

**SIXTH AMENDMENT TO  
PRODUCTION SHARING CONTRACT  
BETWEEN  
THE REPUBLIC OF EQUATORIAL GUINEA  
AND  
MOBIL EQUATORIAL GUINEA INC.  
AND  
UMC EQUATORIAL GUINEA CORPORATION  
(AREA B - OFFSHORE NW BIOCO)**

This Sixth Amendment (hereinafter referred to as this "Amendment" ) is effective as of 1st January 1998 by and between The Republic of Equatorial Guinea (hereinafter referred to as the "State"), represented for the purposes of this Amendment by the Ministry of Mines and Energy of The Republic of Equatorial Guinea (hereinafter referred to as the "Ministry"), Mobil Equatorial Guinea Inc., a corporation organized and existing under the laws of Delaware, U.S.A., having its registered office at 1013 Centre Road, County of New Castle, Wilmington, Delaware, U.S.A. (hereinafter referred to as "Mobil") and represented for the purposes of this Amendment by Arthur J Green, its President, and UMC Equatorial Guinea Corporation, a corporation organized and existing under the laws of the State of Delaware, U.S.A., having its registered office at 1201 Louisiana Street, Suite 1400, Houston, Texas, U.S.A (hereinafter referred to as "UMC"), and represented for the purposes of this Amendment by Jim Smitherman III, its President. The State, Mobil and UMC are hereinafter referred to either individually as "Party" or collectively as "Parties".

***WITNESSETH***

WHEREAS, the State and United Meridian International Corporation entered into a Production Sharing Contract dated the 29th day of June, 1992, covering an area described in it as Area B - Offshore NW Bioco (hereinafter referred to as the "Original Contract", which expression shall include all amendments thereto prior to the date hereof); and



WHEREAS, all interest of the Contractor in the Original Contract is now owned and held by Mobil and UMC; and

WHEREAS, the Original Contract has been amended from time to time, and the State, represented by the Ministry, Mobil and UMC have agreed that the Original Contract be amended for the benefit of the Parties as set forth in this document;

Therefore, in consideration of the undertakings and covenants herein contained, the Parties agree as follows:

1. In this Amendment, the expression this "Contract" means the Original Contract as amended by this Amendment.
2. Words or phrases defined in the Original Contract and used in this Amendment have the meanings set forth in the Original Contract, unless the context otherwise provides. The section numbers stated hereinafter are those corresponding to those in the Original Contract immediately prior to the date of signature of this Amendment.
3. Section 1.2(o) is amended by the addition of the following after the words "in Section 4":

"and includes, where the context admits, the work program contained in a Project-Specific Work Program and Budget as referred to in Section 4.8."

4. Section 1.2(v) is deleted and replaced with the following:

"Effective Date means 8 July 1992, the date on which the Original Contract was approved by the State as a law of the Republic of Equatorial Guinea in accordance with the legal provisions then in force."



5. Section 1.2(ad) is amended by deleting the reference to Section "7.2" and replacing it with a reference to Section "7.2.3."
6. Section 1.2 (am) is amended by (a) deleting the words "of the Contract", and (b) deleting "31st December 2000" and replacing it with "31 December 2005."
7. A new Subsection 1.2 (as) is added reading as follows:

"(as) Additional Payment means a monetary payment based on a percentage of the value of Crude Oil produced and saved and sold, as provided in Section 7.2.1."
8. A new subsection 1.2(at) is added as follows:

“(at) “Uplift” shall have the meaning as set forth in Section 7.3.2.”.
9. The last sentence of Section 2.1(a) is amended to read as follows:

“The Third Subperiod shall commence with the termination of the Second Subperiod and end on 31 December 2005 and shall be called the “Third Subperiod” ”.
10. Section 2.5 is renumbered as "2.5.1" and a new Section 2.5.2 is added as follows:

"2.5.2 For the purposes of Section 2.5.1, any new discovery which

  - (a) is in pressure communication with any reservoir containing commercially produceable Hydrocarbons in the existing Field, or



(b) can reasonably and in accordance with good oil field practice be produced from common production and processing facilities in the existing Field provided always that the limits of any potential Field be within 5 Kilometers of such facilities, or

(c) is composed of reservoirs of commercially produceable Hydrocarbons which under-or-over-lie (when viewed from the vertical) any reservoir of commercially produceable Hydrocarbons in the existing Field, will be considered part of the existing Field, and the boundaries of such Field will be adjusted accordingly. Subject to terms of this Contract, all other discoveries will be deemed new Fields.”

