC shall be managed by an Operator's Management Committee which will be entrusted with the management of the affairs and the running of the day-to-day business of the JOC under the control and supervision of the Management Committee. The organisation and functional divisions of the JOC shall be agreed upon by the Parties. Each member of the Operator's Management Committee shall be responsible for a functional division or more as may be agreed upon by the Parties.

Unless the Parties otherwise agree, or a substitute Operator has been appointed under Article 5.1.2, Verenex shall continue to act as Operator for all parts of the Contract Area which remain outside the Exploitation Area(s).

5.2.2 The Operator's Management Committee shall be composed of three (3) members, two (2), including the chairman, to be appointed by First Party and one (1) to be appointed by Second Party. The members of the Operator's Management Committee may not be at the same time members of the Management Committee.

5.2.3 Any meeting of the Operator's Management Committee shall require the presence of all members in person or through a proxy. Decisions of the Operator's Management Committee shall be made by simple majority vote of its members.

5.2.4 The Operator's Management Committee shall adopt such procedures as it deems appropriate regarding the conduct of its meetings and the form of its decisions and shall keep records containing minutes of its meetings clearly stating the resolutions and decisions adopted and the manner of the voting.

5.3 Removal of JOC

Notwithstanding the foregoing, First Party may, if warranted by general circumstances such as regional or national planning or restructuring of petroleum activities, decide to remove the JOC and replace it with any other related entity to act as Operator to carry out Petroleum Operations hereunder.

5.4 Second Party rights

The removal of the Operator for all or part of the Contract Area pursuant to Article 5.1.2 or Article 5.3 shall not in any way affect the rights or obligations of Verenex in its capacity as a company comprising Second Party under this Agreement.

5.5 Obligations of Operator

Throughout the term of this Agreement, Operator shall conduct the Petroleum Operations diligently and continuously and shall be governed in accordance with the applicable provisions of the Petroleum Law and all other applicable laws and regulations of the GSPLAJ, in particular laws and regulations concerning the protection of health, safety and environment.

In addition to all other obligations of Operator set forth elsewhere in this Agreement, Operator shall have the following obligations:

- (a) to conduct Petroleum Operations in the Contract Area in a manner consistent with Good Oilfield Practices;
- (b) to purchase or lease all material, equipment, machinery, articles and supplies required to be purchased or leased pursuant to the Work Program, subject to the prior consent of the Management Committee in case the aggregate value of the purchase or lease contract exceeds the amount of [REDACTED];
- (c) to prepare and submit Work Programs to the Management Committee and to implement the Work Programs adopted by the Management Committee, by appropriate scientific methods and in the most efficient and economic manner;
- (d) to keep the Parties informed of the course of all Petroleum Operations under this Agreement and to provide the Parties with progress reports on the Petroleum Operations for each Calendar Quarter;
- (e) to conduct an assessment of the impact of each planned Petroleum Operations on the environment in the relevant part of the Contract Area and submit to the Management Committee prior to the commencement of such Petroleum Operations a detailed assessment report containing the measures required to be taken to ensure that the conduct of the Petroleum Operations does not cause damage to the environment;
- (f) to permit representatives of the Parties to inspect at all reasonable times the conduct of Petroleum Operations under this Agreement;
- (g) to maintain in GSPLAJ full original records of all technical operations under this Agreement and to submit to the Parties, in a format and media as may be required by them, copies of all original geological, geophysical, cuttings,



cores, magnetic tapes, drilling reports, fluid samples, well production data and such other data and reports as it may compile or obtain during the term of this Agreement;

- (h) to keep the accounts of the Petroleum Operations hereunder in Libyan Dinars and in U.S. Dollars and in such manner as to present a fair, clear and accurate record of the Petroleum Operations Expenditures;
- (i) to properly use Petroleum produced from the Contract Area for Petroleum Operations; and
- (j) to procure and maintain insurance satisfactory to the Management Committee, including, without limitation, insurance against loss or damage resulting from blowouts.

5.6 Contractors

Operator may engage contractors to carry out any part of the Petroleum Operations authorized under this Agreement; provided, however, that

- (a) Operator has obtained the approval of the Management Committee for standard terms and conditions of contracting;
- (b) Operator has obtained the specific prior written consent of the Management Committee in any case where the total contract price for the Petroleum Operations to be carried out by a contractor exceeds [REDACTED] and [REDACTED];
- (c) Operator shall at all time use Libyan contractors, provided that they are competitive in terms of performance, price and availability.

5.7 Libyan Personnel and Training

5.7.1 Operator shall hire Libyan nationals to carry out Petroleum Operations in the Contract Area. Except that in cases where specialized technical personnel or key management positions are required and not available among Libyan personnel, Operator may hire non-Libyan nationals to carry out such Petroleum Operations.

5.7.2 Operator shall prepare and submit to the Management Committee for approval an annual training program. The objective of which is to enable Libyan personnel to fill posts of higher responsibility and to replace any non-Libyan personnel in the areas of specialization for which such non-Libyan personnel were hired. The annual

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budget allocated for such training program shall be sufficient to cover all costs associated with [redacted] of the training per Calendar Year during the Exploration Period and shall not be less [redacted] of the manpower cost during each year of the Exploitation Period. For the purpose of this Article, manpower costs means the total direct and indirect costs associated with the Operator's employees.

5.8 Priority to Local Work

Operator shall at all times give priority for use of local supplies, equipment and services, provided that they are competitive in terms of performance, price and availability.

5.9 Liability

Operator shall not be liable to the Parties for loss, damages or claims of any kind except in the event of gross negligence or wilful misconduct, provided that in no event shall Operator be liable for any indirect or consequential loss or damage.

ARTICLE 6
COMMENCEMENT OF PETROLEUM OPERATIONS

Operator shall commence Exploration Operations hereunder not later than six (6) months from the Effective Date.

ARTICLE 7
WORK PROGRAMS AND BUDGETS

7.1 Preparation by Operator and Approval by Management Committee

As soon as possible after the Effective Date as regards the remaining portion of the relevant Calendar Year and, thereafter, at least two (2) months prior to the beginning of each succeeding Calendar Year, Operator shall prepare and submit to the Management Committee for approval a Work Program and Budget for the Contract Area and a tentative Work Program and Budget for the ensuing two (2) Calendar Years during the Exploration Period and the ensuing four (4) Calendar Years during the Exploitation Period, setting forth the Petroleum Operations which Operator plans to carry out during such Calendar Years. The Management Committee may make such modifications in each such Work Program or Budget as

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it deems appropriate, and shall notify the Operator and the Parties of each Work Program and Budget as so modified and approved.

7.2 Expenditures by Operator

Operator shall carry out each Work Program approved by the Management Committee within the limits of the Budget approved therefor and shall not undertake any operations not included in an approved Work Program or make any expenditures not budgeted in an approved Budget, except as follows:

- (a) Operator is authorized to make such excess expenditures, provided, however, that the aggregate amount of such excess expenditures shall not exceed [REDACTED] in any Calendar Year; and provided, further, that such excess expenditures shall be reported promptly by Operator to the Management Committee for approval.
- (b) Operator is authorized to make expenditures for Petroleum Operations not included in an approved Work Program and not provided for in an approved Budget, up to but not exceeding [REDACTED], provided, however, that such expenditures shall be reported promptly to the Management Committee by Operator.
- (c) In case of emergency, Operator may make such immediate expenditures as it deems necessary for the protection of life, environment and property. Such emergency expenditures shall be reported promptly to the Management Committee by Operator and shall be considered as legitimate costs as if they had been approved by the Management Committee.

ARTICLE 8
SECOND PARTY'S MINIMUM EXPLORATION COMMITMENT

Second Party undertakes, as a minimum exploration commitment, to complete the Exploration Program in accordance with Good Oil Field Practices. In the event that Second Party has not completed the Exploration Program by the earlier of (i) the end of the Exploration Period or (ii) the date of any termination of this Agreement, then Second Party shall pay to First Party, not later than thirty (30) days after such earlier time, an amount equal to the sum of:

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- (a) [REDACTED] times the number of kilometres of two dimensional (2D) seismic survey not completed; and
- (b) [REDACTED] times the number of square kilometres of three dimensional (3D) seismic survey not completed; and
- (c) [REDACTED] times the number of wells not drilled.

If Second Party fails to pay, when due, any amount owed to First Party under this Article 8, then (in addition to all other rights, powers and remedies provided to First Party hereunder or otherwise) interest shall accrue on such unpaid amount at the rate of [REDACTED] per annum, payable on demand.

ARTICLE 9
APPRAISAL

9.1 Appraisal Operations and Preliminary Appraisal Report by Operator

Not later than [REDACTED] after making a Discovery of Crude Oil, Operator shall submit to the Management Committee a preliminary report containing:

- a) the results of the drilling of the Discovery well; and
- b) a proposed appraisal program, together with the time frame for the conduct thereof.

As soon as possible after the approval of the appraisal program, Operator shall commence the corresponding Appraisal Operations.

9.2 Final Appraisal Report

[REDACTED] after the completion of the appraisal program, Operator shall prepare and submit a final appraisal report to the Management Committee containing:

- (a) the relevant technical data pertaining to the Field where the Discovery was made, including, but not limited to: topographical, geological, geophysical and soil test information; the thickness of the producing zones; the depths of the

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different gas and/or fluids contacts; the petrophysical properties of reservoir rocks; a PVT data analysis of reservoir and separator fluids and gases; the characteristics and relevant analysis of the Petroleum discovered; and depth, pressure and other characteristics of the reservoir and the fluids contained therein;

- (b) an estimate of the original hydrocarbons in place and the ultimate recovery from the reservoir;
- (c) the forecasted MER of the individual wells and the reservoir;
- (d) a feasibility study for the development of the Field where the Discovery was made, which shall include an economic analysis based (generally, among other factors) on reasonable forecasts, year-by-year, of production profile, investments required, revenues and operating costs, a gas utilization scheme for the Associated Gas which includes i) use in Petroleum Operations, ii) commercialisation of the Excess Associated Gas; and iii) storage or disposal of the Excess Associated Gas according to the laws and regulations;
- (e) any opinions expressed by third party experts entrusted to perform operational, technical and economic studies relating to the Discovery; and
- (f) any other relevant facts relied upon by the Operator and conclusions drawn therefrom.

ARTICLE 10
DECLARATION OF COMMERCIAL DISCOVERY OF CRUDE OIL
AND SOLE RISK

10.1 Review by Management Committee and Declaration of Commercial Discovery.

The Management Committee shall examine the final appraisal report provided for in Article 9.2 and any other data it may obtain within a hundred and eighty (180) days and extensions the Management Committee may agree upon to determine whether to proceed with the development of the Field where a Discovery has occurred. The Management Committee shall be entitled to obtain opinions, reports and studies, including a feasibility study, from independent third parties. If the results of the final appraisal report or the independent third parties opinion shows that:

- i) the proceeds from the sales of the quantities of Crude Oil forecasted to be produced are sufficient to recover the Petroleum Operations Expenditures, royalty, taxes and allow for a reasonable return on investment; and
- ii) the gas utilization scheme is in conformity with the laws and regulations,

then such Discovery shall be considered commercial. In such an event, unless the Second Party decides to withdraw from the Agreement with respect to such Discovery, the Management Committee shall declare a Commercial Discovery and adopt a Development Plan with respect to such Field, and immediately notify the Parties thereof. The JOC shall implement the approved Development Plan without unreasonable delay.

10.2 Subsequent Development Plan

The Management Committee may from time to time adopt subsequent Development Plan(s) with respect to a Commercial Discovery. The Operator shall prepare and submit to the Management Committee a subsequent Development Plan which shall be sufficiently detailed and comprehensive in scope to provide a basis for calculating Development Expenditures and determining Work Program and Budget requirements. The subsequent Development Plan should demonstrate that the proceeds from the sales of the quantities of Crude Oil forecasted to be produced is sufficient to recover the Petroleum Operations Expenditures, royalty and, tax and allow for a reasonable return on investment. If such subsequent Development Plan is approved by the Management Committee, Operator shall implement such subsequent Development Plan without unreasonable delay.

10.3 Sole Risk

10.3.1 Sole Risk by First Party

If the Management Committee members representing Second Party vote against any subsequent Development Plan for a Commercial Discovery presented by the Operator to enhance or maintain reservoir performance and/or reserves, First Party shall have the right, upon thirty (30) days notice served after the date of the Management Committee meeting in which the Second Party voted against the adoption of such subsequent Development Plan, to begin implementing, through Operator the said subsequent Development Plan at its sole cost and for its sole benefit. As of the date of start up of regular production from such subsequent Development Plan as notified by First Party, Second Party shall:

- a) cease to have any interest or receive any benefit from the respective Field;

- b) cease to participate in any Management Committee or Operator Management Committee meetings with respect to such Field; and
- c) Continue to receive all technical and financial reports produced by the Operator for a period of time not exceeding one (1) year as stipulated in Article 10.3.2.

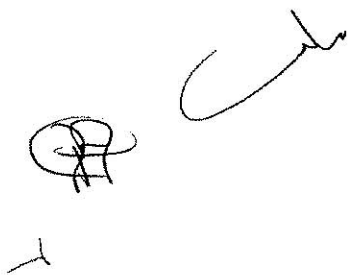
10.3.2 Rejoining by Second Party

Second Party shall have the option to rejoin in such subsequent Development Plan to be exercised not later than one (1) year from the date of start up of regular production from such subsequent Development Plan. The rejoining shall become effective upon, a) giving notice to that effect to First Party, and b) payment to First Party of an amount equal to Second Party's share of Development Expenditures (determined as per the terms of this Agreement) related to such subsequent Development Plan plus interest to be calculated at the rate of Libor plus five (5%) percentage points. It is understood that such interest shall not be considered as Petroleum Operations Expenditures for Second Party and shall not be recovered under this Agreement. Second Party shall be deemed to have forfeited its share of production for the period prior to its rejoining becoming effective.

ARTICLE 11
PRODUCTION PROGRAMS – LIFTING- MAKE-UP OF UNDERLIFTINGS

11.1 Production Programs

Six (6) months prior to the first Commercial Production Start Date of Crude Oil and Liquid Hydrocarbon By-Products, Operator shall present to the Management Committee for its consideration and approval a production program stating the quantities of Crude Oil and Liquid Hydrocarbon By-Products which Operator estimates will be produced and delivered to the Parties during the period from the anticipated Commercial Production Start Date to the end of the relevant Calendar Year. Thereafter and so long as the Agreement remains in effect, Operator shall, not later than six (6) months before the end of each Calendar Year, present a similar production program for the following year to the Management Committee for its consideration and approval. Each production program shall be suitably detailed and divided into such periods as may be requested by the Management Committee. The Management Committee shall promptly inform the Parties of each approved production program.