11. Section 3.1 is amended by deleting the reference to "December 31, 2000" and replacing it with "31 December 2005."
12. Section 4.2(c) is amended by the deletion of the words "but the costs of such excess work shall, however, for the purposes of bank guarantee yearly adjustments provided for in Section 4.3 be credited to the Contract Year during which such costs were actually incurred."
13. The following sentence is added at the end of Section 4.5:

"It is also recognized that even where circumstances are foreseen, overexpenditures may arise and the Contractor shall not be limited in this respect, provided that the cumulative total of all such overexpenditures for a Calendar Year shall not exceed ten percent (10%) of the total Work Program and Budget in question, and provided further that the Contractor shall obtain the approval of the



Ministry before any such overexpenditures in excess of ten percent (10%) are included as Petroleum Operations Costs."

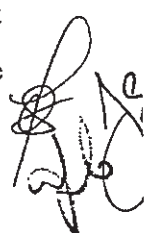
14. The following new section is added as Section 4.8:

"4.8 Notwithstanding the foregoing provisions of Section 4, if the Contractor anticipates that a project which may consist of work of any nature will exceed twelve (12) months duration and the Contractor wishes to have such project approved in its entirety, then the Contractor must in respect of such project submit for approval to the Ministry a project-specific work program and budget of Petroleum Operations Costs (hereinafter referred to as a "Project Specific Work Program and Budget"). Approval of a Project-Specific Work Program and Budget shall be deemed a continuing approval and will be unaffected by any rejection by the State of an annual Work Program and Budget of Petroleum Costs submitted by the Contractor, as provided in Section 4.4. The Contractor shall provide a report annually to the State on expenditures incurred in relation to any such project and will respond in writing to any written comments that the State makes to the Contractor in relation to such report."

15. Section 6.1(n) is deleted and replaced with the following:

"(n) pay to the State the Royalty and Additional Payment imposed upon it pursuant to the terms and conditions of this Contract."

16. Sections 7.2, 7.3, 7.4, 7.4.1, 7.4.2, 7.4.3, 7.4.4 and 7.4.5 are deleted in their entirety and replaced with the following (provided that these deletions shall not affect the validity of any acts of the Parties pursuant to the deleted sections while they were in force):



"7.2.1 In addition to payments of Royalty, Contractor shall also begin making payments to the State of the Additional Payment in respect of each Field at such time as the cumulative quantity of Hydrocarbons produced, saved and sold from such Field and not otherwise utilized in Petroleum Operations exceeds twenty-five million (25,000,000) Barrels. The Additional Payment for each Field shall be determined based on the daily average quantity of gross Hydrocarbons produced, saved and sold and not otherwise utilized in Petroleum Operations from such Field in each Calendar Quarter, and when added to Royalty shall be equal to a percentage of the value of such Hydrocarbons in accordance with the following schedule:

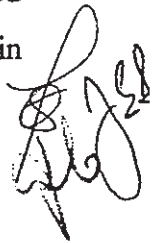
	<u>Royalty and Additional Payment</u>
	<u>Aggregate Percentage</u>
0 - 20,000 Barrels per day	12%
20,001 - 40,000 Barrels per day	13%
40,001 - 60,000 Barrels per day	14%
60,001 - 100,000 Barrels per day	15%
Over 100,000 Barrels per day	16%

The above scale shall be applied separately to each Field.

Thus, if the weighted daily average quantity of Hydrocarbons produced, saved and sold and not otherwise utilized in Petroleum Operations from a Field in a Calendar Quarter is 75,000 Barrels, then the Royalty and Additional Payment during such Calendar Quarter for such Field shall be equal to 13.4%  $[(20,000 \text{ Barrels} \div 75,000 \text{ Barrels} \times 12\%) + (20,000 \text{ Barrels} \div 75,000 \text{ Barrels} \times 13\%) + (20,000 \text{ Barrels} \div 75,000 \text{ Barrels} \times 14\%) + (15,000 \text{ Barrels} \div 75,000 \text{ Barrels} \times 15\%) = 13.4\%]$  of the gross value of such Hydrocarbons.