11.2 Lifting

First Party and each company comprising Second Party shall have the right and obligation to take in kind and separately sell or otherwise dispose of its total share of Crude Oil and Liquid Hydrocarbon By-Products in accordance with Article 12. After a Commercial Discovery has been declared by the Management Committee, the Parties and the Operator shall meet as soon as practicable to agree upon and enter into a separate detailed agreement governing the nomination of tankers and lifting of Crude Oil and Liquid Hydrocarbon By-Products produced hereunder. Such agreement shall include, inter alia, the following:

- (a) an obligation of First Party and each company comprising Second Party to lift its share of Crude Oil and Liquid Hydrocarbon By-Products produced hereunder regularly throughout each Calendar Year;
- (b) notification procedure by Operator to First Party and each company comprising Second Party concerning availability of Crude Oil and Liquid Hydrocarbon By-Products for lifting by each Party during each lifting period;
- (c) procedures for nomination of tankers by First Party and each company comprising Second Party for the lifting of all or part of its share of the available Crude Oil and Liquid Hydrocarbon By-Products in each lifting period; and
- (d) the right of First Party and each company comprising Second Party to lift any available Crude Oil and Liquid Hydrocarbon By-Products not scheduled for lifting and/or not lifted by the other Party during each lifting period, subject to Article 11.3 hereof.

11.3 Underlifting

In the event that during any given Calendar Quarter the quantity of Crude Oil and Liquid Hydrocarbon By-Products offtaken by either Party is less than the quantity of Crude Oil and Liquid Hydrocarbon By-Products such Party (referred to in this Article 11.3 as the "Underlifting Party") is entitled to offtake under Article 12 (the difference between such quantities being referred to in this Article 11.3 as the "Shortfall") and the Shortfall exceeds five hundred thousand (500,000) Barrels, then the Underlifting Party shall make up the Shortfall by offtaking over and above its share of Crude Oil and Liquid Hydrocarbon By-Products produced, ten percent (10%) of the Shortfall per month during each of the succeeding ten (10) months out of the other Party's share of Crude Oil and Liquid Hydrocarbon By-Products produced. Provided, however, that such other Party shall not, in any month, suffer under this provision a reduction of its share of Crude Oil and Liquid Hydrocarbon

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By-Products produced in such month, exceeding twenty percent (20%) of such share. Any quantity not made up pursuant to the above provisions of this Article 11.3 shall be treated in a manner to be agreed upon by the Parties.

ARTICLE 12
SHARING PETROLEUM PRODUCTION

12.1 Allocation of Crude Oil and Liquid Hydrocarbon By-Products and Natural Gas

For any Calendar Year or part thereof; Crude Oil, Liquid Hydrocarbon By-Products and Natural Gas produced under this Agreement ("Production") shall be allocated to the Parties as follows:

12.1.1 First Party Allocation

100% of Production less Second Party allocation according to Article 12.1.2 below shall be allocated to First Party.

12.1.2 Second Party Allocation

a) thirteen point seven percent (13.7%) of Production shall be allocated to Second Party for cost recovery until the cumulative value (determined in accordance with Article 12.3) of such allocation equals the cumulative Petroleum Operations Expenditures incurred by Second Party including its share of the Petroleum Operations Expenditures of such Calendar Year. Thereafter any excess of such allocation to Second Party, hereinafter referred to as "Excess Petroleum", shall be allocated as provided in Article 12.1.2(b).

b) Second Party's allocation of Excess Petroleum shall be determined by applying the following formula:

"Base Factor" multiplied by "A Factor" multiplied by "Excess Petroleum"
where

(i) the Base Factor at the indicated levels of the average total daily production of Crude Oil and Liquid Hydrocarbon by-Product, in Barrels, for the relevant Calendar Year shall be:

Portion of average total daily production
(Barrels per day)

Base Factor

[REDACTED]

[REDACTED]

The Base Factor for Natural Gas shall always be equal to one (1).

(ii) the A Factor at the indicated ratios of the cumulative value (determined in accordance with Article 12.3) of Production received by Second Party over the cumulative Petroleum Operations Expenditures incurred by Second Party shall be:

Ratio

A Factor

less than or equal to [REDACTED]
more than [REDACTED] but less than or equal to [REDACTED]
more than [REDACTED] but less than or equal to [REDACTED]
more than [REDACTED]

[REDACTED]

For purposes of this Article 12.1.2(b) (ii), the ratio applied to each Calendar Year shall be the ratio prevailing as of December 31 of the immediately preceding Calendar Year.

c) Allocations made under a) and b) above shall be revised and adjusted each Calendar Quarter during the current Calendar Year on the basis of the actual relevant data pertaining to the preceding Calendar Quarter.

12.2 Accounts

Operating Account records shall be maintained in Libyan Dinars and in U.S. Dollars. For purposes of this Article 12, Petroleum Operations Expenditures incurred by Second Party shall be determined according to that part of the Operating Account records which is maintained in U.S. Dollars and shall refer only to the actual costs and expenses paid by Second Party (determined on cash rather than an accrual basis, except for the Abandonment provisions).

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12.3 Valuation

12.3.1 For the purposes of determining the value of Crude Oil received by Second Party, the monthly weighted arithmetic average of the market price realized by the First Party on the world market (in arms' length trading between non-Affiliates) for the same Crude Oil or similar crude shall be applied.

Where the Crude Oil produced from Contract Area is of insufficient quantities and therefore is blended with other Crude Oil(s) to comprise blended stocks which do have a market price(s), then such market price(s) of the blended stock shall be applied.

12.3.2 For the purpose of determining the value of Natural Gas received by Second Party, the actual selling price according to the gas sales agreement shall be used.

12.3.3 For the purpose of determining the values of the Liquid Hydrocarbon By-Products, received by Second Party, the valuation shall be in accordance with the following:

- (a) Propane shall be valued at the monthly average of high/low spot Prices FOB X-REF/STOR. W.MED as published in Platt's LPG Gaswire.
- (b) Butane shall be valued at the monthly average of high/low spot prices, FOB X-REF/STOR. W.MED as published in Platt's LPG Gaswire.
- (c) C5+ stabilized condensates shall be valued as "Naphta" FOB MED basis Italy monthly average (Platt's) high/low quotations as published in Platt's European Marketscan.

12.4 Illustration

For illustrative purposes a sample allocation determined in accordance with this Article 12 is attached to this Agreement as Exhibit "E" and made a part hereof.

12.5 Taking in Kind

- a) First Party and each company comprising Second Party shall be entitled to take, receive, export and dispose of its respective portion of Production in kind; provided that, First Party shall have the first right of refusal to purchase all or part of the Second Party's share of Production under this Agreement which is traded on the world market, subject to the Parties mutually agreeing in advance on prices and procedures applicable thereto.



- b) First Party and each company comprising Second Party shall take and receive its respective share of Production hereunder at the delivery point to the transportation system or at such other point as the Parties may agree.

12.6 Production Rate

The production rate shall be set by the regulatory body in GSPLAJ. In the event that the production rate is set below the MER of the individual wells and the reservoir, any reduction shall be allocated amongst the producing companies then operating in GSPLAJ prorata according to their respective production rates, and the Parties shall consider an extension of the term of this Agreement for a reasonable period of time not to exceed five (5) Contract Years.

ARTICLE 13 NATURAL GAS

13.1 General

The provisions of this Agreement applicable to Crude Oil shall apply "mutatis mutandis" to Natural Gas unless otherwise specified herein.

13.2 Excess Associated Gas

13.2.1 If the proposed Development Plan submitted to the Management Committee provides for the commercialization of Excess Associated Gas, then upon approval of such Development Plan:

- (a) The Parties (as sellers) shall endeavour to conclude with buyers a long-term gas sales agreement(s) incorporating the principles set forth in Article 13.4.
- (b) When such gas sales agreement(s) is concluded, Operator shall commence implementation of the Development Plan and construct the necessary facilities, such as, but not limited to, the gathering, treating, compressing, transporting and processing facilities required for the production and delivery to the delivery point of Excess Associated Gas as specified in the Development Plan or as may be otherwise agreed to in the gas sales agreement(s).

13.2.2 If the Management Committee does not declare a Commercial Discovery for a Discovery of Crude Oil containing Excess Associated Gas due to lack of a gas utilization scheme, then First Party shall have the option to take the Excess Associated Gas, free of charge, at the delivery point which is immediately after the

gas oil separation plant(s). If the Management Committee then declares a Commercial Discovery: a) Operator shall operate the separation facilities which will permit the delivery as aforesaid; b) Costs of such operation shall be considered Exploitation Operations Expenditures; and c) First Party shall be responsible for the gathering at the delivery point specified in this Article 13.2.2, compressing and transporting of said Excess Associated Gas and shall bear all costs related thereto. Any receipt and disposition of such Excess Associated Gas by First Party shall be carried out in accordance with Good Oilfield Practices in a manner which will not unreasonably interfere with the Petroleum Operations regarding the said Commercial Discovery.

If First Party does not exercise the aforesaid option, the Parties shall meet to discuss an appropriate alternative.

13.3 Non-associated Gas

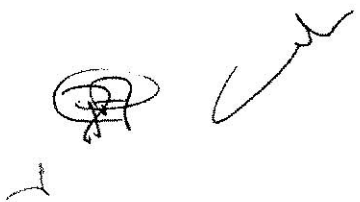
13.3.1 In the event of a Discovery of Non-Associated Gas, Operator shall prepare and submit to the Management Committee an appraisal program for review and approval.

13.3.2 If the Management Committee decides not to proceed with Appraisal Operations, then the Exploration Period shall be extended with respect to such Discovery for a period of five (5) Contract Years, provided that Second Party shall submit to the Management Committee a bi-yearly assessment for a gas exploitation scheme. After such extension, this Agreement shall terminate with respect to such Discovery unless an appraisal program is approved by the Management Committee.

13.3.3 If the Management Committee decides to proceed with Appraisal Operations, Operator shall without delay implement the appraisal program as approved by the Management Committee and prepare and submit to the Management Committee the final appraisal report according to Article 9.2, taking into consideration Article 13.4 below.

(a) The Management Committee shall review the proposed Development Plan according to Article 10.1 and decide whether the development and production of the Non-associated Gas is feasible.

(b) If the Management Committee decides that development and production of the Non-associated Gas is not feasible or Second Party decides not to proceed with the Development Plan, then this Agreement shall terminate with respect to such Discovery.



- (c) If the Management Committee decides that development and production of the Non-associated Gas is feasible, then it shall declare a Commercial Discovery and adopt a Development Plan. The Parties shall then execute the gas sales agreement pursuant to Article 13.4 below. Operator shall not commence Development Operations under the adopted Development Plan until such time as a gas sales agreement(s) has been executed.

13.3.4 If Second Party approves a Development Plan for a Discovery of Non-associated Gas but First Party does not approve such Development Plan, then this Agreement shall remain in force for the remaining term of this Agreement with respect to the Exploitation Area as identified in the proposed Development Plan.

13.4 Gas Sales Agreement

In case of a Discovery of Non-Associated Gas and/or availability of Excess Associated Gas, the Parties shall negotiate a gas sales agreement with buyer(s).

The disposition of Natural Gas under a long-term gas sales agreement between the Parties (as sellers) and buyer(s) of such Natural Gas shall, unless otherwise agreed by the Parties incorporate the following principles:

- 13.4.1 The Parties (as sellers) shall have the obligation to deliver the Natural Gas to the delivery point specified in the gas sales agreement, where the Natural Gas shall be metered.
- 13.4.2 The commencement of Natural Gas deliveries and the date by which buyer's facilities will be ready to accept deliveries of Natural Gas shall be specified in the gas sales agreement.
- 13.4.3 Pricing provisions shall be no less favorable than those applicable to gas sales into the same market and originating from competing sources, including, without limitation:
 - (a) base price reflecting the value of competing fuels in the marketplace which shall be in line with the level prevailing in the region for similar sales, taking into account appropriate location differential;
 - (b) an adjustment formula based on acceptable indicators of competing energy fuels in the market place and/or other appropriate indices such as inflation;

- (c) an acceptable combination of a floor price and a "Take-or-Pay" commitment from buyer so as to ensure the economic viability of the Development Plan; and
- (d) a price revision clause to provide for regular review of the pricing provisions to ensure that the resulting contractual price remains competitive in the marketplace.

13.4.4 If the Natural Gas is marketed pursuant to Article 13.5, the "Take-or-Pay" provision shall at least be applicable until the ratio for determining the "A-Factor" according to Article 12.1.2(b) (ii) [REDACTED]

13.4.5 Payment for Natural Gas shall be made by the buyer(s) at intervals provided for in the relevant gas sales agreement and shall provide for bank or other appropriate guarantees of amounts owed to the Parties hereunder.

13.5 Natural Gas for Domestic Use

13.5.1 The Parties agree to give priority to supply the domestic market in GSPLAJ from all or part of the Natural Gas produced under this Agreement.

13.5.2 The Parties (as sellers) and First Party or another local buyer ("local buyer") shall proceed in good faith to negotiate a gas sales agreement incorporating the principles set forth in Article 13.4 and the price shall be stipulated in accordance with Article 13.4.3 less [REDACTED]

For the purpose of determining the values of fuel oils referred to in the gas sales agreement for local market, the following shall be used:

- (a) low sulphur fuel oil (1% sulphur) shall be valued as cargo CIF MED, basis Genova-Lavera monthly average (Platt's) high/low quotations as published in Platt's Oilgram;
- (b) high sulphur fuel oil (3.5% sulphur) shall be valued as cargo CIF MED, basis Genova-Lavera monthly average (Platt's) high/low quotations as published in Platt's Oilgram; and
- (c) gas oil (0.2% sulphur) shall be valued as cargo CIF MED, basis Genova-Lavera monthly average (Platt's) high/low quotations as published in Platt's Oilgram.

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If Platt's as defined in Articles 12.3.3 and 13.5 ceases to be published or substantially changes the basis for pricing the products referred to in such Articles, either Party may request changes of the pricing quotes referred to in such Articles.

Second Party's share of the Natural Gas sold under the agreement referred to in Article 13.5.2 shall be paid by the local buyer in U.S. Dollars or other freely convertible currency or in kind from crude(s) and/or Liquid Hydrocarbon by-Products.

13.6 Transportation and Processing Agreement

The Parties shall enter into Natural Gas transportation and processing agreements with the owners of pipelines and, if necessary, processing facilities. First Party shall warrant that the terms and conditions of such agreement, to the extent such facilities are owned or controlled by First Party, shall not be less favorable than those granted to other shippers or users of the processing facilities, if any, according to the Petroleum Law.

ARTICLE 14
COSTS AND EXPENSES

14.1 Costs and Expenses of Petroleum Operations

14.1.1 All Exploration and Appraisal Expenditures shall be borne by Second Party.

14.1.2 All costs, expenses and liabilities incurred for Abandonment, Development Expenditures and Exploitation Capital Expenditures shall be shared between the Parties, fifty percent (50%) by First Party and fifty percent (50%) by Second Party.

14.1.3 Exploitation Operations Expenditures shall be shared between the Parties, eighty six point three percent (86.3%) by First Party and thirteen point seven percent (13.7%) by Second Party.

14.1.4 Costs, expenses and liabilities incurred for Petroleum Operations, other than costs, expenses and liabilities of Exploration and Appraisal Expenditures, Development Expenditures, Exploitation Capital Expenditures and Exploitation Operations Expenditures, shall be shared between the Parties eighty six point three percent (86.3%) by First Party and thirteen point seven percent (13.7%) by Second Party.



14.2 Determination of Costs and Apportionment by Management Committee

Costs, expenses and liabilities incurred for Petroleum Operations shall be determined in accordance with the Accounting Procedure attached hereto as Exhibit "C". Costs, expenses and liabilities incurred for Petroleum Operations but not directly attributable to Abandonment, Exploration Operations, Appraisal Operations or Development Operations, shall be apportioned by the Management Committee among the Fields and/or among the various operations and/or classes of costs in accordance with generally accepted accounting principles.

14.3 Head Office Overhead Charges

Head office overhead may be charged by the Second Party to the Operator; provided, however, that:

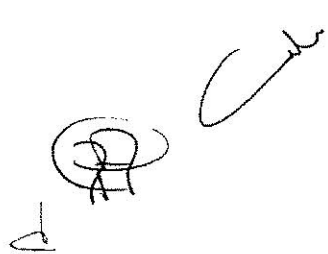
- (i) the allocation method for such overhead charges is the same as that used for the parent company's global operations and such allocation method is certified by the parent company's external auditor to be accurate and according to generally accepted accounting principles; and
- (ii) such charges do not in any Calendar Year exceed the lesser of a) [REDACTED] of the Petroleum Operations Expenditures of the Operator for such Calendar Year or b) the sum of [REDACTED]

14.4 Calls for Funds

After the declaration of a Commercial Discovery, Operator shall be entitled to make to First Party and each company comprising Second Party calls for the funds ("Cash Calls") to be contributed by such Party according to the Budget approved by the Management Committee and pursuant to the provisions of this Article 14, and First Party and each company comprising Second Party shall pay to Operator its share of the funds called as specified in the Accounting Procedure attached hereto as Exhibit "C".

14.5 Default in Contribution of Funds

If First Party or any company comprising Second Party fails to pay its share of any Cash Call, when due, such Party shall be in default and Operator shall notify the Parties thereof. The non-defaulting Party(ies) shall have the right to advance to Operator any and all amounts the defaulting Party has not paid. Any such advance shall be considered as a loan by the non-defaulting Party(ies) to the defaulting Party and shall bear interest at the rate per annum equal to [REDACTED]

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██████████ per annum from the date such advance is received by the Operator in addition to any actual handling costs.

In the event that the defaulting Party does not repay all such amounts to the non-defaulting Party(ies), together with interest accrued thereon, within ninety (90) days from the date on which such amounts were advanced by the non-defaulting Party(ies), the non-defaulting Party(ies) shall have the right to offtake and own the defaulting Party's share of production from the Contract Area up to the time when such offtaken production, valued at the market price prevailing on the date of lifting by the non-defaulting Party(ies), equals the aggregate of such amounts, together with interest accrued thereon.

ARTICLE 15
BONUSES AND MANNER OF PAYMENTS

15.1 Bonuses

15.1.1 Signature Bonus

- (a) Second Party shall pay to First Party, within forty five (45) days after the Effective Date of this Agreement, as a signature bonus, a lump sum amount of ██████████
- (b) Such signature bonus shall not be considered as Petroleum Operation Expenditures and shall not be recovered under this Agreement.

15.1.2 Production Bonus

Second Party shall pay to First Party a production bonus as follows:

- a) an amount of ██████████ to be paid in respect of each Commercial Discovery within sixty (60) days after Commercial Production Start Date of such Commercial Discovery; and
- b) an amount of ██████████ upon achieving cumulative production of one hundred million (100,000,000) Barrels of oil equivalent from each Commercial Discovery and thereafter, an amount of ██████████ upon achieving each additional thirty million (30,000,000) barrels of oil equivalent.

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All payments under this Article 15.1.2b) shall be made within forty five (45) days after the date of achieving the relevant cumulative production.

The production bonus shall not be considered as Petroleum Operation Expenditures and shall not be recovered under this Agreement.

15.2 Manner of Payments to First Party

All payments due to First Party under this Agreement shall be made in U.S. Dollars or any freely convertible currency as requested by First Party or in Libyan Dinars converted at the official buying rate of exchange for such currency issued by the Central Bank of GSPLAJ on the day on which such payments are paid. Such payments shall be made without setoff, counterclaim, or deduction of any nature.

ARTICLE 16
TITLE TO PURCHASED ITEMS

Material, equipment, machinery, articles and supplies ("Material") purchased by Operator during the Exploration Period shall become the property of First Party when first actually used in Petroleum Operations. Operator shall have the right to use such Material for Petroleum Operations under this Agreement free of charge.

Material not used in Petroleum Operations by the end of the Exploration Period shall remain the property of the Second Party and shall only be charged as Petroleum Operations Expenditures when used during Exploitation Period, subject to Article 3.2 of Exhibit "C".

Material purchased by Operator during the Exploitation Period shall become the property of First Party (a) immediately after purchase if purchased within GSPLAJ and (b) when landed at Libyan ports of import if purchased outside GSPLAJ.

Income from the sale or use by a third party of Material which becomes the property of First Party according to this Article, shall belong exclusively to First Party.

ARTICLE 17
TECHNICAL ASSISTANCE AND SERVICES
BY THE PARTIES AND AFFILIATES

First Party and each company comprising Second Party shall furnish, and shall cause their Affiliates to furnish, all assistance, including technical assistance, personnel (subject to the provisions of Articles 5.6 and 5.7 hereof), training and services, as may be requested by the Operator in connection with Petroleum Operations hereunder. All technical assistance and service contracts or arrangements of any nature shall be subject to the approval of the Management Committee.

ARTICLE 18
DATA

18.1 Use of Data

Second Party shall have the right to use and have access to all geological, geophysical, drilling, well production, well location maps and other information held by First Party related to the Contract Area, free of charge, and areas adjacent to the Contract Area, in consideration of the payment of fees as declared by NOC from time to time.

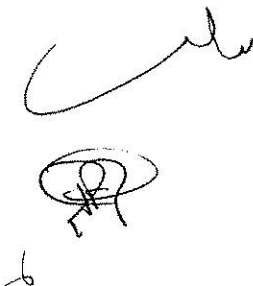
18.2 Title to Data

First Party shall have title to all original data resulting from Petroleum Operations under this Agreement, including, but not limited to: geological, geophysical, petrophysical and engineering data; well logs and completion status reports; and any other data Operator may compile or obtain during the term of this Agreement. Second Party is entitled to retain and use a copy of all such data, subject to Article 18.3.

18.3 Confidentiality

Second Party acknowledges the proprietary rights of First Party in all data referred to in this Article 18 and agrees to treat all such data as confidential.

Each company comprising Second Party may disclose any such information to its employees to the extent required for efficient conduct of Petroleum Operations, provided such individuals have signed an undertaking relating to the confidentiality of the information as part of their employment contract or to Affiliates and

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consultants, or to bona fide prospective assignees of rights under this Agreement or to banks or financial institutions from which finance is sought, provided that such company comprising Second Party obtains from such entities prior to disclosure a written confidentiality undertaking. In the case of disclosure to prospective assignees, any disclosure of such information shall require the prior written consent of First Party, which consent shall not be unreasonably withheld.

Each company comprising Second Party may disclose information as and to the extent required by a regulatory or judicial authority having proper jurisdiction over such company comprising Second Party, provided that First Party is notified of such disclosure and the information disclosed.

Each company's comprising Second Party obligation of confidentiality under this Article 18.3 shall be of a continuing nature and shall not be canceled by the expiration, suspension or termination of this Agreement.

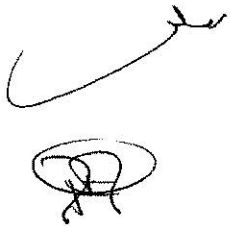
ARTICLE 19
RENTS, ROYALTY AND INCOME TAXES

19.1 Royalties and Taxes

19.1.1 Each company comprising Second Party shall be subject to royalty and corporate income tax imposed by the Petroleum Law under this Agreement.

19.1.2 First Party agrees to meet and discharge any royalty and corporate income tax obligations relating to each company's comprising Second Party share of production as imposed by the Petroleum Law.

Each company comprising Second Party shall prepare the corporate income tax declaration as required by the Petroleum Law and submit same to First Party for review and audit one month prior to the due date for submitting the declaration to the relevant tax authority. First Party shall notify such company comprising Second Party of any comments thereon, in which event such company comprising Second Party shall prepare a revised corporate income tax declaration incorporating such comments and submit same to First Party prior to the due date mentioned above. First Party shall process the tax declaration and obtain a tax certificate from the competent tax authority in the name of each company comprising Second Party, substantially in the form attached hereof as Exhibit "F". Such certificate shall promptly be delivered to each company comprising Second Party



For the purpose of corporate income tax and royalty calculations, the official selling price of GSPLAJ shall be used for calculating the revenue derived from disposal of Crude Oil, the actual selling price according to the gas sales agreement(s) shall be used for calculating the revenue derived from disposal of the Natural Gas and for calculating the revenue derived from disposal of Liquid Hydrocarbon by-Products, the prices referred to in Article 12.3.3 shall be used.

19.2 Customs Duties

Second Party shall be exempt from customs duties according to the Petroleum Law.

19.3 Rentals and Fees

Second Party shall be exempt from payment of rentals and fees with respect to the Contract Area.

19.4 Other Income

For purposes of determining Libyan taxes and other Libyan Governmental charges due from Second Party, Second Party shall not be allowed to charge costs incurred under this Agreement against income realized under other agreements; nor shall income under this Agreement be consolidated with income from other activities.

ARTICLE 20
BOOKS, ACCOUNTS AND AUDITS

20.1 Operator's Responsibility for Books and Accounts

Operator shall be responsible for keeping complete books and accounts reflecting costs, expenses and liabilities of Petroleum Operations under this Agreement, consistent with Good Oilfield Practices as described in the Accounting Procedure attached hereto as Exhibit "C".

20.2 Audits

Each Party shall have the right to inspect and audit, at its own cost, Operator's books and accounts relating to this Agreement for any Calendar Year within the period of three (3) years following the date of submission of the annual account related to such Calendar Year. Any such audit shall be completed within twelve (12) months from its commencement, and any exceptions shall be made in writing

within ninety (90) days following the end of such audit. Failure to give such written exceptions within such time shall establish the correctness of Operator's books and accounts, except in the case of manifest error.

ARTICLE 21
GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws and regulations of GSPLAJ, including, without limitation, the Petroleum Law.

ARTICLE 22
FORCE MAJEURE

22.1 Excuse of Obligations

Any failure or delay on the part of a Party in the performance of its obligations or duties hereunder shall be excused to the extent attributable to force majeure. Force majeure shall include, without limitation: Acts of God; insurrection; riots; war; and any unforeseen circumstances and acts beyond the control of such Party which render the performance of its obligations impossible.

22.2 Notification

The Party whose ability to perform its obligations is affected by force majeure shall notify the other Party thereof in writing within thirty (30) days after date of occurrence of the force majeure event, stating the cause.

22.3 Extension of Term; Termination

If operations are delayed, curtailed or prevented by force majeure, and the time for carrying out obligations under this Agreement is thereby affected, the term of this Agreement and all rights and obligations hereunder shall be extended for a period equal to the period thus involved.

The Parties shall meet as soon as possible after notification of force majeure with a view to mitigating the effects thereof. Failing to reach an agreeable arrangement, this Agreement shall terminate if force majeure continues for a period of two (2) years from the date of notification pursuant to Article 22.2 hereinabove.




ARTICLE 23
SETTLEMENT OF DIFFERENCES - ARBITRATION

23.1 Amicable settlement

The Parties shall make every effort to settle amicably any dispute arising under this Agreement.

23.2 Arbitration

Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be finally settled by arbitration, in accordance with the Rules of Arbitration of the International Chamber of Commerce, in Paris, France, in Arabic or English as the Parties may agree, by three (3) arbitrators. Each Party shall appoint one arbitrator, and the International Chamber of Commerce shall appoint the third arbitrator who must be in no way related to either Party and who will be the Chairman of the arbitration body. The Parties agree that, in the event that an arbitration is commenced under the Guarantee attached hereto as Exhibit "D" involving the same subject matter as an arbitration commenced hereunder, the arbitrations shall be consolidated and treated as one arbitration, with the arbitral body being the tribunal appointed pursuant to the foregoing provision of this Article 23.

ARTICLE 24
ASSIGNMENT

24.1 Assignment by First Party

First Party may freely assign this Agreement or any of its rights or obligations hereunder upon written notice to Second Party.

24.2 Assignment by Second Party

Any company comprising Second Party may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of First Party.

No assignment by any company comprising Second Party shall be allowed before

[REDACTED]

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Notwithstanding any assignment by any company comprising Second Party in accordance with the provisions of this Article 24.2, the assignor shall be jointly and severally liable with its assignee for all of its obligations hereunder, unless the assignee has provided First Party with a guarantee covering its share of the commitment during the Exploration Period similar to the guarantee provided by the parent company of the assignor, or First Party, during the Exploitation Period, has provided a waiver to the joint liability condition. In the event that the company comprising Second Party appointed as Operator assigns its interest, it shall continue to act as Operator except to the extent that a new Operator has been appointed pursuant to Article 5.1 hereof.