7.2.2 Prior to the commencement of each Calendar Quarter, Contractor shall make an estimate of the percentage, calculated as provided in Section 7.2.1, applicable to each Field during such Calendar Quarter, based on expected production rates, liftings and other relevant factors, which estimate will be subject to approval by the State, such approval not to be unreasonably withheld. An Additional Payment shall be payable in respect of each lifting of Hydrocarbons during such Calendar Quarter, based on the estimated percentage for the Field from which such Hydrocarbons were produced times the gross sales proceeds of such lifting. As soon as practicable following the end of a Calendar Quarter, Contractor shall determine the actual percentage which should have been applied for each Field in calculating the amount of Additional Payments during such Calendar Quarter and shall furnish a reconciliation statement to the State showing the amount of any overpayment or underpayment. Any such overpayment or underpayment shall be corrected by increasing or decreasing the amount of the next Additional Payment(s) to occur.

7.2.3 After making Royalty payments and Additional Payments, Contractor shall be entitled to recover all Petroleum Operations Costs, as determined in accordance with the Accounting Procedure attached hereto as Exhibit "C", applicable to each Field out of eighty percent (80%) of the remaining sales proceeds or other disposition of Hydrocarbons produced and saved hereunder from such Field and not used in Petroleum Operations. Any Hydrocarbons remaining after making the Royalty payments and Additional Payments, and after allowing Contractor to recover Petroleum Operations Costs out of the eighty percent (80%), as set out above, shall be referred to hereinafter as "Net Hydrocarbons". Net Hydrocarbons shall be shared between the State and Contractor based on cumulative production in accordance with the following table:



<u>Cumulative Production (in Millions of Barrels)</u>	<u>State's Share of Net Hydrocarbons</u>	<u>Contractor's Share of Net Hydrocarbons</u>
0 - 25	0%	100%
+25 - 150	10.0%	90.0%
+150 - 300	12.5%	87.5%
+300 - 450	25.0%	75.0%
+450 - 600	40.0%	60.0%
+600	50.0%	50.0%

The foregoing sharing percentages shall be applied separately to each Field based on cumulative production from such Field.

- 7.3.1 All Petroleum Operations Costs incurred outside the Zafiro Field arising before a Declaration of Commerciality for a new field will be chargeable to the costs recovery account for the Zafiro Field (or allocated among all producing areas on an equitable basis).
- 7.3.2 On the last day of each Calendar Year from and after the Effective Date all Petroleum Operations Costs incurred under this Contract but not yet recovered by Contractor shall be multiplied by 19%, and the calculated amount (the "Uplift") shall be added to and become a part of the Petroleum Operations Costs which Contractor is entitled to recover hereunder.
- 7.4 If Contractor determines that a discovery of Hydrocarbons is not a Commercial Discovery under the foregoing provisions, the Parties shall, at Contractor's request, discuss the matter in an attempt to achieve mutually acceptable terms in order to declare commerciality and subsequently to develop the Field and in consequence production."



17. Section 8.1 is amended by inserting the words "the Additional Payment" between the words "the Royalty" and "and the Contractor's Income Tax".
18. Section 8.6 is amended by inserting the words "and upon any Project-Specific Work Program and Budget in accordance with" between "relevant Work Program and Budget of Petroleum Operations Costs" and "estimates of quantities of Crude Oil to be produced" and deleting the words "based upon" before "estimates of quantities".
19. Section 15 is deleted in its entirety and replaced with the following:

"15.1 Any notices required or given by either Party to the other shall be deemed to have been delivered when properly acknowledged for receipt by the receiving Party. All such notices shall be addressed to:

The Ministry of Mines and Energy:

With Offices at: Malabo at the Republic of Equatorial Guinea

Telephone #: (240) 93405

Telex #: 9395405 EG

Facsimile #: (204) 93353

The Contractor: Mobil Equatorial Guinea Inc.