ARTICLE 25
TERMINATION

25.1 Right of Termination

First Party shall have the right (in addition to all other rights, powers and remedies provided to First Party hereunder or otherwise) to terminate the Agreement upon thirty (30) days' notice to Second Party in the event that:

25.1.1 Where any company comprising Second Party:

- (a) fails to make any payment (or any part thereof) required to be made by it to First Party under this Agreement when and as the same shall become due and payable (whether by acceleration or otherwise);

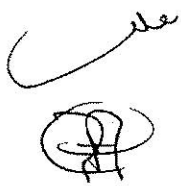
(b) is in material breach of any of its other obligations under this Agreement;

In either case, First Party shall give notice to the relevant company comprising Second Party, specifying the breach, and demanding that the relevant company comprising Second Party remedy same. If, within ninety (90) days after the receipt of such notice, the relevant company comprising Second Party does not remedy the breach or is not in the process of diligently proceeding to remedy the breach, First Party may terminate this Agreement in respect to such company comprising Second Party.

25.1.2 Where any company comprising Second Party and/or its Guarantor under Exhibit "D" hereto:

- (a) shall institute proceedings to be adjudged bankrupt or insolvent, consent to or suffer the institution of any such proceedings against it, seek or suffer reorganization under court order, seek the benefit of any law for the relief of debtors, make an assignment for the benefit of creditors, admit in writing its inability to pay its debts generally as they become due, or perform any other generally recognized act of insolvency or bankruptcy, or the general financial responsibility or condition of any company comprising Second Party or its Guarantor under Exhibit "D" hereto shall otherwise become impaired or changed so as to affect adversely its ability to perform its respective obligations under this Agreement or the Guarantee set forth in Exhibit "D" hereto; or
- (b) shall without the written consent of First Party (which shall not be unreasonably withheld), merge into or consolidate with any other entity, or a controlling voting block of the voting securities or other ownership interest in any company comprising Second Party or its Guarantor shall be acquired after the date hereof by one person or entity or by more than one person or entity acting as a group, or
- (c) fail to provide any funds (or any part thereof) required to be provided by it for Petroleum Operations under this Agreement when and as the same become due and payable in accordance with the Accounting Procedure attached hereto as Exhibit "C", and such default shall continue for a period of six (6) months.

In the event that any company comprising Second Party and/or its Guarantor is affected by any of the events under (a) and (b) such company comprising Second Party, and/or its Guarantor shall notify First Party of such an event within thirty (30) days from its occurrence.



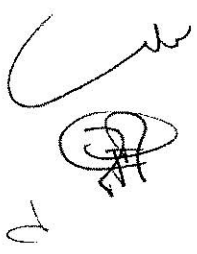
25.1.3 If less than all the companies comprising Second Party are affected by any of the circumstances described in Articles 25.1.2(a) or 25.1.2(b) or 25.1.2(c) above, then First Party shall terminate this Agreement only with respect to the affected company(ies) and the non-affected company(ies) may elect to take over the affected company(ies) interests and assume all its liabilities and obligations by giving First Party notice within sixty (60) days from the date of First Party's notice of termination.

25.2 Acceleration

In the event of any termination of this Agreement by First Party pursuant to this Article 25 or any other provision of this Agreement, all amounts of whatever nature owed by the affected company(ies) comprising Second Party to First Party under this Agreement shall become immediately due and payable.

ARTICLE 26
ABANDONMENT

- 26.1 All costs, expenses and liabilities for Abandonment related to Exploration Operations and Appraisal Operations shall be considered Exploration and Appraisal Expenditures.
- 26.2 Each Party shall bear and finance fifty percent (50%) of the costs, expenses and liabilities for Abandonment which may be incurred as a result of Development Operations and Exploitation Operations.
- 26.3 Without prejudice to Article 26.8, Abandonment provisions shall be calculated in accordance with Article 26.6 and shall be included in the Petroleum Operations Expenditures for each Field in the Contract Area. Second Party's share of such Abandonment provisions shall be recovered as per the terms of this Agreement.
- 26.4 As soon as the ratio indicated in Article 12.1.2 (b) (ii) for the Contract Area equals or exceeds one (1.0), the Operator shall submit to the Management Committee for approval, plans and cost estimates for the Abandonment operations for each Field in the Contract Area. Such cost estimates shall be updated each Calendar Year.
- 26.5 Once Abandonment cost estimates are approved, Operator shall amend the current Budget to include an Abandonment provision for each Field for that current Calendar Year and shall thereafter include in the annual Budget of each Calendar Year an updated Abandonment provision for each Field.



26.6 Annual Abandonment provisions ("AP") for each Field shall be determined for each Calendar Year on the basis of the following formula:

$$AP = (UE - AA) \times PR / RRR$$

Where:

UE: is the Abandonment cost estimate for the relevant Field as updated for the current Calendar Year pursuant to Article 26.5.

AA: is the accumulated amounts of the Abandonment provisions budgeted as per Article 26.5 for the relevant Field for previous years plus any accumulated interest as per Article 26.7 below.

PR: is the anticipated annual production for the relevant Calendar Year from the relevant Field.

RRR: is the estimate of remaining recoverable reserves for the remaining term of this Agreement for the relevant Field.

26.7 Operator shall make a monthly special Cash Call to Second Party only for Second Party's share of the Abandonment provisions budgeted for the relevant Calendar Year. Operator shall deposit such amounts in a special interest bearing bank account established by First Party and dedicated to fund Abandonment operations in the Contract Area.

Second Party shall be relieved from any liability related to Abandonment operations in the Contract Area to the extent of the accumulated amounts paid by Second Party in the said account.

26.8 If production terminates within the term of this Agreement or both Parties decide to abandon a Field before the end of the term of this Agreement, Operator shall proceed with the Abandonment operations and shall make Cash Calls to the First Party to cover the Abandonment costs. Any un-abandoned fixed assets shall be left in a safe condition.

Notwithstanding the provisions of Article 26.2, in the event that Second Party's share of the actual Abandonment costs exceeds the accumulated Abandonment provisions paid by it, Second Party shall be liable for and pay its share of the balance to the Operator.

If, at the end of this Agreement, First Party decides to continue the Petroleum Operations, Second Party shall be discharged from any costs of Abandonment related to future Petroleum Operations, which shall be borne by First Party alone, it

being understood that Second Party shall have no claims with respect to any Abandonment provisions deposited by it under 26.7.

First Party shall indemnify and hold Second Party harmless against any claim relating to such future Petroleum Operations carried out in the Contract Area. Provided that Second Party shall indemnify and hold First Party harmless against any claim arising from previous joint Petroleum Operations to the extent of its share under the Agreement for a period of time not exceeding fifteen (15) years.

26.9 The provisions of Article 26.8 shall also apply in case of withdrawal by Second Party pursuant to Article 3.3.2; in case the sole risk option becomes final and effective pursuant to Article 10.3; and in case of termination of this Agreement pursuant to Article 22.3.

ARTICLE 27
MISCELLANEOUS

27.1 Notices

All notices, proposals and other communications to a Party provided for in this Agreement shall be in writing and shall be deemed to have been properly given and received when delivered during regular business hours at the office of such Party or sent by registered mail.

All such notices shall be addressed to:

NATIONAL OIL CORPORATION
Bashir Sadawi Street
P.O. Box 2655
Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: Secretary of the People's Committee

Verenex Energy Area 47 Libya Limited

Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: _____

Medco International Ventures Limited

Tripoli, Great Socialist People's Libyan Arab Jamahiriya

ATTN: _____

First Party and any company comprising Second Party may substitute or change its address stated above to another address in the Great Socialist People's Libyan Arab Jamahiriya upon written notice thereof to the other Party(ies).

27.2 No Waiver; Cumulative Remedies

No failure of either Party to exercise, nor any delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Without prejudice to Article 23 hereof, all rights, powers and remedies provided hereunder are (whether or not expressly so stated elsewhere in this Agreement with respect to any particular right, power or remedy) cumulative and not exclusive of any other rights, powers and remedies provided by law or otherwise.

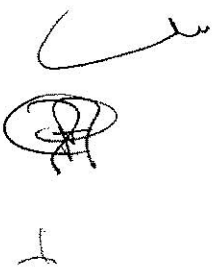
27.3 Amendments

This Agreement shall not be amended or modified in any respect except by the mutual consent in writing of the Parties executed and approved in the same manner as this Agreement.

27.4 Satisfactory Documentation

27.4.1 On or prior to the Signature Date, each company comprising the Second Party shall furnish to First Party:

- (a) a list of those individuals authorized to represent each company comprising Second Party in its dealings with First Party;
- (b) a certificate of the Secretary or other similar officer of each company comprising Second Party certifying as to the authority and incumbency of each person named in clause (a) above and the person(s) executing this Agreement



on behalf of such company comprising Second Party, and a certificate of the Secretary or other similar officer of the Guarantor under Exhibit "D" hereto certifying as to the authority and incumbency of the person(s) executing the Guarantee set forth in said Exhibit "D";

- (c) such other documentation, including, without limitation, a special or general power of attorney empowering the person(s) executing this Agreement on behalf of each company comprising Second Party and the person(s) executing the Guarantee set forth in Exhibit "D" hereto on behalf of the Guarantor therein to act in such capacity, as may reasonably be requested by First Party;
- (d) updated copies of the Charter and By-laws of each company comprising Second Party and of its Guarantor under Exhibit "D" hereto, certified by the respective Secretary or other similar officer thereof;
- (e) an updated balance sheet and income statement of each company comprising Second Party which participated in winning bid and of its Guarantor under Exhibit "D" hereto, certified by independent public accountants satisfactory to First Party.

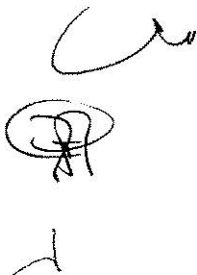
27.4.2 Each company comprising Second Party shall at all times keep current the information required to be given to First Party under Article 27.4.1 above, shall provide First Party with each subsequent balance sheet and income statement of each company comprising Second Party and of its Guarantor under Exhibit "D" hereto (certified as above provided), and shall furnish to First Party such other information and documentation concerning the financial and corporate status of each company comprising Second Party and said Guarantor as may from time to time reasonably be requested by First Party.

27.5 Entirety of Agreement

This Agreement constitutes the entire agreement of the Parties and supersedes any and all prior understandings or agreements in respect of the subject matter of this Agreement.

27.6 No Third Party Beneficiaries

Nothing in this Agreement is intended or shall be construed to confer upon or give to any person or entity any rights as a third party beneficiary of this Agreement or any part hereof.



27.7 Conflict in Terms

In the event of a conflict between the terms and conditions of the main Agreement and its Exhibits, the first shall prevail.

27.8 Language

This Agreement is made in six (6) originals, three (3) in the Arabic language and three (3) in the English language, all having equal validity.

27.9 Headings

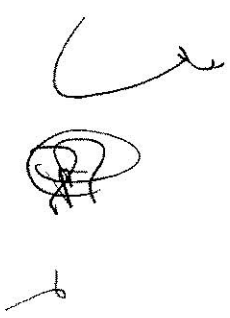
The Article headings used in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or in any way effect the construction of this Agreement.

27.10 Indemnity

Second Party hereby agrees to indemnify First Party against all claims, losses or damage caused by or resulting from any operations conducted by it under or in connection with this Agreement during the Exploration Period (except to the extent that such claims, losses and damage resulted from an action taken upon written instruction of First Party), provided that the First Party shall notify and consult with the Second Party as regards the conduct of any proceedings relating to any such claim, losses or damage and shall not oppose the joinder of the Second Party as a third party to any such proceedings.

27.11 Effective Date

This Agreement shall become effective on the Effective Date. First Party shall notify Second Party of the approval of this Agreement by the General People's Committee of GSPLAJ.



IN WITNESS WHEREOF, the Parties have executed this Agreement in Tripoli, Great Socialist People's Libyan Arab Jamahiriya, on the date first above written.

NATIONAL OIL CORPORATION

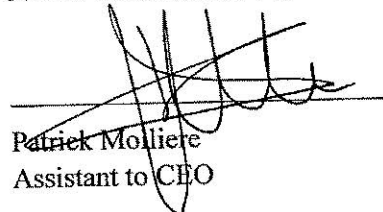
Verenex Energy Area 47 Libya Limited



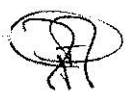
Abdulla Salem El Badri
Secretary of Management Committee

Robert Anthony Christensen
Director

Medco International Ventures Limited



Patrick Molliere
Assistant to CEO



6

VERENEX ENERGY INC.

EXHIBIT "A"

Attached to and made a part of the Exploration and Production Sharing Agreement between NATIONAL OIL CORPORATION and Verenex Energy Area 47 Libya Limited and Medco International Ventures Limited dated the _____ day of Safar, 1373, corresponding to the twelfth day of March, 2005.

“CONTRACT AREA”

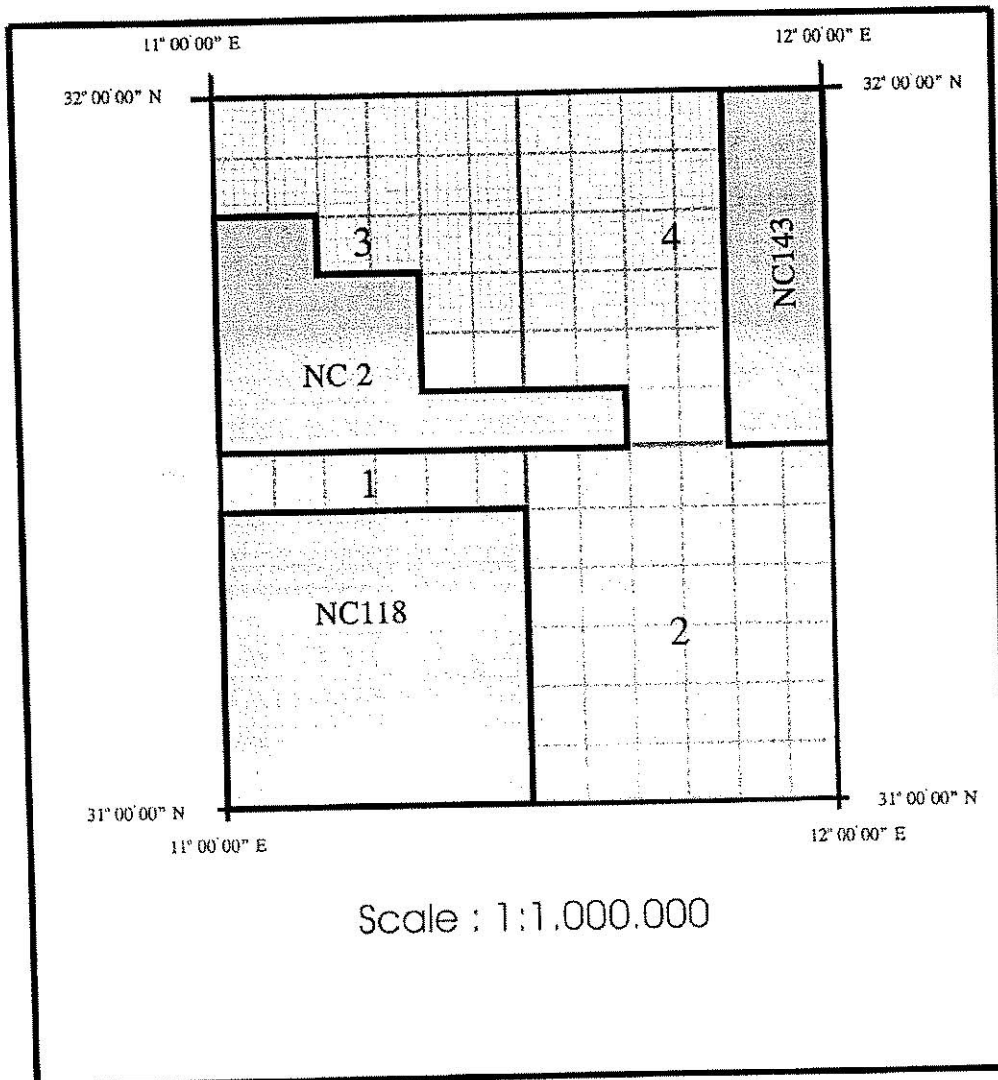
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National Oil Corporation

Area: 047

Number of Blocks: 4

Open Acreage: 6,182 sq. km



Handwritten signatures and initials.