With Offices at: Abayak, Malabo, Equatorial Guinea

Telephone #: (214) 905-4525

Facsimile #: (214) 905-4507

Either Party may substitute or change such address on written notice thereof to the other."



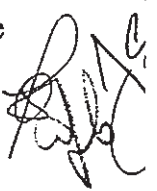
20. Exhibit "C" to the Original Contract, "Accounting Procedure", is amended as follows:

- (a) In Section 2, paragraph 1, the reference to "Section 7.2" is deleted and replaced with "Section 7".
- (b) In Section 2, the word "and" is deleted following paragraph 1(c), the word "and" shall be added following paragraph 1(d), and a new paragraph 1(e) shall be added reading "the Uplift".
- (c) Section 3, paragraph 1, is deleted and the following substituted:

"Depreciation will be calculated from the Calendar Year in which the asset is placed into service, with a full Year's depreciation allowed the initial Calendar Year. Depreciation of capital costs only for purposes of Income Tax Calculations for assets placed in service prior to 1 January 1997 will be calculated over four (4) Calendar Years and for assets placed in service on or after 1 January 1997 will be calculated over six (6) Calendar Years, in each case using the straight line method."

21. Miscellaneous Provisions

- (a) The Parties hereby agree that the purported Sixth Amendment to the Original Contract signed on 15 June 1997 is considered null and void.
- (b) This Amendment is binding on the Parties, with effect from 1 January 1998, at such time as it has been duly signed and delivered and approved by a resolution of the Supreme Court of the Republic of Equatorial Guinea and ratified by the Head of State of



the Republic of Equatorial Guinea so as to become effective as a law of the Republic of Equatorial Guinea.

- (c) As soon as practicable following the time this Amendment becomes binding on the Parties as provided herein, Contractor shall calculate the amount of Additional Payment and Net Hydrocarbons to which the State was entitled for periods prior to such time pursuant to Sections 7.2.1, 7.2.2 and 7.2.3 of the Contract and shall furnish such calculations to the State. Within ten (10) days following approval by the State of such calculations Contractor shall pay to the State the amount reflected on the calculations retroactively effective from 1 January 1998.
- (d) This Amendment is not to be annulled, amended or modified in any respect, except by the mutual consent in writing of the Parties hereto.
- (e) Except as amended by this Amendment, the Original Contract (including all five previous amendments constituting the Original Contract) remains in full force and effect.

A handwritten signature in black ink, appearing to be 'S. J. G.', is written over the end of paragraph (e).

IN WITNESS WHEREOF, the Parties hereto have signed this Amendment, in <sup>three</sup> ~~four~~ (4) originals and in the Spanish and English languages, this 16 day of April 1998.

*JSS*  
*3*

REPUBLICA DE GUINEA ECUATORIAL  
MINISTERIO DE MINAS Y ENERGIA  
THE MINISTRY OF MINES AND  
ENERGY OF THE REPUBLIC OF  
EQUATORIAL GUINEA INC.  
By *[Signature]*  
Juan Olo Mba Nseng  
Minister

THE CONTRACTOR:

MOBIL EQUATORIAL GUINEA INC

By *[Signature]*  
Arthur J Green  
President

UMC EQUATORIAL GUINEA CORPORATION

By *[Signature]*  
Jim Smitherman III  
President

April 16, 1998

**SIDE LETTER TO SIXTH  
AMENDMENT TO  
PRODUCTION SHARING CONTRACT**

Reference is made to the Production Sharing Contract between the Republic of Equatorial Guinea ("State") and United Meridian International Corporation for Area B - Offshore N. W. Bioco originally dated 29 June 1992 as amended most recently in a Sixth Amendment of today's date ("PSC"). The State and successor parties to the Contractor in the PSC, Mobil Equatorial Guinea Inc. and UMC Equatorial Guinea Corporation respectively, ("Contractors") hereby ratify, agree and confirm that:

1. The provisions of the Cost Accounting Side Letter dated 14 June 1997, remain in full force and effect.
2. The portion of the electrical generators which were paid for by the Contractors are a transfer to the State. Such costs shall be tax deductible by Contractors but shall not be included in Petroleum Operations Costs.
3. Six Million United States Dollars (US\$6,000,000) received by Contractor under the terms of PSC Amendment number 5 is hereby offset against a like amount due from the State in respect of the purported Sixth Amendment to the PSC dated 19 April 1997. The offset shall be implemented by Contractors removing six million United States dollars (US\$6,000,000) from the account for Petroleum Operations Costs. Such costs shall be tax deductible by Contractors.
4.
  - (a) The provision of Section B ("Tax Issues") of a Memorandum of Understanding dated 19 April 1997 remain in full force and effect.
  - (b) All tax deductions associated with costs borne by the Contractors shall be allocated to Contractor or Contractors that bear such costs in the proportions in which they severally bear such costs, without regard to whether these costs are recoverable Petroleum Operations Costs.

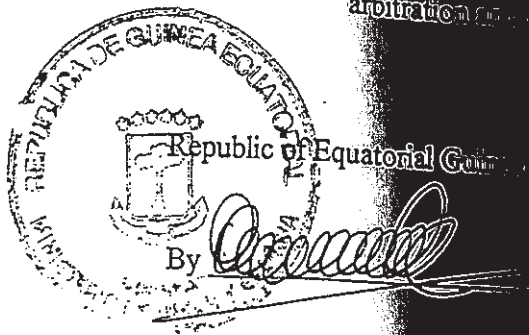
A handwritten signature in black ink, appearing to be "S. J. J.", is written over the text of item 4(b).

5. (a) The Contractors are granted an option exercisable at any time within 20 years of today's date to acquire interests in production sharing contracts which together with production sharing contracts issued under subparagraph 5(c) may cover up to 4,000 sq. km. The option is exercisable at any time by written notice to the Ministry. Blocks may be designated on any open acreage within the Republic of Equatorial Guinea excluding acreage falling within the Western Contract Area (as defined in subparagraph 5(c)), but including acreage within the Western Contract Area within an existing or future concession which is subsequently relinquished or which remains open after the next bid round. If the option under this subparagraph (5a) is exercised at any time within 5 years from the date of this letter, Contractors and State shall forthwith prepare and sign a production sharing contract on the designated block(s) under the same terms as the PSC. After 5 years from the date hereof such production sharing contract shall be upon terms to be mutually agreed.
- (b) In this paragraph 5, "open acreage" means acreage at the date hereof upon which the State has not granted any rights to any company either solely or jointly with any other party, including the State, to explore, develop or produce Hydrocarbons.
- (c) State has entered into an exclusive contract with Western Geophysical ("Western") dated July 1997 by which Western has the right to acquire seismic data over an area of Equatorial Guinea ("Western Contract Area"). During a period commencing when complete data sets are available for the Western Contract Area and for 30 days thereafter, Contractors may purchase seismic data over the Western Contract Area for a price to be agreed with Western. If Contractors do not purchase seismic data from Western within the thirty-day period, the option contained in this subparagraph 5(c) shall terminate. If Contractors purchase seismic data from Western, then from the date such data is delivered to Contractors and for a period of 120 days thereafter or until November 30, 1998, whichever is later (or such later date as may be mutually agreed), Contractors shall have an option to designate a block or blocks in such area, subject to the square kilometer limitation contained in subparagraph 5(a). The option is exercisable by written notice and, if exercised, Contractors and State shall forthwith prepare and sign a production sharing contract on the designated block(s) under the same terms as the PSC. From and after the date of this letter until such time as Contractors exercise their option or the option terminates, State undertakes not to sign or agree to sign a production sharing contract with any other companies (other than

Contracting Blocks in the Western Contract Area except as provided in Chapter III Article 7 of the Hydrocarbon Law.

(d) State shall allow Contractors to compete for open contracts to be offered by State for a production sharing contract through a public bid round.

6. Disputes arising from the provisions hereto shall be resolved using the arbitration provisions in Article 13 and 16 of the PSC.



Mobil Equatorial Guinea Inc

By

UMC Equatorial Guinea Corporation

By