Area: 047 – Description

Block : 1

Starting at the intersection of			31° 00' 00" Latitude
		and	11° 00' 00" Longitude
Thence	East	till	11° 30' 00" Longitude
"	North	"	31° 30' 00" Latitude
"	West	"	11° 00' 00" Longitude
"	South	"	Point of Origin

Excluded Area (NC118)

Starting at the intersection of			31° 00' 00" Latitude
		and	11° 00' 00" Longitude
Thence	East	till	11° 30' 00" Longitude
"	North	"	31° 25' 00" Latitude
"	West	"	11° 00' 00" Longitude
"	South	"	Point Of Origin

Block : 2

Starting at the intersection of			31° 00' 00" Latitude
		and	11° 30' 00" Longitude
Thence	East	till	12° 00' 00" Longitude
"	North	"	31° 30' 00" Latitude
"	West	"	11° 30' 00" Longitude
"	South	"	Point Of Origin

Block : 3

Starting at the intersection of			31° 30' 00" Latitude
		and	11° 00' 00" Longitude
Thence	East	till	11° 30' 00" Longitude
"	North	"	32° 00' 00" Latitude
"	West	"	11° 00' 00" Longitude
"	South	"	Point Of Origin

Excluding (NC2)

Starting at the intersection of			31° 50' 00" Latitude
		and	11° 00' 00"Longitude
Thence	East	till	11° 10' 00"Longitude
"	South	"	31° 45' 00"Latitude
"	East	"	11° 20' 00" Longitude
"	South	"	31° 35' 00"Latitude
"	East	"	11° 30' 00" Longitude
"	South	"	31° 30' 00"Latitude
"	West	"	11° 00' 00" Longitude
"	North	"	Point of Origin

Block : 4

Starting at the intersection of			31° 30' 00" Latitude
		and	11° 30' 00"Longitude
Thence	East	till	12° 00' 00"Longitude
"	North	"	32° 00' 00"Latitude
"	West	"	11° 30' 00" Longitude
"	South	"	Point of Origin

Excluding (NC143)

Starting at the intersection of			31° 30' 00" Latitude
		and	11° 50' 00"Longitude
Thence	East	till	12° 00' 00"Longitude
"	North	"	32° 00' 00"Latitude
"	West	"	11° 50' 00" Longitude
"	South	"	Point Of Origin

Excluding (NC2)

Starting at the intersection of			31° 30' 00" Latitude
		and	11° 30' 00"Longitude
Thence	East	till	11° 40' 00"Longitude
"	North	"	31° 35' 00"Latitude
"	West	"	11° 30' 00" Longitude
"	South	"	Point of Origin.

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EXHIBIT "B"

Attached to and made a part of the Exploration and Production Sharing Agreement between NATIONAL OIL CORPORATION and Verenex Energy Area 47 Libya Limited and Medco International Ventures Limited dated the _____ day of Safar, 1373, corresponding to the twelfth day of March, 2005.

EXPLORATION PROGRAM

During the Exploration Period, Second Party shall, as a minimum, carry out the following Exploration Program with respect to the entire Contract Area:

1. conduct such number of seismic crew-months as may be necessary to survey one thousand (1000) kilometres of two dimensional (2D) seismic lines; and
2. conduct such number of seismic crew-months as may be necessary to survey two hundred square (200) kilometres of three dimensional (3D) seismic lines; and
3. conduct such number of rig-months as may be necessary to complete the drilling of three (3) New-Field Wildcat Well.








EXHIBIT "C"

Attached to and made a part of the Exploration and Production Sharing Agreement between NATIONAL OIL CORPORATION and Verenex Energy Area 47 Libya Limited and Medco International Ventures Limited dated the ____ day of Safar, 1373, corresponding to the twelfth day of March, 2005.

ACCOUNTING PROCEDURE

1. General Provisions

1.1 Definitions

All terms used in this Accounting Procedure and defined in Article 1 of the Agreement shall have herein the meaning ascribed to them in said Article 1. In addition, the following terms shall have the following meaning:

- (a) "Advance" shall mean payment of cash required to be made by the Parties pursuant to a Cash Call.
- (b) "Cash Call" shall mean any request for funds made by the Operator to the Parties in accordance with the Agreement.
- (c) "Controllable Material" shall mean Material which is ordinarily subject to record, control and inventory in accordance with Good Oilfield Practice.
- (d) "Material" shall mean and include any and all materials, equipment, machinery, articles and supplies acquired and held for use in Petroleum Operations.
- (e) "Operating Account" shall mean the account or set of accounts maintained by Operator to record all charges and credits related to Petroleum Operations Expenditures.



1.2 Purpose and intent of Accounting Procedure

- 1.2.1 The purpose of this Accounting Procedure is to establish methods and rules of accounting for the Petroleum Operations under the Agreement.
- 1.2.2 Any procedure established herein may be modified by mutual agreement of the Parties.
- 1.2.3 No charge shall be made to the Operating Account unless from such charge some direct or indirect benefit is derived for the Petroleum Operations covered by the Agreement.

1.3 Operating Account Records

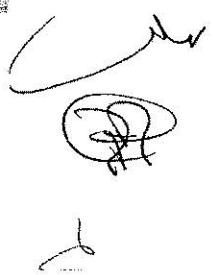
- 1.3.1 Operator shall open and maintain all accounts and records necessary to record in reasonable detail and in separate accounts the transactions relating to Exploration Operations, Appraisals, Development Operations and other Petroleum Operations, in accordance with generally accepted and recognized accounting principles consistent with Good Oilfield Practice, all in accordance with and subject to the provisions of the Agreement.
- 1.3.2 Operator shall maintain appropriate cost control records as required to meet requirements and obligations under the Agreement.
- 1.3.3 Production records shall be maintained as may be required by the laws and regulations of the GSPLAJ, but further supplementary records may also be maintained.
- 1.3.4 The Operating Account shall be maintained in Libyan Dinars and in U.S. Dollars on Operator's premises in the GSPLAJ, using the exchange rate prevailing on the date of payment.

1.4 Advances and Cash Requirements

- 1.4.1 After a Commercial Discovery is made, Operator shall be entitled to make to each Party monthly Cash Calls covering estimated future expenditures in respect of costs, expenses and liabilities to be incurred for Petroleum Operations related to such Commercial Discovery, all in accordance with and subject to the terms of the Agreement.



- 1.4.2 At least thirty (30) days prior to the beginning of each month, Operator shall, on the basis of the annual Work Program and Budget (broken down by quarters) approved by the Management Committee pursuant to the Agreement, transmit to each Party a statement of the aforesaid estimated expenditures to be made in respect of each of the succeeding three (3) months for Petroleum Operations other than Exploration Operations and Appraisals.
- 1.4.3 For purposes of this paragraph, the estimated expenditure to be made in each month is the estimated cash outlay for such month, including any payment for liabilities accrued during previous months. The estimate for the first such month shall, at Operator's option, constitute a Cash Call. The estimates for the second and third succeeding months shall be tentative only and may be revised in subsequent submittals.
- 1.4.4 Operator may use its discretion in dividing the approved Budget among the months of a Calendar Year based on its estimated cash requirements for the respective months. The aforesaid statement shall indicate the currencies in which sums are needed for Petroleum Operations other than Exploration Operations and Appraisals, as well as the place designated by Operator for payments.
- 1.4.5 Each Party shall pay its Cash Calls in full on or before the due date in accordance with the terms of the Agreement and in such currency, as requested by Operator, within fifteen (15) days after receipt of such request or on the first day of the month for which the Advances are required, whichever is later. If payments of Advances are not so paid, the unpaid balance shall carry interest for each month or pro-rata portion thereof, in accordance with Article 14.5 of the Agreement.
- 1.4.6 In case Advances for a given month are not sufficient to cover the cash requirements (within the limits of the approved Budget or authorized overrun), Operator shall transmit to each Party a supplementary Cash Call showing such additional amounts to be Advanced by each Party, and the date the funds are required.
- 1.4.7 Each Party shall furnish to Operator on the date requested its share of Advances indicated in each supplementary Cash Call, provided at least ten (10) days' notice is given by Operator. Operator shall keep records of Advances and payments in all currencies and submit a statement to each Party showing such Advances and payments in each currency. Adjustments for over and under-calls shall be settled for each currency separately according to the provisions of Article 1.6 of this Accounting Procedure.



The Operator shall open and maintain for the Petroleum Operations separate interest bearing bank accounts in such currencies as Advances are requested. Such interest shall be credited to the Operating Account.

1.5 Statements and Reports

Within thirty (30) days after the end of each month, Operator shall submit to each Party a statement of the costs, income, expenses and liabilities incurred in such month for the year to date and inception to date figures for Exploration Operations, Appraisals, Development Operations and Exploitation Operations. The monthly statements shall include all balance sheet accounts.

Such statements shall be in Libyan Dinars and U.S. Dollars and shall consist of a statement of the charges and credits to the Operating Account properly summarized by nature and in such a way as to permit a comparison between the costs, expenses and liabilities incurred and the budgeted amounts. The amount billed to each Party shall be on the basis of the provisions of the Agreement. A detailed description shall be given of unusual charges and credits. At the time of submission of each monthly statement, Operator shall indicate adjustments to the statement which will be necessary to account for cash expenditures incurred during the month for which such statement is submitted.

Within sixty (60) days from the end of each Calendar Year, Operator shall submit to each Party a statement of the final costs, expenses and liabilities incurred during such Calendar Year for all operations under the Agreement such as Exploration Operations, Appraisals, Development Operations and other Petroleum Operations, shown separately together with statements of the Operating Account including all balance sheet items.

1.6 Settlement of Overpayments and Underpayments

If Advances by a Party for a given month are not sufficient to cover the Party's share of the monthly costs provided in this Accounting Procedure, such Party shall pay the difference together with the payment of the next succeeding Cash Call.

If Advances by a Party for a given month are in excess of said Party's share of the monthly costs, the difference shall be deducted from the amount due by said Party at the next succeeding Cash Call, provided that if the amount to be



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deducted is larger than the next succeeding Advance, Operator shall promptly reimburse the excess amount to said Party.

1.7 Adjustments

Payments of any Advance shall not prejudice the right of any Party to protest or question the correctness of any amount included in a billing statement. All Statements rendered to a Party by Operator during any Calendar Year shall be presumed to be true and correct, except in the case of manifest error, after three (3) Calendar Years following the end of any such Calendar Year unless within the said three (3) Calendar Years period such Party takes written exception thereto and makes claim on Operator for adjustment or unless such Party carries out an audit and submits an exception within the period provided in Article 20.2 of the Agreement. Failure on the part of a Party to make claim on Operator for adjustment within the applicable period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon, except in the case of manifest error.

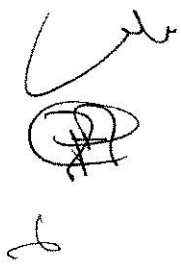
1.8 Audits

Each Party, upon written notice to Operator, shall have the right, at its sole cost, to audit Operator's accounts and records relating to the accounting hereunder for any Calendar Year within a three (3) Calendar Year period following the date on which Operator submitted the annual account related to such Calendar Year and submit a report covering the exceptions within the period provided in Article 20.2 of the Agreement. Each Party shall make every reasonable effort to conduct audits in a manner which will result in a minimum of inconvenience to Operator. The audit report will be submitted to the Operator within ninety (90) days of completing the audit.

The Operator shall give a written reply to the report within three (3) months of receipt of the report.

All agreed adjustments resulting from an audit shall be made promptly in the Operating Account by the Operator and reported to each Party.

Any unresolved disputes arising in connection with an audit shall be referred to the Management Committee for settlement.



2. Petroleum Operations Charges

Subject to the provisions of the Agreement and of this Accounting Procedure, Operator shall charge the Operating Account with all costs and expenses incurred in connection with the Petroleum Operations carried out under the Agreement. In respect of Exploitation Operations Expenditures relating to production of Liquid Hydrocarbon By-Products together with Natural Gas, such Exploitation Operations Expenditures shall be allocated pro-rata to barrels of oil equivalent. Such costs and expenses shall include, but shall not be limited to, the following items:

2.1 Labor

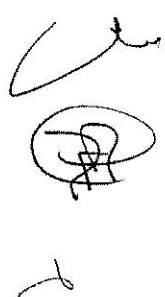
2.1.1 Salaries and wages of Operator's employees engaged for the benefit of the Petroleum Operations under the Agreement, whether temporarily or permanently assigned, in accordance with the relevant employment contract agreement. Salaries and wages shall include gross pay to employees as reflected on Operator's payrolls.

To the extent not included in salaries and wages, the Operating Account shall also be charged with overtime, rest, holiday, vacation pay and vacation travel pay, sickness and disability benefits, accommodation costs, bonuses and other customary allowances applicable to the salaries and wages as well as costs to Operator for employee benefits and all costs incidental to the employment of personnel.

2.1.2 Expenditures or contributions made pursuant to assessments imposed by Libyan authorities which are applicable to Operator's labor costs or salaries and wages.

2.1.3 Costs of a Party's personnel who are seconded or assigned to Operator. These costs shall be established by the terms and conditions of the service contract.

2.1.4 For personnel not assigned exclusively to the Petroleum Operations carried out under the Agreement, the amounts referred to above shall be charged to the Operating Account according to the procedure defined in Article 2.11(i) below.

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2.2 Material

Material purchased for or furnished to the Petroleum Operations shall be charged in accordance with Article 3 hereunder. All such Material shall be stored in a separate warehouse and separate stock accounts shall be maintained therefor.

2.3 Transportation

2.3.1 Transportation of Material necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs.

2.3.2 Employee transportation costs, to the extent covered by the established policy of Operator, shall include travel expenses for employees and their families to and from the employees' points of origin at the time employment commences, at the time of final departure and for vacations, as well as travel expenses in the GSPLAJ for employees and their families incurred as a result of transfers from one location to another, and travel expenses relating to the periodical recuperation leaves of personnel.

2.4 Buildings

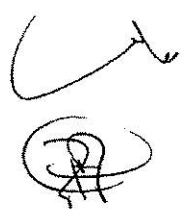
Building costs, maintenance and related costs and rents paid for all offices, houses, warehouses and other types of buildings and cost of equipment, furniture, fixtures and supplies necessary for the operation of such buildings and facilities, all in the GSPLAJ.

2.5 Services

2.5.1 The service of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid or incurred for the use of any equipment and facilities. The aforesaid services shall be charged to the Operating Account at the price paid by Operator.

2.5.2 Use of equipment and facilities of Operator or Parties as provided in Article 3.4 hereof.

2.5.3 Services rendered by Second Party or their Affiliates shall be charged to the Operating Account in accordance with the provisions of a Service Contract



between Operator and the Parties or their Affiliate as approved by the Management Committee.

2.5.4 Per diem at a rate per day as approved by the Management Committee, plus travel expenses, living and accommodation expenses for expert employees of Operator or a Party or its Affiliate called on from areas other than the GSPLAJ for periods of short duration.

2.6 Damages and Losses

All costs or expenses necessary to replace or repair damages or losses not recovered from insurance incurred by fire, flood, storm, theft, accident, or any other cause not within the control of Operator or not within Operator's liability as per Article 5.9 of the Agreement. Operator shall furnish the Management Committee written notice of damages or losses in excess of [REDACTED] as soon as practicable after report of the same has been received by Operator.

2.7 Legal Expenses

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, of the Parties in and under the Agreement, including attorneys' fees and expenses, as hereinafter provided, together with all judgments obtained against the Parties or any of them on account of the operations under the Agreement, and actual expenses incurred with the prior consent of the Parties by any Party hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the operations hereunder. In the event that actions or claims affecting the joint interests hereunder shall be handled by the legal staff of one or more of the Parties hereto, a charge commensurate with the cost of providing and furnishing such services may be made to the Operating Account. Any settlement of claims or litigation above U.S Dollars [REDACTED] shall be subject to the approval of the Management Committee.

2.8 Taxes

Subject to the provisions of the Agreement, all Libyan taxes of every kind, levies, duties, imposts or any other such charges assessed or levied upon or in

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connection with the Petroleum Operations and which taxes have been paid by Operator for the benefit of the Parties hereto.

2.9 Insurance and Claims

2.9.1 Premiums paid for insurance required by law or authorized by the Management Committee for Petroleum Operations, it being understood that, for those insurances subscribed by Operator at a world level (if permitted under Libyan law), a share of premiums proportional to Petroleum Operations carried out under the Agreement shall be charged to the Operating Account.

2.9.2 All actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages and judgments and any other expenses, including legal services, shall be charged to the Operating Account. The Operating Account shall be credited with all settlements received from insurance carriers or others.

2.10 Currency Exchange

The gain or loss, if any, through currency conversion or exchange.

2.11 General and Administrative Expenses

Operator shall charge the Operating Account with the costs of the personnel, and related office costs, performing administrative, legal, accounting, purchasing, treasury, employee relations, computer services and other similar functions in Operator's offices in the GSPLAJ not charged under the preceding provisions of this Accounting Procedure. In the event such personnel and office costs are not fully attributable to the Petroleum Operations carried out under the Agreement, the charge shall be as follows:

- (i) Personnel costs to be charged to the Operating Account shall be determined according to the actual time spent by the personnel for Petroleum Operations as evidenced by the summary of the "time sheets" adopted by the Operator's organization in the GSPLAJ.
- (ii) Other office costs will be charged to the Operating Account pro rata to the direct costs of personnel as determined pursuant to clause (i) above. The system of allocation of expenses above provided for may be amended from

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time to time by the Parties if, in practice, it is found to be inaccurate or inequitable.

2.12 Head Office Overhead

The head office overhead will be charged to the Operating Account in accordance with Article 14.3 of the Agreement.

2.13 Other Expenditures

Any other legitimate expenditures, other than expenditures which are covered by the foregoing provisions of this Article 2, incurred by Operator for the performance of Petroleum Operations under the Agreement.

2.14 Currency of Operating Account

Operating Account records shall be maintained in Libyan Dinars and in U.S. Dollars on the Operator's premises in the GSPLAJ. Conversion of Libyan Dinars into U.S. Dollars and vice versa shall be at the rate of exchange fixed by the Central Bank of the GSPLAJ from time to time.

Costs and expenditures incurred as well as Advances made in currencies other than Libyan Dinars and U.S. Dollars shall be converted into Libyan Dinars and U.S. Dollars at the monthly average of the buying and selling official rate quoted by the Central Bank of the GSPLAJ, for the currency in question in the month in which such costs and expenditures were incurred or Advances made. Any gain or loss resulting from the application of the aforesaid conversions shall be credited or debited as the case may be to the respective cost centers of the Operating Account as a non-cash cost. It is understood that none of the Parties shall experience a gain or loss at the expense of or to the benefit of the other Parties due to exchange or conversion of currencies.

3. Basis Of Charges To Operating Account

3.1 Purchases

Material purchased from third parties shall be charged at cost price paid by Operator after deduction of all discounts actually received, plus actual costs including duties to deliver the materials to areas covered by the Agreement.

3.2 Materials Furnished by Parties

Material required for Petroleum Operations shall be purchased for direct charge to the Operating Account whenever practicable, except that the Parties may furnish such Material from their stock under the following conditions:

(a) New Material

New Material transferred from a Party's warehouse or other properties shall be priced at new price. New price, as used herein, shall mean the cost price as per the stock ledger of such Party maintained in the GSPLAJ provided that the cost of Material so transferred is not higher than international prices plus all delivery costs for Material of similar quality supplied on similar terms, prevailing at the time such Material was transferred.

(b) Used Material

The price charged for used Material will be new price, as hereinabove defined, discounted by a percentage representing the Material utilization. Technicians according to the condition of the Material shall assess such percentage.

It is understood, however, that Material purchased for use in the Petroleum Operations shall be stored in a separate warehouse and that such Material should satisfy normal requirements for the Petroleum Operations.

3.3 Warranty of Material Furnished by Parties

The Party furnishing the new Material does not warrant the Material furnished beyond the dealer's or manufacturer's guarantee, and in case of defective Material, credit shall not be passed until adjustment has been received by said Party furnishing Material hereunder from manufacturers or their agents.

3.4 Use of Parties' Exclusively Owned Equipment and Facilities

For the use of any such wholly owned equipment, the Operating Account shall be charged a rental commensurate with the cost of ownership and operation. The rental rates, which will not include any profit element, will be approved by the Management Committee each Calendar Year. Such rates should not

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exceed rates obtainable from other contractors in the area, unless otherwise agreed between the Parties.

3.5 Distribution of Petroleum Operations Expenditures

For the purpose of this Accounting Procedure, the Petroleum Operations Expenditures shall be distributed between the Crude Oil, Natural Gas and Liquid Hydrocarbon By-Products streams prorata to their respective production volumes.

For the purpose of cost recovery calculations, the Second Party excess profit shall be distributed among the Production streams, prorata to their respective values as stipulated in Exhibit "E".

3.6 Services Rendered by Affiliates of the Parties

Technical and professional services, including, but not limited to, laboratory analysis, drafting, geophysical and geological interpretation, engineering, and related data processing, performed by the Parties or by any of their Affiliates for the benefit of the Petroleum Operations shall be charged at cost determined according to the cost accounting of such Party or its Affiliate, as the case may be.

4. Inventories

4.1 Periodic Inventories, Notice and Representation

At reasonable intervals, at least once annually, inventories shall be taken by Operator of all Controllable Material and physical assets entered into the Operating Account. Written notice of intention to take inventory shall be given by Operator at least ninety (90) days before any inventory is to begin so that the Parties may be represented when any inventory is taken. Failure of the Parties to be represented at an inventory shall bind the Parties to accept the inventory taken by Operator, who shall in that event furnish the Parties with a copy thereof.

4.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Operating Account shall be made and a list of overages and shortages shall be furnished to the Parties. Inventory



adjustments shall be made by Operator to the Operating Account if required provided, however, that any inventory adjustment over a value of U.S. Dollars [REDACTED] shall be subject to the approval of the Management Committee.

4.3 Special Inventories

Whenever there is a sale or change of participating interest in the Agreement, a special inventory may be taken by the Operator. The seller and/or purchaser of such participating interest shall bear all of the expense thereof. In such case, both the seller and the purchaser shall be entitled to be represented and shall be bound by the inventory so taken, whether represented or not.

5. Assets Register

Operator shall maintain an asset register showing the cost of assets purchased or installed or constructed, location of such assets, and assets disposed of or scrapped.

6. Disposal of Material and/or Assets

Operator shall inform the Management Committee of any surplus of disposable Material and/or assets and shall act with respect to such Material and/or assets according to the instructions of the Management Committee. Any proceeds of disposal of such material and/or assets by Operator with the authorization of the Management Committee shall be credited to the appropriate accounts in accordance with the provisions of Article 16 of the Agreement.

7. Sums Received From Third Parties

Without prejudice to Article 16 of the Agreement, all sums received from any third party, in compensation for the use by them of Material held and facilities built for Petroleum Operations shall be credited to the Operating Account.

8. Special Abandonment Account

Subject to Article 26 of the Agreement, First Party shall establish a special account for the sole purpose of depositing such abandonment provisions to be designated as the "Abandonment Fund".



VERENEX ENERGY INC.

All amounts received from Second Party based on a Cash Call raised by Operator against the abandonment provisions, as per Article 26 of the Agreement and shall be deposited in the Abandonment Fund and recorded in the Operating Account. The Abandonment Fund shall be adjusted according to the actual expenditures of the Abandonment cost.

Second Party shall pay any short fall for its share of the Abandonment costs and Operator shall raise any Cash Call required for such expenditures. Any remaining amounts in the Abandonment Fund shall be credited to First Party account.





EXHIBIT "D"

GUARANTEE

By

VERENEX ENERGY Inc.

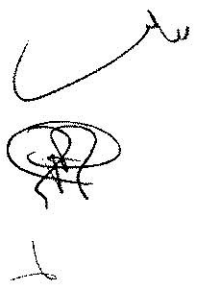
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EXHIBIT "D"
GUARANTEE

THIS GUARANTEE is made in Tripoli, Socialist People's Libyan Arab Jamahiriya, on this ____ day of Safar, 1373, corresponding to the twelfth day of March, 2005, by Verenex Energy Inc., a corporation duly constituted and existing under the laws of Alberta, Canada, having its principal office at Calgary, Canada (hereinafter referred to as the "Guarantor"), to NATIONAL OIL CORPORATION, a corporation duly constituted and existing under the laws of the Socialist People's Libyan Arab Jamahiriya, and having its principal office in Tripoli, Great Socialist People's Libyan Arab Jamahiriya (hereinafter referred to as "NOC").

WHEREAS, the Guarantor is the parent entity of Verenex Energy Area 47 Libya Limited, a Corporation duly constituted and existing under the laws of the Jersey, with a branch in the Socialist People's Libyan Arab Jamahiriya, registered in the Commercial Register of Tripoli under No. _____ (hereinafter referred to as "Verenex"); and

WHEREAS, the Guarantor desires to furnish this Guarantee as contemplated by the Exploration and Production Sharing Agreement ("EPSA") to which this Guarantee is attached, as an inducement to NOC to enter into the EPSA and in consideration of the rights and benefits inuring to Verenex under the EPSA.

NOW, THEREFORE, the Guarantor hereby agrees as follows:

1. Scope of Guarantee

The Guarantor hereby guarantees to NOC the timely payment and performance of any and all indebtedness and obligations whatsoever of Verenex to NOC arising under or relating to the EPSA, including, without limitation, the payment of any amounts required to be paid by Verenex to NOC under the EPSA when and as the same shall become due and payable; provided, however, that the liability of the Guarantor to NOC hereunder shall not exceed _____ during the Exploration Period.

2. Waiver of Notice, Agreement to All Modifications

The Guarantor hereby waives notice of the acceptance of this Guarantee and of the state of indebtedness of Verenex at any time, and expressly agrees to any extensions,

renewals, modifications or acceleration of sums due to NOC under the EPSA or any of the terms thereof, all without relieving the Guarantor of any liability under this Guarantee.

3. Absolute and Unconditional Guarantee

The obligations of the Guarantor hereunder shall be an absolute, unconditional, and (except as provided herein) unlimited guarantee of payment and performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to Verenex.

4. No Discharge of Guarantor

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by any release or surrender by NOC of any collateral or other security it may hold or hereafter acquire for the payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either for or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

5. No Prior Action Required

NOC shall not be required to make demand for payment or performance first against Verenex or any other person, firm or corporation or to proceed against any collateral or other security which may be held by NOC or otherwise to take any action before resorting to the Guarantor hereunder.

6. Cumulative Rights

All rights, powers and remedies of NOC hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to NOC by law or otherwise.

7. Continuing Guarantee

This Guarantee is intended to be and shall be construed as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as there is any commitment during the Exploration Period to be fulfilled or there exists any liability of Verenex relating to the Exploration Period to NOC thereunder.



8. Notice of Demand

Upon default in the performance of any of the obligations of Verenex guaranteed hereunder, NOC or its duly authorized attorney may give written notice to the guarantor at its principal office in Suite 3050 400-4th Avenue SW Calgary, AB T2P0J4 Canada of the amount due, and the Guarantor, within a period of ten (10) business days, will make, or cause to be made, payment of such amount as noticed, in U.S. Dollars, in Tripoli, Socialist People's Libyan Arab Jamahiriya, at such bank or other place as NOC shall designate and without setoff or reduction whatsoever of such payment in respect of any claim the Guarantor or Verenex may then have or thereafter might have.

9. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of NOC. This Guarantee and every part hereof shall inure to the benefit of the successors and assigns of NOC.

10. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by NOC.

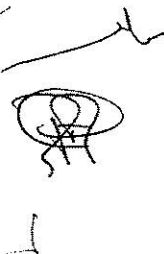
11. Payment of Expenses

The Guarantor shall pay to NOC all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness hereby guaranteed or in enforcing the EPSA or this Guarantee.

12. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of the Socialist People's Libyan Arab Jamahiriya.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce, in Paris, France, by three arbitrators. Each party shall appoint one arbitrator, and the International Chamber of Commerce shall appoint the third arbitrator who must be in no way related to either party and who will be the



Chairman of the arbitral body; provided, however, that in the event that an arbitration involving obligations hereby guaranteed has also been commenced under the EPSA, the arbitration hereunder shall be consolidated with such arbitration under the EPSA and the arbitral body shall be the first appointed arbitral body appointed pursuant to the EPSA or the Guarantee.

13. Severability of Provisions

Any provision hereof which may, for any reason, prove illegal, unenforceable or invalid shall not affect the validity or enforceability of other provisions hereof.

14. Confidentiality

The Guarantor agrees to treat this Guarantee and the EPSA to which it is attached as confidential and shall not disclose the terms and conditions hereof or thereof, willingly or unwillingly, to any third party without the prior written consent of NOC, except to the extent required by law.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be executed on the date first above written.

Verenex Energy Inc.

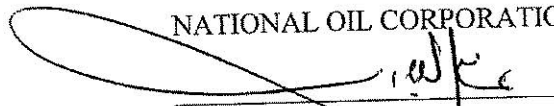


JAMES D. McFARLAND

President and CEO

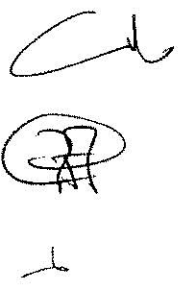
Accepted by

NATIONAL OIL CORPORATION



Abdulla Salem El Badri


Secretary of Management Committee



VERENEX ENERGY INC.

GUARANTEE

By
PT Medco Energi Internasional Tbk



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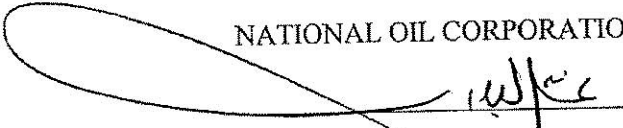
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Accepted by

NATIONAL OIL CORPORATION



Abdulla Salem El-Badri
Secretary of the management Committee

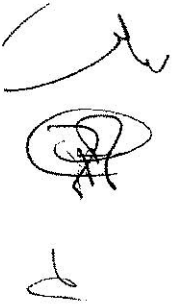


EXHIBIT "E"

Attached to and made a part of the Exploration and Production Sharing Agreement between NATIONAL OIL CORPORATION and Verenex Energy Area 47 Libya Limited and Medco International Ventures Limited dated the ____ day of Safar, 1373, corresponding to the twelfth day of March, 2005.

EXAMPLE CALCULATION to DETERMINE
EACH PARTY'S SHARE of PETROLEUM
(Numbers for illustration only)

[REDACTED]

[Handwritten marks]

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EXHIBIT "F"

RECEIPT OF TAX PAYMENT (EXAMPLE)

Great Socialist People's Libyan Arab Jamahiriya

RECEIPT OF TAX PAYMENT



Name: -----
Title: -----
Date: -----

Cm

(Signature)

d

VERENEX ENERGY INC.

EXHIBIT "G"

SHAREHOLDERS AGREEMENT

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SHAREHOLDERS AGREEMENT

BETWEEN




NATIONAL OIL CORPORATION

and

Verenex Energy Area 47 Libya Limited

and

Medco International Ventures Limited

THIS AGREEMENT is made and entered into the day of, corresponding to the day of, by and between:

- (1) NATIONAL OIL CORPORATION ("NOC") or ("First Party") a corporation established by Law No 24 of 1970 as amended and reorganised under Decision No 10/1979 of the General Secretariat of the General People's Congress of the Great Socialist People's Libyan Arab Jamahiriya {"GSPLAJ"}; and
- (2) Verenex Energy Area 47 Libya Limited ("Verenex"), a Corporation established under the laws of Jersey, having its registered office at Templar House, Don Road, St. Helier, Jersey JE4 8WH and shall have a branch office in Tripoli, GSPLAJ.
- (3) Medco International Ventures Limited ("MIV"), a company established under the laws of Labuan, Malaysia, having its registered office in Jalan Bahasa, 8700 Labuan FT, Malaysia and shall have a branch office in Tripoli, GSPLAJ.

Both Verenex and MIV hereinafter collectively referred to as Second Party

NOC, Verenex and MIV are referred to individually as "Party" and collectively as "the Parties",

WHEREAS :

- (A) NOC, Verenex and MIV entered into an Exploration and Production Sharing Agreement dated ("EPSA") to carry out Petroleum Operations in the Contract Area; and
- (B) A Commercial Discovery has been declared by the Management Committee in the Contract Area; and
- (C) The EPSA contemplates that the Parties set up a joint operating company (the "Company") upon declaring the first Commercial Discovery thereunder to act as Operator under the EPSA according to an operating agreement to be entered into between the Parties and the Company; and
- (D) NOC, Verenex and MIV wish to regulate the principles governing their relations in the Company and lay down the basic rules of its structure and organisation.

NOW THEREFORE it is hereby agreed as follows:



1. DEFINITIONS

Words and expressions defined in the EPSA when used in this Operating Agreement shall have the meanings ascribed to them in EPSA unless the context otherwise requires. For the purpose of this Agreement the following terms shall have the following meaning:

- 1.1 "Board"
means the board of directors of the Company;
- 1.2 "Branch"
means the branch of the Company referred to in Article 8 hereinafter;
- 1.3 "Shareholder"
means any holder of Shares and "Shareholders" means all holders of Shares;
- 1.4 "Shares"
means shares of capital stock of the Company;

2. THE COMPANY

- 2.1 A joint stock company (the "Company") shall be incorporated under the laws of(the "Jurisdiction").
- 2.2 The name of the Company shall be

3. LEGAL STRUCTURE

Memorandum and articles of association of the Company shall be prepared according to the requirements of the Jurisdiction and shall incorporate, to the extent legally possible, the principles set forth in this Agreement.

4. CAPITAL

The authorized and issued capital of the Company shall be US Dollars (..... US\$) all paid by and upon incorporation by the respective Shareholder according to their share holding percentage set forth below.

5. SHAREHOLDING

- 5.1 NOC and Second Party as Shareholders shall each subscribe to the following number of shares of the authorised and issued capital of the Company:

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NOC : fifty one percent (51%)
Second Party : forty nine percent (49%)

5.2 The Shares of the Company shall only be transferable to Affiliates of the Shareholders or their assignor, if any. The Shareholders shall cause the directors of the Company to adopt a resolution to the effect that this limitation on transferability be properly embodied in all issued Share certificates.

6. MANAGEMENT

6.1 The Company shall be managed by the Board of Directors consisting of four (4) members who shall be the same members of the Management Committee appointed under the EPSA.

6.2 A quorum of three (3) directors present and in attendance shall be required for the validity of any Board meeting; and all resolutions and decisions to be taken by the Board shall require a unanimous vote of the directors present and in attendance.

6.3 In the absence of a quorum at any meeting duly convened by a resolution of the Board or by notice served to all directors not less than (10) calendar days before such meeting, the director(s) in attendance may without further notice adjourn such meeting to the seventh following calendar day, at the same time and venue as originally convened. The quorum required for the validity of such adjourned Board meeting shall be one (1) director from NOC and one (1) director from Second Party present and in attendance.

6.4 The Shareholders shall cause the chairman of the Company to be one of the directors designated by NOC; and the treasurer to be the director designated by Second Party.

7. CONDUCT OF BUSINESS

7.1 The undertaking by the Company of any activities, other than the carrying out through the Branch and as Operator of Petroleum Operations related to the EPSA, shall require the previous consent in writing of the Shareholders.

7.2 Insofar as the activities of the Company shall remain within the limits herein above defined, it is the intent of the Shareholders that the Branch be managed and operated on a strict no profit -no loss basis.

8. BRANCH

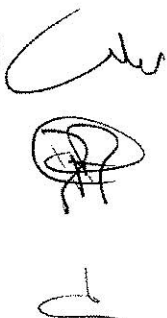
- 8.1 The Company shall register and properly establish a branch in GSPLAJ ("Branch").
- 8.2 The Branch is structured so as to be able to carry out such Petroleum Operations as may be entrusted to the Company.

9. ORGANISATION OF THE BRANCH

- 9.1 The business and affairs of the Branch of in its capacity as Operator for the conduct of Petroleum Operations shall be managed by a committee, "Operator's Management Committee" consisting of three (3) members, two of whom, including the chairman, shall be designated by NOC and the other one shall be designated by Second Party.
- 9.2 The basic organisation and structure of the Branch shall be in accordance with the standard principles usually adopted in the international oil industry.
- 9.3 Each member of the Operator's Management Committee shall be vested with executive duties and responsibilities and shall supervise operating division(s) and department(s) of the Branch ("Operating Divisions").
- 9.4 The Operating Division to be entrusted to each member of the Operator's Management Committee shall be consistent with the basic organisation chart which shall be approved by the Management Committee.
- 9.5 The activities and functions of the Operator's Management Committee shall in all cases be subject to the overall guidance and direction of the Management Committee.

10. OPERATOR'S MANAGEMENT COMMITTEE

- 10.1 The Operator's Management Committee shall be responsible for the ordinary organisation and structure of the Branch and the performance in GSPLAJ of such Petroleum Operations as may be entrusted to the Company, both in accordance with the standard principles usually adopted in the international oil industry. The Operator's Management Committee shall further have the task to secure the necessary coordination among the Operating Divisions and therefore the overall management of the Branch, and will exercise such other powers as may be conferred upon it by the Board.



10.2 The duties of the Operator's Management Committee shall in particular include the preparation and review the policies for the administrative, financial and technical affairs of the Branch, the policies to be implemented for a proper establishment of its organisation and structure, and the policies concerning training and qualification programs for Libyan nationals in order to enable them to gradually assume positions at all levels; all in accordance with the relevant terms of the EPSA and Operating Agreement.

10.3 All decisions made by the Operator's Management Committee shall be taken by simple majority vote of its Members.

11. DELEGATION OF AUTHORITY

The Board shall delegate to the chairman of the Operator's Management Committee such powers of attorney as are required in order for him to validly represent and bind the Branch vis-a-vis third parties to the extent necessary for the conduct of Petroleum Operations entrusted to the Branch by the Management Committee. Such powers of attorney shall be granted by the Board to the chairman of the Operator's Management Committee as soon as he is duly and properly appointed.

12. TERM

This Agreement shall remain in full force and effect as long as the EPSA is in effect unless terminated by an instrument in writing by NOC and Second Party and shall not be amended or modified in any respect, except by the mutual consent in writing of the Parties hereto.

13. WAIVER

The failure of any Party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, or of the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

14. GOVERNING LAW AND ARBITRATION

The Governing Law and Arbitration provisions of the EPSA shall apply to this Shareholders Agreement.



IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

NATIONAL OIL CORPORATION

Verenex Energy Area 47 Libya Limited

.....

.....

By:

By:

Title:

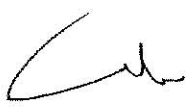
Title:

Medco International Ventures Limited

.....

By:

Title:



VERENEX ENERGY INC.

EXHIBIT "H"

OPERATING AGREEMENT

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OPERATING AGREEMENT

Between

NATIONAL OIL COPOPRATION

and

Verenex Energy Area 47 Libya Limited

and

Medco International Ventures Limited

and

(.....)

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VERENEX ENERGY INC.

THIS OPERATING AGREEMENT is made and entered into in Tripoli, the Great Socialist People's Libyan Arab Jamahiriya ("GSPLAJ"), the day of, corresponding to the day of, by and among.

NATIONAL Oil CORPORATION ("NOC") , a corporation established by law No.24 of 1970 as amended and reorganised under Decision No.1011979 of the General Secretariat of the General People's Congress of the ("GSPLAJ"), having its principal office at Bashir Sadawi Street, Tripoli, GSPLAJ; hereinafter referred to as "NOC" or "First Party.

and

(2) Verenex Energy Area 47 Libya Limited ("Verenex"), a Corporation established under the laws of Jersey, having its registered office at Templar House, Don Road, St. Helier, Jersey JE4 8WH and shall have a branch office in Tripoli, GSPLAJ.

(3) Medco International Ventures Limited ("MIV"), a company established under the laws of Labuan, Malaysia having its registered office in Jalan Bahasa, 8700 Labuan FT, Malaysia and shall have a branch office in Tripoli, GSPLAJ.

Both Verenex and MIV hereinafter collectively referred to as Second Party

NOC, Verenex and MIV are referred to individually as "Party" and collectively as "the Parties",

and

..... (hereinafter referred to as " _____ " or "Operator") a company established under the laws of _____ and having a branch registered in the Commercial Register of Tripoli, GSPLAJ, under No. _____ with an office at _____, GSPLAJ.

WHEREAS:

A) NOC and Second Party entered into an Exploration and Production Sharing Agreement ("EPSA") dated; and

B) A joint stock company (.....) has been established to act as Operator under the EPSA upon and subject to the terms and conditions hereinafter contained; and

C) The Parties have resolved to appoint as Operator to carry out Petroleum Operations on behalf of the Parties in the Contract Area; and

D) The Parties hereto deem it convenient to establish in this Operating Agreement certain uniform operating procedures for the conduct of Petroleum Operations under the EPSA.

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the Parties hereby agree as follows:

1. DEFINITIONS

Words and expressions defined in the EPSA when used in this Operating Agreement shall have the same meanings ascribed to them in the EPSA unless the context otherwise requires.

2. SCOPE

The purpose of this Operating Agreement is to establish the respective rights and obligations of the Parties and Operator with regard to the conduct of Petroleum Operations under the EPSA.

3. OPERATIONS:

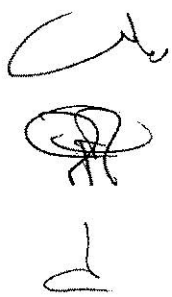
3.1 Appointment of Operator

Subject to the supervision and direction of the Management Committee, is hereby appointed, and hereby agrees to serve as Operator to conduct Petroleum Operations with respect to the EPSA in accordance with the terms and conditions of this Agreement. shall not resign as Operator without the prior written consent of the Parties and, in the absence of such consent, shall continue to act as Operator during the term of this Operating Agreement, except to the extent that the Parties appoint a new Operator.

3.2 Conduct of Operations

3.2.1 The Operator shall conduct all Petroleum Operations and in particular implement the Development Plan on behalf of the Parties in accordance with this Operating Agreement, the EPSA, the decisions of the Management Committee, and the Petroleum Law.

3.2.2 Immediately upon the Effective Date of this Operating Agreement, the Operator shall prepare a policy and procedures manual regulating the technical, financial, contracting and other rules and procedures for the carrying out of Petroleum



Operations under the EPSA and shall submit the same for approval to the Management Committee within three(3) months from the date hereof. The Operator shall strictly comply with such manual, when so approved, in the performance of its duties hereunder.

3.3 Certain Duties of the Operator

Throughout the term of this Agreement, Operator shall conduct the Petroleum Operations diligently and continuously and shall be governed in accordance with the applicable provisions of the Petroleum Law and all other applicable laws and regulations of the GSPLAJ, in particular laws and regulations concerning the protection of health, safety and environment.

In addition to all other obligations of Operator set forth elsewhere in this Operating Agreement, Operator shall have the following obligations:

- 3.3.1 to carry out all of its other duties set forth in this Operating Agreement and the EPSA and promptly implement all decisions of the Management Committee; and
- 3.3.2 to conduct Petroleum Operations other than Exploration Operations and Appraisal Operations in the Contract Area in a manner consistent with Good Oilfield Practices; and
- 3.3.3 to prepare the Development Plan in accordance with provisions of the EPSA and submit Work Programs to the Management Committee and to implement the Development Plan and Work Programs adopted by the Management Committee, by appropriate scientific methods and in the most efficient and economic manner; and
- 3.3.4 to prepare and furnish to the Parties all relevant reports and information for technical meetings as provided for in clause 12.6 of this Operating Agreement at least fifteen (15) days before such meetings; and.
- 3.3.5 to purchase or lease all material, equipment, machinery, articles and supplies required to be purchased or leased pursuant to the Work Program, subject to the prior consent of the Management Committee in case the aggregate value of the purchase or lease contract exceeds the amount of [REDACTED] and [REDACTED]
- 3.3.6 to pay all costs and expenses incurred by it in respect of Petroleum Operations under this Operating Agreement when due and payable from bank accounts maintained by the Operator for that purpose and pay to the appropriate

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authorities within the periods prescribed by the applicable law and regulations all taxes and duties that are applicable to the activities of the Operator; and

- 3.3.7 Salvage and dispose of all economically recoverable material, equipment and supplies, which have become obsolete, surplus, or junk, in accordance with the procedure approved by Management Committee and the applicable regulations, and credit the proceeds in accordance with the provisions of the Accounting Procedure; and
- 3.3.8 to keep the Parties informed of the course of all Petroleum Operations under this Agreement and to provide the Parties with progress reports on the Petroleum Operations for each Calendar Quarter; and
- 3.3.9 to promptly notify the Management Committee of claims and litigation relating to operations under this Operating Agreement and prosecute, defend or settle such claims and litigation; provided, however, that the Operator shall notify the Management Committee of any settlement up to [REDACTED] and seek the prior approval of the Management Committee for any settlement in excess of [REDACTED]; and
- 3.3.10 to conduct an assessment of the impact of each planned Petroleum Operations on the environment in the relevant part of the Contract Area and submit to the Management Committee prior to the commencement of such Petroleum Operations a detailed assessment report containing the measures required to be taken to ensure that the conduct of the Petroleum Operations does not cause damage to the environment; and
- 3.3.11 to permit representatives of the Parties to inspect at all reasonable times the conduct of Petroleum Operations under this Agreement; and
- 3.3.12 to maintain in GSPLAJ full original records of all technical operations under this Agreement and to submit to the Parties, in a format and media as may be required by them, copies of all original geological, geophysical, cuttings, cores, magnetic tapes drilling reports, fluid samples, well production data and such other data and reports as it may compile or obtain during the term of this Agreement; and
- 3.3.13 to keep the accounts of the Petroleum Operations hereunder in Libyan Dinars and in U.S. Dollars and in such manner as to present a fair, clear and accurate record of the Petroleum Operations Expenditures; and
- 3.3.14 to properly use Petroleum produced from the Contract Area for Petroleum Operations; and

3.3.15 to procure and maintain insurance satisfactory to the Management Committee including without limitation insurance against loss or damage resulting from blowouts.

4. LIBYAN PERSONNEL AND TRAINING

4.1 Operator shall hire Libyan nationals to carry out Petroleum Operations in the Contract Area. Except that in cases where specialized technical personnel or key management positions are required and not available among Libyan personnel, Operator may hire non-Libyan nationals to carry out such Petroleum Operations.

4.2 Operator shall prepare and submit to the Management Committee for approval an annual training program. The objective of which is to enable Libyan personnel to fill posts of higher responsibility and to replace any non-Libyan personnel in the areas of specialization for which such non-Libyan personnel were hired. The annual budget allocated for such training program shall be sufficient to cover all costs for training per Calendar Year during the Exploration Period and shall not be less than [REDACTED] of the manpower cost during each year of the Exploitation Period. For the purpose of this Article, manpower costs means the total direct and indirect costs associated of the Operator's employees.

5. OTHER PETROLEUM OPERATIONS

The Operator may not enter into an operating agreement with any third party without the prior approval of the Parties.

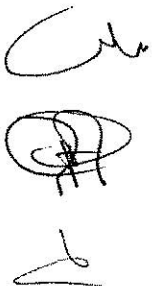
6. WORK PROGRAMS AND BUDGETS

6.1 Preparation by the Operator

The Operator shall prepare and submit to Management Committee programs itemising the Petroleum Operations to be carried out under the EPSA and detailed programs for the implementation of the Development Plan including, without limitation, the installation and operation of the relevant plants and facilities, as well as Budgets with respect thereto which shall contain sufficient details of all costs, expenses and advances to be made in respect of such program. The Work Programs and Budgets shall separately identify Development Expenditures and Exploitation Operating Expenses as defined in the EPSA.

6.2 Procedures

6.2.1 As soon as possible after the Effective Date of this Operating Agreement as regards the remaining portion of the relevant Calendar Year and, thereafter, at

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least two (2) months prior to the beginning of each succeeding Calendar Year, Operator shall prepare and submit to the Management Committee, a Work Program and Budget for each of the next four (4) Calendar Years, which shall include:

- a) A program for the implementation of the Development Plan and a program for the operation of petroleum reservoirs and production forecasts, (with alternate programs where appropriate), providing for the wells, gathering systems, pipelines, terminals and other facilities.
- b) An estimate of manpower and general costs associated with or incidental to the above programs.
- c) A training program for Libyan nationals, and
- d) An estimate of capital and operating costs of each of the above programs with proper justification when appropriate.

6.2.2 The programs and budgets so adopted by the Management Committee shall constitute the approved Work Program and Budget for the first year and tentative Work Program and Budget for the following four (4) years, and shall be implemented by the Operator.

6.3 Expenditures by the Operator

Notwithstanding anything to the contrary contained in the EPSA, the Operator shall carry out each Work Program approved by the Management Committee within the limits of the Budget approved therefor and shall not undertake any operation not included in an approved Work Program or make any expenditures not budgeted in an approved Budget, except as follows:

6.3.1 Operator is authorized to make such excess expenditures, provided, however, that the aggregate amount of such excess expenditures shall not exceed [REDACTED] in any Calendar Year; and provided, further, that such excess expenditures shall be reported promptly by Operator to the Management Committee for approval.

6.3.2 Operator is authorized to make expenditures for Petroleum Operations not included in an approved Work Program and not provided for in an approved Budget, up to but not exceeding in the aggregate [REDACTED] provided, however, that such expenditures shall be reported promptly to the Management Committee by Operator.

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6.3.3 In case of emergency, Operator may make such immediate expenditures as it deems necessary for the protection of life and/or property. Such emergency expenditures shall be reported promptly to the Management Committee by Operator and shall be considered as legitimate costs as if they had been approved by the Management Committee.

6.4 Priority To Local Work

Operator shall at all times give priority for use of local supplies, equipment and services, provided that they are competitive in terms of performance, price and availability.

7. COSTS AND EXPENSES

7.1 Costs and Expenses


All costs and expenses attributable to Petroleum Operations being conducted by the Operator under this Operating Agreement and the EPSA shall be allocated between the Parties, as set forth in the EPSA.

7.2 Call for Funds

7.2.1 Each month the Operator shall estimate the payments required for Petroleum Operations under the EPSA for the following month on the basis of outstanding invoices and any additional payments envisaged under the annual Work Program and Budget therefor, approved by the Management Committee pursuant to this Operating Agreement, and shall notify the First Party and each company comprising Second Party thereof, twenty (20) days prior to the beginning of such following month of the call for funds ("Cash Call"). The aforesaid Cash Call shall indicate the currencies in which sums are needed for Petroleum Operations as well as the place designated by the Operator for payment.

7.2.2 First Party and each company comprising Second Party, undertake to, and shall pay to the Operator their respective shares according to the EPSA, of such Cash Calls in the currencies requested, within fifteen (15) days from the date of receipt of the notification from the Operator, or on the first day of such following month, whichever is later.

7.2.3 The Operator shall keep records of funds advanced, expended and held in each currency as well as the dates when the funds are credited into Operator's bank account(s).



7.3 Defaults

If First Party or any company comprising Second Party fails to pay its share of any Cash Call, when due, such Party shall be in default and Operator shall notify the Parties thereof. The non-defaulting Party(ies) shall have the right to advance to Operator any and all amounts the defaulting Party has not paid. Any such advance shall be considered as a loan by the non-defaulting Party(ies) to the defaulting Party and shall bear interest at the rate per annum equal to [REDACTED] per annum from the date such advance is received by the Operator in addition to any actual handling costs.

In the event that the defaulting Party does not repay all such amounts to the non-defaulting Party(ies), together with interest accrued thereon, within ninety (90) days from the date on which such amounts were advanced by the non-defaulting Party(ies), the non-defaulting Party(ies) shall have the right to offtake and own the defaulting Party's share of production from the Contract Area up to the time when such offtaken production, valued at the market price prevailing on the date such amounts were advanced by the non-defaulting Party(ies), equals the aggregate of such amounts, together with interest accrued thereon.

8. BOOKS ACCOUNTS AND AUDITS

8.1 Operator's responsibility for Books and Accounts

The Operator shall maintain complete books and accounts for the EPSA in accordance with the Accounting Procedure, reflecting costs, expenses and liabilities of Petroleum Operations, itemised in accordance with the approved Budget, as well as all amounts received from the Parties pursuant to clause 7.2 hereof.

8.2 Audits

Each Party shall have the right to inspect and audit, at its own cost, Operator's books and accounts relating to this Agreement for any Calendar Year within the period of three (3) Calendar Years following the date of submission of the annual account related to such Calendar Year. Any such audit shall be completed within twelve (12) months after its commencement, and any exceptions must be made in writing within ninety (90) days following the end of such audit. Failure to give such written exceptions within such time shall establish the correctness of Operator's books and accounts, except in the case of manifest error.

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8.3 Conflict in Terms

In the event of a conflict between the terms and conditions of this Operating Agreement and Exhibit "C" of the Agreement, the terms and conditions of the main body of the Agreement shall prevail followed by this Operating Agreement.

9. JOINT LIABILITY OF THE PARTIES

NOC and Second Party shall indemnify and hold harmless the Operator against any loss, damage or claim asserted by any third party and NOC and Second Party shall each share such losses, damages or claims in the proportions set forth in Article 14 of the EPSA.

10. SETTLEMENT OF DIFFERENCES

All disputes between the Operator and any of the Parties arising in connection with this Operating Agreement shall be referred to the Management Committee, which shall make its best endeavours to settle the matter amicably.

11. GOVERNING LAW

This Operating Agreement shall be governed by and interpreted in accordance with the laws of GSPLAJ.

12. MISCELLANEOUS

12.1 Effective Date

This Operating Agreement shall become effective on the date first written above.

12.2 Term

Without prejudice to the provisions of Article 12.1 hereof, this Operating Agreement shall remain in force and effect for as long as the EPSA is in effect unless the Parties otherwise agree.

12.3 Notices

All notices, proposals and other communications to a Party and/or Operator provided for in this Operating Agreement shall be in writing and shall be deemed to have been properly given and received when delivered during regular business hours at the office of such Party or sent by registered mail.



All such notices shall be addressed to:

NATIONAL OIL CORPORATION
Bashir Sadawi Street
P.O. Box 2655
Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: Secretary of the People's Committee

Verenex Energy Area 47 Libya Limited

Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: _____

Medco International Ventures Limited

Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: _____

Operator

Tripoli, Great Socialist People's Libyan Arab Jamahiriya
ATTN: _____

Either Party may substitute or change its address stated above to another address in the Great Socialist People's Libyan Arab Jamahiriya upon written notice thereof to the other Party.

12.4 Amendments

This Operating Agreement shall not be amended or modified in any respect.

12.5 Assignment

Operator may not assign any of its rights or obligations under this Operating Agreement without prior written consent of NOC and Second Party.

12.6 Technical Meetings

Operator shall organize technical meetings which shall be held at least twice a year to discuss technical and operational matters among First Party, Second Party and Operator.

The Operator shall furnish the First Party and Second Party with the relevant technical reports and information at least fifteen (15) days before the date of such meetings in order to allow them to duly consider the Operator's proposals in respect of such matters.

12.7 Service Agreement

The Operator may enter into service agreement(s) with the Parties and/or their Affiliates, provided such service agreement(s) is approved by the Management Committee.

12.8 Originals

This Operating Agreement is made in eight (8) originals, four (4) in the Arabic language and four (4) in the English language, all having equal validity.

12.9 Headings

The headings used in this Operating Agreement are included herein for convenience of reference only and shall not constitute a part of this Operating Agreement for any other purpose or in any way affect the construction of this Operating Agreement.



IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be executed as of the day and year first above written.

NATIONAL OIL CORPORATION

Verenex Energy Area 47 Libya Limited

.....

.....

By:

By:

Title:

Title:

OPERATOR

Medco International Ventures Limited

.....

.....

By:

By:

Title:

Title:

