

STRATEGIC ALLIANCE AGREEMENT

BETWEEN

**NIGERIAN PETROLEUM DEVELOPMENT
COMPANY LIMITED**

AND

**ATLANTIC ENERGY DRILLING CONCEPTS
NIGERIA LIMITED**

FOR

**THE DEVELOPMENT AND PRODUCTION OF
OML 30**

BAR

CS

THIS AGREEMENT is made this 25th day of May..... 2011 BETWEEN **NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria whose registered office is at 62, Sapele Road, Benin City (hereinafter referred to as "**NPDC**" which expression shall where the context so admits, include its successors and assigns) of the one part;

AND

ATLANTIC ENERGY DRILLING CONCEPTS NIGERIA LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria whose registered office is at 50D Glover Road, , Lagos (hereinafter referred to as "**ATLANTIC** " which expression shall, where the context so admits, include its successors and assigns) of the other part.

WHEREAS the Federal Government of Nigeria (Government) has granted consent vide a Deed of Assignment dated 21st April, 2011 for the Nigeria National Petroleum Corporation (NNPC) to assign its fifty five per cent (55%) equity interest in the Contract Area to NPDC;

WHEREAS ATLANTIC has offered to carry NPDC's equity interest share of Petroleum Operation Costs and provide technical expertise as and when required in relation to Petroleum Operations in the Contract Area;

WHEREAS Government in consideration of the huge capital outlay and other resources required for Petroleum Operations in the aforementioned assets has approved that NPDC enter into a strategic alliance with ATLANTIC for the provision of funding and technical expertise;

WHEREAS NPDC and ATLANTIC warrant that they have the right, power and authority to enter into this Agreement;

WHEREAS ATLANTIC represents that it has technical competence, professional skills and funds (both local and foreign) necessary to support NPDC in Petroleum Operations for the Contract Area and has agreed to provide the funds for carrying out Petroleum Operations and further agreed to support NPDC with technical expertise.

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

ARTICLE 1

1.0 DEFINITIONS

1.1 In this Agreement, including the recitals and the Annexes attached hereto unless the context otherwise requires, words and expressions used shall bear the meanings stated herein:

"Accounting Procedure" means, the rules and procedures set forth in Annex "C" attached hereto and forming part of this Agreement;

"Affiliate or Affiliated Company" means, a company or other entity that controls or is controlled by a Party, or a company or other entity which controls or is controlled by a company or other entity which controls a Party; and for the purpose of this definition, "control" means, ownership by one company or entity of at least fifty-one per cent (51%) of:

- (a) the voting stock, if the other company is a company issuing stock; or
- (b) the controlling rights or interest if the other entity is not a company.

"Available Crude Oil" means, the Crude Oil won, saved and allocated to NPDC from the Contract Area.

"Available Natural Gas" means, the non associated natural gas won, saved and allocated to NPDC from the Contract Area.

"Barrel" means, a quantity or unit of Crude Oil, equal to forty-two (42) United States gallons at the temperature of sixty degrees (60°) Fahrenheit at normal atmospheric pressure.

"Barrels of Oil Equivalent" or "BOE" means, the amount of energy equivalent contained in a barrel of crude oil (5.8 X 10 BTU).

"BCF" means, billion cubic feet of Natural Gas.

"Budget" means, the cost estimate of items included in Work Programme.

"**CAPEX**" means, the costs referred to in Article II, paragraph 2 of Annex "C" of this Agreement.

"**Agreement**" means, this Strategic Alliance Agreement including the Annexes attached hereto.

"**Contract Area**" means, the area covered by Oil Mining Lease 30 and any subdivisions arising therefrom in compliance with the relinquishment provisions of Paragraph 12 of the first schedule to the Petroleum Act. The Coordinates of the Contract Area is as described in Annex "A" hereto.

"**Companies Income Tax**" or "**CIT**" means, the tax obligations arising from the utilization of natural gas as defined in the Companies Income Tax Act Cap C20 LFN 2004, as amended (CITA)

"**Contract Year**" means, a period of twelve (12) consecutive calendar months from the Effective Date of this Agreement or from the anniversary of the Effective Date.

"**Cost Oil**" means, the quantum of Available Crude Oil allocated to the Parties to enable the Parties to generate the proceeds to recover their respective costs incurred in carrying out Petroleum Operations under this Agreement.

"**Cost Gas**" means, the proceeds realized from the sale of Natural Gas produced from the Contract Area to enable the Parties recover their respective costs incurred in carrying out Petroleum Operations with respect to non associated gas under this Agreement.

"**Crude Oil**" means, mineral oil in its natural state before it has been refined or treated (excluding basic sediments and water or other foreign substances).

"**Crude Oil Proceeds**" means, the amount in U.S. Dollars determined by multiplying the Official Selling Price by the number of Barrels of Available Crude Oil lifted by either Party.

"**Development**" means, Petroleum Operations undertaken in the Contract Area for the purpose of putting the Contract Area into production pursuant to any development programme approved in accordance with Article 9 hereof.

RRP

CS

"Development Costs" means, the cost of developmental activities which includes but is not limited to drilling, completing, capping, plugging and abandoning, appraisal, development, water injection or gas injection wells, the construction and installation of facilities and equipment required for the production, storage, transportation and delivery and evacuation of Crude Oil and Natural Gas as well as the installation of secondary recovery facilities. Development Costs shall also include cost incurred during Incremental Production activities.

"Effective Date" means, the date of the execution of this Agreement by the Parties hereto being the day and year first above written.

"Financial Year" means, a period of twelve (12) calendar months from the 1st January to the 31st December.

"Fixed Assets" means, immovable property and includes movable property, which has been affixed, installed, constructed or attached to immovable property as part of the facilities utilised for carrying out Petroleum Operations.

"Foreign Exchange" means, currency other than that of Nigeria that is acceptable to both NPDC and ATLANTIC.

"Gross Negligence" means, any act or failure to act by the Operator or ATLANTIC which was intended to cause or which was in reckless disregard or wanton indifference to the harmful consequence that the Operator or ATLANTIC knew or should have known such act or failure would have on (a) safety of life or property or (b) Petroleum Operations or (c) books and accounts particularly oil industry accounting standards and procedures.

"Incremental Production" means, monthly production of Crude Oil or Natural Gas over and above Proven, Developed and Producing reserves attributable to capital contributions by ATLANTIC .

"LIBOR" means, the seven-day term London Inter-Bank Offer Rate for U.S. Dollars for similar amounts to the sums in question, quoted by Barclays Bank in London at 11:00 a.m. on the first business day of the relevant period.

"Operating Committee" means, the Committee established by NPDC and ATLANTIC to carry out the functions set out in Article 7 of this Agreement.

"Market Price" means, official selling price in a given month of the Crude Oil and non associated Natural Gas produced from the Contract Area in US Dollars per Barrel, shall be related to Dated Brent + Differential (NNPC) in accordance with the NNPC's monthly published price for the different grades of Crude Oil.

"MCF" means, million cubic feet of Natural Gas.

"Dated Brent" means, the average of Platt's mid-range quotations of Dated Brent crude as published by Platts Crude Oil marketwire.

"Differential" means, the monthly premium as published by NNPC.

The applicable pricing shall be on either Prompt, Advanced or Deferred basis.

"Prompt basis" shall be five (5) consecutive published quotations after the bill of lading date with the bill of lading date as day zero.

"Advanced valuation" shall be five (5) consecutive published quotations with the fifth day before the bill of lading day i.e. the bill of lading day is day six.

"Deferred pricing option" shall be five (5) consecutive published quotations with the 14th day after the bill of lading date as day one i.e. the bill of lading date is day zero.

However, each Party's preferred option must be indicated at close of work (4.00 pm) of the sixth (6th) working day before the first day of the laycan. In case either Party's preferred option is not advised to the Operator by close of work of the 6th working day prior to the first day of the laycan, the Prompt option will apply in the valuation of that Party's lifting.

For Natural Gas it shall be US Dollars /MCF according to the gas pricing regulations.

"Natural Gas" means, all gaseous hydrocarbons produced in association with Crude Oil or from reservoirs which produce gaseous hydrocarbons.

"Natural Gas Proceeds" means, the amount in U.S. Dollars agreed between the Parties and any off taker of Natural Gas.

AAA

1
"Operator" means, any operator appointed to carry out Petroleum Operations in the Contract Area.

"Party" means, NPDC or ATLANTIC.

"Parties" means, both NPDC and ATLANTIC.

"Petroleum Operations" means, all Crude Oil and Natural Gas Development and Production Operations, processing, transportation and Crude Oil terminal activities for or with respect to the Contract Area.

"Petroleum Operations Costs" means, expenditures made and obligation incurred in carrying out Petroleum Operations as determined in accordance with this Agreement and the Accounting Procedure.

"Petroleum Profit Tax" or "PPT" means, the tax obligations arising from the Petroleum Operations as defined in the Petroleum Profit Tax Act Cap P13 LFN 2004, as amended (PPT Act).

"Production Costs" means, all costs incurred in carrying out Production Operations.

"Production Operations" means, all operations carried out subsequent to Development in order to produce, treat, store, convey and deliver Crude Oil and Natural Gas from wells, platforms and facilities to a refinery, terminal or other utilisation or marketing point.

"Profit Oil" means, the balance of Available Crude Oil after the allocation of Royalty Oil, Cost Oil and Tax Oil.

"Profit Gas" means, the balance of Available Natural Gas after the allocation of Royalty Gas, Cost Gas and Tax Gas.

"Proven, Developed and Producing" or "PDP" or "P1 Developed" means, the monthly production forecast attached to this Agreement attributable to the Proved, Developed and Producing reserves from the Contract Area of 155.9 Million Barrels.

DRR

"**Quarter**" means, the time interval from: January 1st to March 31st inclusive, April 1st to June 30th inclusive, 1st July to 30th September inclusive, October 1st to December 31st inclusive.

"**Term of Agreement**" means, the period referred to in Article 3.

"**Royalty**" means, the amount payable pursuant to the Petroleum Act and Petroleum (Drilling and Production) Regulations Cap P10 LFN 2004, as amended.

"**Royalty Oil**" means, the quantum of Available Crude Oil allocated to NPDC which will generate an amount of proceeds equal to the actual payment of Royalty.

"**Royalty Gas**" means, the quantum of Available Natural Gas allocated to NPDC which will generate an amount of proceeds equal to the actual payment of Royalty.

"**Tax Oil**" means, the quantum of Available Crude Oil allocated to NPDC which will generate an amount of proceeds equal to the actual payment of PPT.

"**Tax Gas**" means, the quantum of Available Natural Gas allocated to NPDC which will generate an amount of proceeds equal to the actual payment of CIT.

"**U.S. Dollars**" means the currency of the United States of America.

"**Willful Misconduct**" means, in relation to the Operator or ATLANTIC, an intentional, conscious, reckless and wanton disregard of:

- (a) any material provision of this Agreement; or
- (b) any substantial part of the Work Programme as contained in Article 9.

But shall not include an intentional and conscious disregard of either (a) or (b) above, if the same relates to safeguarding of life, property or Petroleum Operations.

"**Work Programme**" means, for the applicable period a statement itemizing the Petroleum Operations to be carried out in the Contract Area.

CS

Handwritten signature

"2P Reserves" means, those reserves as described in Annex H.

"2C Reserves" means, those reserves as described in Annex H.

ARTICLE 2

ENTRY FEE

- 2.1 NPDC acknowledges ATLANTIC 's obligation to pay \$0.30/bbl and \$0.010/Mcf of the 2P Reserves to NPDC as an entry fee for participation in the development of Reserves of 451.6 Million Barrels of Crude Oil as contained in Annex H to this Agreement. In the event of a change to the 2P Reserves by the Parties or by a report from an independent auditor appointed by the Parties, the Parties agree that the entry fee may be adjusted.
- 2.2 The entry fee shall be paid Seventy (70) days after NPDC has been legally assigned interest in the OML by the Minister and the complete divestment of all other OML interest holders apart from NNPC.
- 2.3 No later than 70 days prior to the commencement of the Work Programme for the capture of 2C contingent resources of [...] as contained in Annex H to this Agreement, ATLANTIC shall pay NPDC a further sum of \$0.30/bbl and \$0.010/Mcf of the 2C Reserves as an entry fee for participation in the development of 2C Reserves. If ATLANTIC fails to make payment within the stated period, ATLANTIC shall not be entitled to participate in the development of the 2C Reserves. In the event of a change to the 2C Reserves by the Parties or by a report from an independent auditor appointed by the Parties, the Parties agree that the entry fee may be adjusted.
- 2.4 The entry fee shall not be recoverable as Cost Oil or Cost Gas.
- 2.5 This Agreement shall commence upon the payment of the entry fee by ATLANTIC.

ARTICLE 3

DURATION OF THE AGREEMENT

- 3.1 This Agreement shall remain in full force and effect until the cumulative production from the Contract Area has reached the 2P reserves of 451.6

Million Barrels of Crude Oil attached as Annex H to this Agreement, thereafter, this Agreement shall terminate. Upon payment of the entry fee referred to in Article 2.3, the Agreement shall be renewed on the same terms and conditions with respect to the capture of the 2C Reserves of [...] as contingent reserves.

- 3.2 If new producible reserves are added to the volumes referred to in Article 3.1, the duration of this Agreement shall, subject to new terms and conditions agreed upon by the Parties, be extended till the full recovery of such new reserves.
- 3.3 Subject to mutual agreement of the Parties this Agreement may be terminated whenever it appears evident that the cumulative production referred to in Article 3.1 hereinabove cannot be economically attained.

ARTICLE 4

RIGHTS AND OBLIGATIONS OF THE PARTIES

- 4.1 In accordance with this Agreement ATLANTIC shall:
- (a) subject to Article 8.1 and in accordance with the approved Work Programme and Budget, provide all the funds required for NPDC's 55% share of Petroleum Operation Costs in respect of the Contract Area;
 - (b) deliver to NPDC, within seventy (70) days from the Effective Date, a parent company guarantee from SPOG PETROCHEMICAL NIGERIA LIMITED Limited in the form set out in Annex G covering the total amount of the minimum disbursement required to meet NPDC's fifty five percent (55%) share of Petroleum Operation Costs for the full Development of the Contract Area and additional funds which ATLANTIC may be obliged to provide in accordance with Article 8.2;
 - (c) shall carry out an agreed annual training programme in accordance with Article 14 hereof;
 - (d) provide training facilities for NPDC/NNPC staff with an annual sum of Three Hundred and Fifty Thousand US Dollars (\$350,000) for a period of five (5) years from the Effective Date, which amount shall

be paid in January of each year into an account of and in the name of NPDC;

- (e) be subject to all Nigerian laws, orders and regulations applicable to Petroleum Operations;
- (f) respect all the rights concerning industrial property and indemnify and hold NPDC harmless from and against all claims, loss, damage or action arising out of or resulting from, violation of such rights;
- (g) not to transfer or assign any rights acquired and obligations undertaken by ATLANTIC under this Agreement without prior written consent of NPDC, which consent shall not be unreasonably withheld;
- (h) indemnify and hold harmless NPDC its servants, agents and representatives from and against all losses, fees (including legal fees and expenses) of whatsoever kind and nature which NPDC may suffer or be compelled to pay to employees, representatives or agents of ATLANTIC as a consequence of any final decision given by a Nigerian court except where actions or failure to act on the part of NPDC or its employees, agents or representatives contributed to the losses, in which case such costs as are attributable to the action or failure on the part of NPDC shall be recoverable by ATLANTIC ;
- (i) have the right to lift, in accordance with Annex 'E' and freely export and retain abroad the receipts from the sale of its share of Available Crude Oil and Available Natural Gas subject to Article 10;
- (j) have full access, at all reasonable times during usual business hours to all books, records, inventories and accounts of any kind or nature maintained by Operator in relation to Petroleum Operations;
- (k) have the right of access to the Contract Area at all reasonable times to inspect and observe Petroleum Operations of every kind and character carried on in the Contract Area. OPERATOR shall provide NPDC with necessary facilities to gain such access provided that the provision of such facilities shall not unduly interfere with the conduct of Petroleum Operations hereunder;

- (l) have the right to nominate pursuant to Article 6 of this Agreement, professional staff to occupy defined functional positions in the agreed organizational structure for Petroleum Operations for as long as this Agreement subsists;

4.2 In accordance with this Agreement, NPDC shall:

- (a) furnish ATLANTIC with copies of all geophysical, geological, drilling, well, production.
- (b) furnish ATLANTIC with cash call request and other data and information relating to the Contract Area;
- (c) ensure the renewal of the Oil Mining Lease under the Petroleum Act CAP P10 LFN 2004, as amended, and
- (d) have a right of first refusal in the event ATLANTIC wishes to assign any interest under this Agreement to a third party.

Article 5

POWERS AND OBLIGATIONS OF THE OPERATOR

5.1 NPDC shall be designated as the Operator of the Contract Area subject to the direction of the Operating Committee. NPDC shall undertake the following duties:

- (a) conduct all Petroleum Operations with utmost good faith and in a good workmanlike manner in accordance with good industry practice and all applicable laws and regulations;
- (b) maintain full and accurate records of all Petroleum Operations performed under this Contract;
- (c) be always mindful, in the conduct of its operations of the rights and overall interests of Nigeria;

- (d) give preference to such goods and services which are available in Nigeria and can be rendered by Nigerian citizens provided they meet the required specifications and are competitive in price;
- (e) For the purpose of arriving at Profit Oil and Profit Gas, carry out the estimated and final PPT calculation in accordance with the PPT Act and submit same on a timely basis to ATLANTIC for record purposes;
- (f) Allocate to each Party the right to lift, in accordance with Annex "E";
- (g) give to ATLANTIC full access, at all reasonable times during usual business hours to all books, records, inventories and accounts of any kind or nature maintained relating to Petroleum Operations, provided that the Party gives the Operator not less than seven (7) days prior notice in writing;
- (h) give ATLANTIC the right of access to the Contract Area at all reasonable times to inspect and observe Petroleum Operations of every kind and character carried on in the Contract Area. Operator shall provide ATLANTIC with necessary facilities to gain such access provided that the provision of such facilities shall not unduly interfere with the conduct of Petroleum Operations hereunder;
- (i) consult freely with and make full and frank disclosure to ATLANTIC concerning Petroleum Operations and keep them currently advised of all matters of importance arising in connection therewith;
- (j) except as otherwise provided in this Agreement or as may be authorized by the Operating Committee, NPDC shall not permit or suffer any lien or other encumbrance to be filed or to remain against any material, physical equipment, real or personal property thereon or related thereto, nor against Crude Oil and Natural Gas produced and saved as a result of its operations hereunder, unless such lien is imposed by a Court of competent jurisdiction;
- (k) have the right to assign and retain such technical, administrative and supervisory personnel as deployed to it and consultants as

CS

Handwritten signature

may be necessary for the conduct of Petroleum Operations, subject to approval of the Operating Committee;

- (l) keep accurate records and books of accounts with respect to Petroleum Operations, which shall be available during normal business hours to ATLANTIC's authorized representatives. Such records and books shall comply with Annex "C" and generally accepted Accounting Principles and Procedure and with due regard to the requirements of the laws and regulations;
- (m) promptly provide ATLANTIC with copies of all Operating Committee approvals for any expenditure, when requested by ATLANTIC;
- (n) not without the written approval of the Operating Committee dispose of, sell, or re-export any property of such historic cost exceeding One Hundred Thousand Naira (N100,000.00) per unit or batch or such other value as may, from time to time, be determined by Operating Committee. Notwithstanding the provision herein, NPDC shall furnish ATLANTIC quarterly returns of all items of property disposed of regardless of value;
- (o) utilize in Petroleum Operations, equipment exclusively owned and made available by a Party and the charges thereafter to the operations shall be as specified in the Accounting Procedure;
- (p) Litigation and settlement of claims in connection with the Contract Area, or Petroleum Operations shall be conducted for and on behalf of the Parties
- (q) by Operator subject to supervision of the Operating Committee; provided however, that Operator shall have authority to settle claims and litigation not exceeding ₦300,000.00 (Three Hundred Thousand Naira) or the foreign currency equivalent without the approval of Operating Committee. Operator, however, shall promptly report any such aforesaid settlement to ATLANTIC. Operator shall notify ATLANTIC of any process served upon it or of any process it intends to serve in any action in relation to Petroleum Operations. Nothing contained in this Article shall preclude ATLANTIC from acting on its own behalf (and at its own expense) if, in its opinion, it considers such action advisable or necessary to protect its particular interest hereunder. However, ATLANTIC shall not pursue a course of action contrary to the course of action then being undertaken for the Petroleum Operations with respect to such litigation.

ARTICLE 6

PARTICIPATION OF ATLANTIC IN PETROLEUM OPERATIONS

Operator shall ensure efficient conduct of Petroleum Operations in the Contract Area. To this effect, Operator shall utilize professionals seconded by ATLANTIC pursuant Article III (4) of Annex B.

ARTICLE 7

OPERATING COMMITTEE

- 7.1 A Operating Committee shall be established within thirty (30) days from the Effective Date of this Agreement for the purpose of providing orderly direction on all matters pertaining to Petroleum Operations and Work Programme. The powers and duties of the Operating Committee shall include but not be limited to the following:
- a) the revision, amendment and approval of all proposed Work Programme and Budget;
 - b) the revision, amendment and approval of any proposed recommendations made by either Party or by any sub-Committee, with respect to Petroleum Operations;
 - c) ensuring that Operator carries out the decisions of the Operating Committee and also to ensure that Petroleum Operations is conducted in accordance with the relevant Nigerian laws;
 - d) the revision or approval of the sale or disposal of any items or movable property relating to Petroleum Operations in accordance with the provisions of this Agreement;
 - e) resolution of all audit observations;
 - f) the consideration of periodic performance in respect of approved Work Programme and Budget;
 - g) review of the award of contracts for Petroleum Operations with individual value of Five Hundred Thousand United States Dollars (USD\$ 500,000) and above;
 - h) approval of qualified contractors and subcontractors list;
 - i) any other matters relating to Petroleum Operations.
- RAD*

7.2 (a) The Operating Committee shall consist of eight (8) persons appointed by the Parties as follows:

NPDC	-	4
ATLANTIC	-	4

(b) Each Party shall designate by notice in writing to the other Party, the names of its representatives to serve as members of the Operating Committee as provided in Article 7.2(a) hereof and their respective alternates, which members or alternates shall be authorized to represent that Party with respect to the decisions of the Operating Committee. Such notice shall give the names, titles and addresses of the designated members and alternates.

(c) At least fourteen (14) days prior to each scheduled Operating Committee meeting, the secretary (Secretary) shall notify members of the meeting and deliver to each member an agenda of matters with briefs to be considered during each meeting. Matters which are not delivered within the period stated shall not be considered unless otherwise agreed by the Operating Committee. However, no agenda shall be required in the event of an emergency meeting.

(d) Either Party may change any of its respective members or alternates from time to time by notifying the other Party in writing not less than ten (10) days in advance of the effective date of such change.

(e) NPDC shall appoint the chairman (Chairman) of the Operating Committee. ATLANTIC shall appoint the Secretary who shall have no voting rights. The Secretary shall keep minutes of all meetings and records of all decisions of the Operating Committee. The minutes of each meeting shall be approved by the Operating Committee at the next meeting and signed by the Chairman and Secretary and copies thereof delivered to each Party.

7.3 Unless otherwise agreed by the Parties, the Operating Committee shall meet at the Operator's office once every three (3) calendar months or at such other intervals or venue as may be agreed by the Operating Committee. The quorum for any meeting of the Operating Committee shall consist of three (3) representatives of NPDC and three (3) representatives of ATLANTIC. The Chairman or his alternate and the ATLANTIC's Managing Director or his alternate must be present at every Operating Committee meeting for a quorum to be formed.

Handwritten initials

7.4(a) Except as otherwise expressly provided in this Agreement all decisions of the Operating Committee shall be reached by the unanimous vote of the Parties. If unanimity is not obtained on any matter (including any matter pertaining to a Work Programme or Budget) proposed to the Operating Committee, then the Operating Committee shall meet again to attempt to resolve such matter not later than fourteen (14) days after the meeting in which the proposed matter was rejected by a negative vote. Any portion of such proposal that is not rejected shall insofar as possible be carried out. At least seven (7) days prior to such second meeting, the Party casting the dissenting vote shall provide to the other Party in writing in reasonable detail the reasons for such dissenting vote. If such written reasons are not provided at least seven (7) days prior to such second meeting, then the proposal shall be deemed approved. In such second meeting the agenda shall comprise such written reasons as provided by the dissenting Party. If unanimity is not obtained in the second meeting, then the Operating Committee shall meet a third time within fourteen (14) days after the second meeting. If unanimity is not obtained during the third meeting then NPDC and ATLANTIC may agree to appoint an independent qualified expert to advice on the matter, which advice shall be binding on the Parties. In the event of failure of the Parties to agree to the appointment of the said expert the provisions of Article 23 shall apply.

(b) The Parties shall be bound and abide by each decision of the Operating Committee duly made in accordance with the provisions of this Agreement.

7.5 The Operating Committee shall establish technical sub-committee and any other advisory sub-committees from time to time as it considers necessary such as finance and budget and legal/services sub-committees:

(a) Each sub-committee established pursuant to this Article 7.5 shall be given terms of reference by the Operating Committee and shall be subject to such direction and procedures as the Operating Committee may give or determine.

(b) The Operating Committee shall appoint the members of the sub-committees which shall comprise equal representation from the Parties. The chairmen and the secretaries of the sub-committees shall be appointed by the Operating Committee.

- (c) The deliberations and recommendations of any sub-committee shall be advisory only and shall become binding and effective upon acceptance by the Operating Committee.

ARTICLE 8

FUNDING OF PETROLEUM OPERATIONS

- 8.1 ATLANTIC shall provide all the funds required for NPDC's 55% share of Petroleum Operation Costs, subject to Article 8.2 and in accordance with approved Work Programme and Budget. A review of the Work Programme shall be carried out by the technical sub-committee subject to approval of the Operating Committee within fifty (50) days from the Effective Date to estimate the capital investments for the Development. Based on this review the Operating Committee shall within seven (7) days approve the amount for the capital investments, which shall be covered by the parent company guarantee.
- 8.2 The costs incurred by the Parties in carrying out Petroleum Operations shall be recovered by the Parties through Cost Oil or Cost Gas, in accordance with Article 10 and the Accounting Procedure as set out in Annex 'C'.
- 8.3 All bank transactions shall be made through bank accounts opened and maintained by NPDC exclusively for the Petroleum Operations.
- 8.4 NPDC shall open and maintain project bank account(s) exclusively for funding Petroleum Operations and shall procure that ATLANTIC shall have unlimited inquiry and audit mandate and a right to copies of all information and transactional documents including all accounts records and balances as they occur from bank accounts and project bank accounts referred to in Articles 8.3 and 8.4.
- 8.5 If additional Development Costs are required to add facilities not included in the development programme, including but not limited to in-fill well, secondary recovery facilities, additional processing facilities, deeper wells and artificial lift, ATLANTIC shall provide NPDC's share of Petroleum Operations Costs required to carry out such additional development activities.
- 8.6 The additional capital investments referred to in Article 8.5 hereof shall be recovered by ATLANTIC through Cost Oil and Cost Gas in accordance with Article 10 and the Accounting Procedure, and ATLANTIC shall be

entitled to receive a share of Profit Oil and Profit Gas over the additional production as provided for in Article 10.2 hereof.

- 8.7 ATLANTIC shall bear all losses associated with funding NPDC's 55% share of Petroleum Operations under this Agreement.

ARTICLE 9

DEVELOPMENT PROGRAMME AND BUDGETS

- 9.1 Operator shall submit to the Operating Committee for approval within 60 days of the Effective Date, the development plan which shall include the development programme and relevant Budget appropriately apportioned into yearly phases.
- 9.2 At the meetings of the Operating Committee to consider and approve the Work Programme and Budget for each year, Operator shall submit a report on organizational structure to be utilized for conduct of Petroleum Operations in accordance with Annex B. During such meetings, Operator shall report on the actual performance of the organizational structure for the previous year.
- 9.3 The Development plan shall include the Work Programme and Budget, apportioned into quarterly phases, to be carried out under the Development plan during the remainder of the financial year. In respect of subsequent financial years, the Work Programme and Budget shall be submitted not later than 31st August of the preceding financial year. Such Work Programme and Budget shall comprise all requisite services including, but not limited to, environmental studies, drilling and completion programmes, construction and assembling of field installations and equipment, as may be necessary to permit the production, storage, transportation and delivery of Crude Oil and Natural Gas from the Contract Area. The Development programme and Budget shall be detailed as necessary.
- 9.4 Operator shall submit to Operating Committee any revision of the annual Development programme and Budget. Any such revision of the approved Development Budget shall be made by agreement of the Operating Committee. In the event of emergency or extraordinary circumstances that require immediate action, Operator may take actions it deems necessary to protect life and property and the interest of the Parties and shall promptly notify the Parties in writing within forty-eight (48) hours

notwithstanding the provisions of this Article 9.4 any cost so incurred shall be recoverable.

ARTICLE 10

RECOVERY OF PETROLEUM OPERATIONS COSTS AND CRUDE OIL AND NATURAL GAS ALLOCATION

10.1 Crude Oil and Natural Gas Allocation

The allocation of Available Crude Oil and Available Natural Gas shall be in accordance with Annex "C", Annex "D" and this Article 10, as follows:

- (a) Royalty Oil and Royalty Gas shall be allocated to NPDC in such quantum as will generate an amount of proceeds equal to NPDC's Royalty applicable to the Contract Area.
- (b) Cost Oil and Cost Gas shall be allocated to NPDC in such quantum as will generate an amount of proceeds sufficient to recover the following:
 - I. Un-depreciated costs associated to Capital Costs as defined in the Accounting Procedures incurred prior to execution of this Agreement shall be allocated to NPDC;
 - II. Development Costs and Production Costs related to the Production of P1 Developed reserves as agreed in the production profile attached hereto as Annex H shall be allocated to ATLANTIC ;
 - III. Incremental Investment (Development Costs and Production Costs), made by ATLANTIC shall be recovered from incremental volumes (i.e. the monthly production from 2P reserves less the P1 Developed reserves as indicated in the production profile attached hereto as Annex H) shall be allocated to ATLANTIC .

Costs expended in United States Dollars will be recovered in United States Dollars through Cost Oil allocation and Cost Gas proceeds; costs expended in currencies other than United States Dollars will be converted to United States Dollars at the last available exchange rate and recovered through Cost Oil and Cost Gas allocation.

- (c) Tax Oil and Tax Gas shall be allocated to NPDC in such quantum as will generate an amount of proceeds equal to the PPT [and CIT] liability relevant to the production in the Contract Area.
- (d) Profit Oil being the balance of Available Crude Oil after deducting Royalty Oil, Cost Oil and Tax Oil and Profit Gas being the balance of Available Natural Gas after deducting Royalty Gas, Cost Gas and Tax Gas respectively shall be shared by the Parties pursuant to the Accounting Procedure as follows:

- I. Profit Oil and Profit Gas attributable to un-depreciated costs associated to Capital Costs incurred prior to execution of this Agreement as indicated in the production profile attached hereto as Annex H shall be allocated in the following ratio:

NPDC - Ninety per cent (90%)

ATLANTIC - Ten per cent (10%)

- II. Up to the full recovery of Development Costs by ATLANTIC Profit Oil shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

ATLANTIC - Sixty per cent (60%)

Thereafter, Profit Oil shall be allocated in the following ratio:

NPDC - Seventy per cent (70%)

ATLANTIC - Thirty per cent (30%)

- III. Up to the full recovery of Development Costs related to the contingent resources development, Profit Oil shall be allocated in the following ratio:

NPDC - Forty per cent (40%)

ATLANTIC - Sixty per cent (60%)

Thereafter, Profit Oil shall be allocated in the following ratio:

NPDC - Seventy per cent (70%)

ATLANTIC - Thirty per cent (30%)

- iv. Up to the full recovery of Development Costs regarding non associated gas by ATLANTIC, Profit Gas shall be allocated in the following ratio:

NPDC - Thirty per cent (30%)

ATLANTIC - Seventy per cent (70%)

Thereafter, Profit Gas shall be allocated in the following ratio:

NPDC - Seventy per cent (70%)

ATLANTIC - Thirty per cent (30%)

- v. Up to the full recovery of the Development Costs for the development of contingent resources, Profit Gas shall be allocated in the following ratio:

NPDC - Thirty per cent (30%)

ATLANTIC - Seventy per cent (70%)

Thereafter, Profit Gas shall be allocated in the following ratio:

NPDC - Seventy per cent (70%)

ATLANTIC - Thirty per cent (30%)

- 10.3 Each Party shall take in kind, lift and dispose of its allocation of Cost Oil, and Profit Oil in accordance with the Lifting Procedure (Annex D).

The PPT and Tax Gas payable under this Agreement represents the NPDC's tax obligations as Concessionaire. ATLANTIC's tax obligations which shall be paid under CITA shall be paid by ATLANTIC from its profit.

RMT

- 10.4 Either Party may at the request of the other, lift the other Party's Cost Oil and Profit Oil pursuant to Article 10.1 and the lifting Party shall within thirty (30) days transfer to the account of the non-lifting Party the proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall bear interest at the annual rate of three (3) months LIBOR.
- 10.5 Either Party may, with the consent of the other Party, purchase any portion of the other Party's respective allocation of Cost Oil and Profit Oil from the Contract Area.
- 10.6 Parties shall meet on a monthly basis as may be agreed to reconcile all Crude Oil allocated and lifted during the period as per Annex "E".

ARTICLE 11

VALUATION OF AVAILABLE CRUDE OIL

- 11.1 Available Crude Oil shall be valued in accordance with the following procedures:
- (a) On the commencement of production from new reservoirs, NPDC shall engage the services of an independent laboratory of good repute to determine the assay of the new Crude Oil.
 - (b) When a new Crude Oil stream is produced, liftings shall be made for a trial marketing period of three (3) calendar months or the period required to lift the first three (3) cargoes, whichever is shorter. During the trial marketing period NPDC shall:
 - (i) collect samples of the new Crude Oil upon which the assay shall be performed as provided in Article 11.1 (a) above;
 - (ii) determine quality and yield pattern of the new Crude Oil;
 - (iii) share in the marketing such that each Party markets approximately their proportionate share of the new Crude Oil, notwithstanding the fact that a Party's share of Available Crude Oil may be lifted in the process; payments thereafter shall be made in accordance with Article 10.5;

RPD

- (iv) exchange information regarding the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting;
 - (v) apply the actual Free On Board (F.O.B.) sales price to determine the price of each lifting. Such F.O.B. sales pricing for each lifting shall continue after the trial marketing period until a valuation of the new Crude Oil has been completed but in no event shall it be longer than ninety (90) days after conclusion of the trial marketing period.
- (c) As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, Operator shall review the assay, yield, and actual sales data. Operator shall present a proposal for the valuation of the new Crude Oil. A valuation method either spot related or any other method acceptable to the Parties shall be established for determining the price for each lifting of Available Crude Oil. Such valuation method shall be in accordance with the Official Selling Price published by NNPC or relevant government authority. It is the intention of the Parties that such prices shall reflect the true market value of the new Crude Oil. The valuation method determined hereunder (including the product yield values) shall be mutually agreed within thirty (30) days from the aforementioned meeting failing which; determination of such valuation shall be referred to an independent consultant.
- (d) upon the conclusion of the trial marketing period, the Parties shall be entitled to lift their share of Available Crude Oil pursuant to Article 10 and the Lifting Procedure.
- (e) when a new Crude Oil stream is produced from the Contract Area and is co-mingled with an existing Crude Oil produced in Nigeria which has an established Official Selling Price basis then such basis shall be applied to the extent practicable for determining the Official Selling Price of the new Crude Oil. Operating Committee shall meet and decide on any appropriate modifications to such established valuation basis which may be required to reflect any change in the market value of the Crude Oil as a result of co-mingling. RATD

CS

- 11.2 If in the opinion of either Party an agreed price valuation method fails to reflect the market value of the Crude Oil produced in the Contract Area, then such Party shall propose to the other Party modifications to such valuation method once in every six (6) months but in no event more than twice in any year. The Parties shall then meet within thirty (30) days of such proposal and mutually agree on any modifications to such valuation within thirty (30) days from such meeting failing which, determination of such valuation shall be referred to an independent consultant.

ARTICLE 12

PAYMENTS

- 12.1 In each accounting period, enough Crude Oil shall be allocated to meet Cost Oil obligations and enough Natural Gas proceeds shall be made available to meet Cost Gas obligations.
- 12.2 The method of payment of any sum due from ATLANTIC to NPDC and vice versa shall be in accordance with the prevailing guidelines of the Federal Ministry of Finance of Nigeria, the Central Bank of Nigeria and in accordance with Annex C.
- 12.3 Unless otherwise provided herein, any payments which NPDC is required to make to ATLANTIC or which ATLANTIC is required to make to NPDC pursuant to this Agreement shall be made within forty five (45) days following the end of the month in which the obligation to make such payments occurs. Overdue payments shall bear interest at the annual rate of three (3) months LIBOR.
- 12.4 If any of the Parties engages in activities or business outside Petroleum Operations, the cost of the facilities, assets and personnel, if any, used for such business or activities shall not be chargeable to the operations.

ARTICLE 13

UTILISATION OF NATURAL GAS

- 13.1 NPDC's share of Natural Gas proceeds from the Contract Area pursuant to Development shall be shared in accordance with Article 10. The field development programme shall address gas utilization for the Contract Area and shall be subject to the approval of the Operating Committee.

- 13.2 Notwithstanding the provisions of Article 13.1 hereof, the associated Natural Gas produced with Crude Oil may be utilized at no cost to the operations as fuel for Production Operations, gas recycling, secondary recovery by gas injection, gas lift, or any other economical secondary recovery schemes, stimulation of wells or artificial lifts necessary for the Contract Area's full Development. Such usage shall be with the prior written consent of NPDC, such consent shall not be unreasonably withheld.
- 13.3 The Development plan to be approved pursuant to Article 9.1 will contain plans to use Natural Gas both for operational and commercial purposes, to meet the objective of zero flaring.
- 13.4 In the event that gas is flared in the course of production, the penalty shall be treated as part of Production Cost.

ARTICLE 14

TRAINING OF NPDC PERSONNEL

- 14.1 Each year ATLANTIC shall submit a detailed programme for training for the following year in respect of NPDC and NNPC personnel. The final training programme shall be mutually agreed by the Parties and shall reflect any specific requirement of NPDC for implementation by ATLANTIC.
- 14.2 Costs and expenses incurred by ATLANTIC in training NPDC and NNPC personnel, both on the job training and work attachment, shall be included in Development Costs or Production Costs, depending on the period at which the relevant costs are incurred and recovered through Cost Oil and Cost Gas.
- 14.3 ATLANTIC shall also provide for training facilities, in accordance with Article 4.1(d)

ARTICLE 15

SUB-CONTRACTORS

- 15.1 Within ninety (90) days of the Effective Date and at the commencement of every financial year or as may be required at any other time, Operator shall prepare and submit to Operating Committee for approval, a list of contractors and sub-contractors who may, as Petroleum Operations demand, be invited by Operator to bid for contracts.
- 15.2 Subject to the provisions of this Article 15.5, Operator has the right upon the prior approval of Operating Committee to engage contractors and sub-contractors for performing services which Operator is obliged to perform under the terms of this Contract. Such services, however, shall be performed for and on behalf of Operator who shall remain directly responsible for the performance of these services. Such contracts/ sub contracts shall be in the name of Operator.
- 15.3 (a) Approval shall not be required for contracts whose price is less than One Hundred Thousand (100,000) United States Dollars or its equivalent in Naira or other currencies;
- (b) Operator shall promptly deliver to Operating Committee a copy of each of the contracts referred to in this Article 15.3 following the execution thereof.
- 15.4 Notwithstanding the provision of this Article 15 all contract awards shall be by competitive tendering process.
- 15.5 In any event, for contracts whose contract price is equal to or exceeds One Hundred Thousand (100,000) United States Dollars or the equivalent in Naira, or other currencies, Operator shall select its contractors from the list of approved qualified contractors as provided for in Article 15.1 hereof and such selection shall be by means of competitive bidding with preference being given to Nigerian persons and entities, as provided for in Annex F of this Contract. The contract recommendation shall be considered and approved by the Operating Committee.
- 15.6 Subject to Article 15.4 hereof, Operator shall, wherever possible, utilize/ extend for Petroleum Operations existing/valid contracts/agreements with ATLANTIC and/or ATLANTIC's Affiliates by direct negotiations subject to prior approval of the Operating Committee.

ARTICLE 16

BOOKS AND ACCOUNTS, AUDIT AND OVERHEAD CHARGES

16.1 Books and Accounts


Operator shall keep complete books of accounts for which they are responsible which shall be consistent with modern petroleum industry and generally accepted accounting principles and procedures. The statutory books and accounts of this Agreement shall be kept in Naira and United States Dollars. All other books of accounts as may be considered necessary shall be kept in columnar form in both Naira and United States Dollars. Officials of ATLANTIC shall have access to such books and accounts during business hours.

16.2 Audits

ATLANTIC and its external auditors shall have the right to inspect and audit the books and accounts relating to this Agreement for any year by giving thirty (30) days written notice to the Operator. Operator shall facilitate the work of such inspection and auditing, provided, however, that the costs of such inspection and auditing shall be met by ATLANTIC, and provided also that if such inspection and auditing have not been so carried out within three (3) years following the end of the year in question, the books and accounts relating to such year shall be deemed to be accepted by the Parties as satisfactory. Any exception must be made in writing ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts.

ARTICLE 17

TAXES, ROYALTIES, RATES AND DUTIES

- 17.1 Customs duties and other duties levied on imports and services by reason of Operator's activities in performing Development and Production Operations hereunder, pursuant to Articles 8.1 and 8.2 shall be regarded as Development Costs and Production Costs, as the case may be and shall be recovered by the Parties in the manner provided for in this Agreement.
- 

- 17.2 Taxes due on ATLANTIC's income, in accordance with CITA shall be borne by ATLANTIC and shall not under any circumstances be reimbursable to ATLANTIC .
- 17.3 NPDC shall pay its share of PPT and Royalty arising from the production of Crude Oil won and saved in the Contract Area.
- 17.4 The Official Selling Price as advised by the relevant government authorities and established by this Agreement shall be used in determining NPDC's share of PPT and Royalty in respect of Available Crude Oil and Available Natural Gas produced and lifted from the Contract Area.
- 17.5 ATLANTIC shall take all the necessary steps to ensure that the taxes which ATLANTIC must pay in accordance with this Article 17 shall be accurately paid, as and when due.

ARTICLE 18

INSURANCE

- 18.1 All property acquired under the provisions of this Agreement shall be adequately insured with an insurance company of good repute in the name of NPDC with limits of liability not less than those required by Nigerian laws and regulations. The premium for such policies shall be included in Petroleum Operations Costs.
- 18.2 In case of loss of or damage to property, indemnifications paid by the insurance companies shall be entirely received by NPDC for which prompt report shall be made to Operating Committee not later than seventy two (72) hours. The amount so received shall be lodged in an account of and in the name of NPDC that it shall nominate. Operating Committee shall determine whether the lost or damaged property should be repaired, replaced or abandoned. If the decision of Operating Committee is to repair or replace with the proceeds from such indemnification, NPDC shall immediately replace or repair such lost or damaged property. In the event that the loss or damage is attributable to NPDC's Gross Negligence such cost of replacement or repair shall be borne by NPDC.
- 18.3 NPDC shall take out and maintain an insurance policy covering any and all damages caused to third parties as a direct or indirect result of Petroleum Operations in the name of NPDC. NPDC shall defend and hold ATLANTIC harmless from damages and losses caused to third parties as a

consequence of NPDC's Gross Negligence or Willful Misconduct in the performance of this Article.

- 18.4 All insurance policies under this Article 18 shall be based on good international petroleum industry practice and shall be taken out in the Nigerian market except for those risks for which NPDC cannot obtain coverage in Nigeria which shall be taken out abroad, to the extent required by law.
- 18.5 In entering into contracts with any sub-contractor for the performance of Petroleum Operations, NPDC shall require such sub-contractor to take adequate insurance in accordance with Article 18.1 and 18.3 above and to properly indemnify the Parties for any damage done and to properly indemnify and hold the Parties harmless against claims from third parties.
- 18.6 NPDC shall maintain other insurance policies in the name of NPDC and ATLANTIC required under Nigerian law.

ARTICLE 19

CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

- 19.1 The Parties shall keep information mutually exchanged and all plans, maps, drawings, designs, data, scientific, technical and financial reports and other data and information of any kind or nature relating to Petroleum Operations including any discovery of hydrocarbons as strictly confidential, at all times, and shall ensure that their entire or partial contents shall under no circumstances be disclosed by the Parties in any announcement to the public or to any third party without the other Party's prior written consent.

The provisions of this Article 19 shall not apply to disclosure to:

- (a) sub-contractors, Affiliates, assignees, auditors, legal advisers, provided that such disclosures are required for the effective performance of the aforementioned recipients' duties related to Petroleum Operations;
- (b) comply with statutory obligation or the requirements of any governmental agency in which case NPDC will notify ATLANTIC of any information so disclosed.

- (c) finance institutions involved in the provision of finance for the operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential,
 - (d) a third party for the purpose of negotiating an assignment of interest hereunder provided such third party executes an undertaking to keep the information disclosed confidential.
- 19.2 Parties shall take all necessary measures in order to make their employees, agents, representatives, proxies and in the case of NPDC, sub-contractors comply with the same obligations of confidentiality provided for in this Article 19.
- 19.3 The provisions of this Article 19 shall not be voided by the expiry or termination of this Agreement on any grounds whatsoever and these provisions constitute a continuing obligation and accordingly the restrictions arising therefrom shall be in force at all times.
- 19.4 The Parties shall use their best endeavours to ensure that their servants, employees, agents and in the case of NPDC, subcontractors shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever any information on the activities under NPDC's responsibility, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Agreement, without the prior written consent of the other Party.
- 19.5 NPDC shall submit to ATLANTIC copies of all statutory reports and information for submission to Government and other statutory bodies.

ARTICLE 20

FORCE MAJEURE


- 20.1 Any failure or delay on the part of either Party in the performance of its obligations or duties under this Agreement shall be excused to the extent attributable to Force Majeure. A Force Majeure situation shall include delays, defaults or inability to perform under this Agreement due to any event beyond the reasonable control of either Party. Such event may be, but is not limited to, any act, event, happening, or occurrence due to natural causes; and acts or perils of navigation, fire, hostilities, war (declared or undeclared), blockade, labour disturbances, strikes, riots, insurrection, civil commotion, quarantine restrictions, epidemics, storms,

floods, earthquakes, accidents, blowouts, lightning, and acts of or orders of Government.

- 20.2 If operations are delayed, curtailed or prevented by Force Majeure, then the time for carrying out the obligation and duties thereby affected, and obligations hereunder, shall be extended for a period equal to the period thus involved.
- 20.3 The Party whose ability to perform its obligations is so affected shall promptly notify the other Party thereof not later than forty-eight (48) hours after the establishment of the start of Force Majeure stating the cause, and the Parties shall do all that is reasonably within their powers to remove such cause.

ARTICLE 21

LAWS AND REGULATIONS

- 21.1 This Agreement shall be governed by and construed in accordance with the laws of the Federal Republic of Nigeria and any dispute arising therefrom shall be determined in accordance with such laws.
- 21.2 In the event that any enactment of or change in the laws or regulations of Nigeria or any rules, procedures, guidelines, instructions, directives, or policies, pertaining to the Agreement introduced by any government department or parastatals or agencies occurs subsequent to the Effective Date of this Agreement which materially and adversely affects the rights and obligations or the economic benefits of Parties, the Parties shall use their best efforts to agree to such modifications to this Agreement as will compensate for the effect of such changes. If the Parties fail to agree on such modifications within a period of ninety (90) days following the date on which the change in question took effect, the matter shall thereafter be referred at the option of either Party to arbitration under Article 22 hereof. Following arbitrator's determination, this Agreement shall be deemed forthwith modified in accordance with that determination.
- 

ARTICLE 22

ARBITRATION AND CONCILIATION

22.1 If a difference or dispute arises between NPDC and ATLANTIC concerning the interpretation or performance of this Agreement, and if the Parties fail to settle such differences or dispute by amicable agreement, then either Party may serve on the other a demand for arbitration. Within thirty (30) days of such demand being served, each Party shall appoint an arbitrator and the two arbitrators thus appointed shall within a further thirty (30) days appoint a third arbitrator and if the arbitrators do not agree on the appointment of such third arbitrator, or if either Party fails to appoint the arbitrator to be appointed by it, such an arbitrator or third arbitrator shall be appointed by the Head of the Nigerian branch of Chartered Institute of Arbitrators in accordance with the provision of the Arbitration and Conciliation Act Cap A18 LFN 2004. Notice of the intention to apply to the Chartered Institute of Arbitrators shall be given in writing by the applicant Party, to the other Party, and when appointed, the third arbitrator shall convene meetings and act as chairman thereat. If an arbitrator fails or is unable to act, a successor shall be appointed by the respective Party or by the arbitrators in the event the chairman must be succeeded. The arbitration award shall be binding upon the Parties and the expenses shall be borne by the Parties in such proportion and manner as may be provided in the award. The venue of the arbitration shall be anywhere in Nigeria as agreed by the Parties.

ARTICLE 23

REPRESENTATIONS AND WARRANTIES

23.1 In consideration of the entering into this Agreement, the Parties warrant as follows:

- (a) that they have the power to enter into and perform this Agreement and have taken all necessary action to execute, deliver and perform the Agreement in accordance with the terms herein contained.

- (b) the execution, delivery and performance of this Agreement by the Parties will not contravene in any respect, any of the provisions of:

- (1) any law or regulations or order of any government authority, Agency or Court applicable to or by which the Parties may be bound.
 - (2) any mortgage, agreement or other undertaking or instrument to which they are a party or which is binding upon them or any of their respective revenues or assets.
- (c) In addition to the above, ATLANTIC further warrants that:
- (1) full disclosure has been made to NPDC prior to the Effective Date of all facts in relation to ATLANTIC and its financial condition and affairs as is material and ought properly to be made known to NPDC; and
 - (3) has the requisite funds both in foreign and local currencies to carry out NPDC's 55% share of Petroleum Operations under the Contract Area.
- (d) The representations and warranties set out above shall survive the execution of this Agreement.

ARTICLE 24

TERMINATION

- 24.1 NPDC shall be entitled to terminate this Agreement if any of the following events occur:
- (a) ATLANTIC defaults in the performance of its material obligations set forth in Article 4.1(a).
 - (b) ATLANTIC defaults in the performance of its obligations as set forth in, 4.1(b) of this Agreement.
 - (c) ATLANTIC assign its rights and interests under this Agreement without prior written notice and prior written consent of NPDC.

- (d) ATLANTIC is adjudged insolvent, bankrupt or to have made restitution to its creditors by a Court of competent jurisdiction in Nigeria.
- (e) ATLANTIC liquidates or terminates its corporate existence.
- (f) There is a breach of ATLANTIC's parent company guarantee.
- (g) The disposal of ATLANTIC's rights and interests under this Agreement through the sale of its parent company;
- (h) The attainment of 451.6 Million Barrels subject to Article 3.1.

24.2 Termination for any of the events specified in this Article 24.1 (c-i) above; shall be with immediate effect and NPDC may by written notice to ATLANTIC declare the Agreement terminated.

24.3 If the cause for termination is an event specified in Article 24.1 (a) and (b), NPDC may give written notice thereof to ATLANTIC to remedy such default within a period not less than thirty (30) working days of receipt of NPDC's notice. If upon the expiration of such period such default has not been remedied or removed, the Agreement shall automatically terminate.

24.4 Except such rights of ATLANTIC that may have accrued prior to the date of termination, ATLANTIC's rights shall cease upon termination of this Agreement. Such termination shall take place without prejudice to any other rights or remedies which may be available to either Party.

Handwritten mark

ARTICLE 25

NOTICES

- 25.1 Any notices required to be given by either Party to the other shall be in writing and shall be deemed to have been duly given if sent and received by e-mail, mail, fax, telegram or cable (confirmed by mail) or registered post to, or hand delivered at the following registered offices:

NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED,
62, SAPELE ROAD,
BENIN CITY, NIGERIA

ATLANTIC :

ATLANTIC ENERGY DRILLING CONCEPTS NIGERIA LIMITED,
50D GLOVER ROAD,
IKOYI , LAGOS, NIGERIA.

- 25.2 Either Party shall notify the other promptly of any change in the above address.

Handwritten mark

ARTICLE 26

GENERAL PROVISIONS

- 26.1 In consultation with ATLANTIC , NPDC shall obtain and pay for all necessary permits or authority for the use of any patent, device, instrument and the like not belonging to NPDC, necessary for the operations and such cost shall be paid for by ATLANTIC and recovered through Cost Oil. NPDC agrees to defend after consultation with ATLANTIC , all legal proceedings brought against it or ATLANTIC claiming infringement of a patent on any method or equipment selected or furnished by NPDC or in its performance of the obligations under this Agreement, provided NPDC notifies ATLANTIC promptly in writing of any such infringement or claim against it and ATLANTIC gives NPDC authority, information and assistance for the defense or assistance in defense of such proceeding. ATLANTIC may be represented by its own counsel and may participate in proceedings to which it and NPDC are defendants, provided however that NPDC shall control the defense thereof.
- 26.2 This Agreement is drawn up in the English Language and the affairs of the Agreement shall be conducted in the English Language.
- 26.3 Except as provided in Articles 3, 24 and 26.9, this Agreement shall not be terminated, amended or modified in any respect except by mutual consent in writing of the Parties hereto.
- 26.4 The title of this Agreement, the sequence and headings of the Articles of this Agreement have been adopted for identification and reference purposes only, and do not and shall not affect the meaning or interpretation of this Agreement.
- 26.5 If at any time, any provision of this Agreement is or becomes illegal, invalid, or unenforceable in any respect under the laws of any relevant jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provisions under any other laws, shall in any way be affected or impaired thereby and the remaining provisions of this Agreement shall be construed and enforced as if the Agreement did not contain such invalid, illegal or unenforceable provisions.
- 26.6 This Agreement together with attached Annexes shall constitute the entire agreement between the Parties in respect of the transaction contemplated herein and shall supersede all previous arrangements, *RRR*

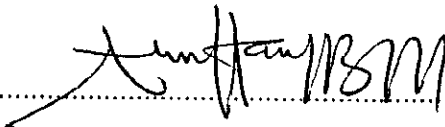
promises, agreements, correspondences, etc. made in relation to this Agreement.

ATLANTIC hereby represents and warrants that they have not engaged and shall not engage any person, firm or company as a commission agent for purposes of this Agreement and that they have not given or offered to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of value, as any inducement or reward for doing or forbearing to do any action or take any decision in relation to this Agreement or for showing or forbearing to show favour or disfavour to any person in relation thereto.

- 26.7 ATLANTIC further represent they have not either directly or indirectly give to any person, director, employee, representative or agent of the other Party or any Government official any commission, fee, rebate, gift or any entertainment of significant cost or value and shall not procure the services of any commission agent or other third party to give any such gift, fee, reward, concession, bribe, entertainment of significant cost or value or anything of a similar nature, for the purposes of influencing or inducing positively or adversely the execution of this Agreement or the doing of any act in connection with this Agreement.
- 26.8 If ATLANTIC or any of their personnel, representatives, agents or sub-contractors gives or offers to give (directly or indirectly) to any person any such inducement or reward or anything of value, the other Party may terminate this Agreement immediately without prior notification. It is hereby expressly stated that the termination of this Agreement under this provision shall not be deemed a breach of the Agreement and shall not give rise to any claim for cost or compensation or loss of profit on the part of the other Party.
- 26.9 NPDC agrees to indemnify, keep indemnified and hold harmless ATLANTIC against any costs, decommissioning liabilities and environmental liabilities of whatsoever nature and howsoever arising and any costs, expenses, liabilities or other charges incurred as a result of or in connection with any termination, dismissal or redundancy of any person employed or engaged by NPDC arising prior to the Effective Date.
- 26.10 In the event that ATLANTIC acquires a participating interest in the OML, Parties shall negotiate and execute a joint operating agreement ("Joint Operating Agreement" or "JOA") to govern their relationship in the OML.

IN WITNESS WHEREOF THE PARTIES herein have caused this agreement to be executed the day and year first above written.

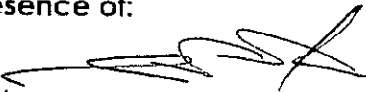
Signed for and on behalf of NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED by:

Signature: 

Name: ABIYE H. MEMBERERE

Designation: MANAGING DIRECTOR

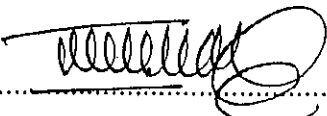
In the presence of:

Signature: 

Name: ADAMU, A. A.

Designation: COMPANY SEC / LEGAL ADVISER

Signed for and on behalf of ATLANTIC ENERGY DRILLING CONCEPTS NIGERIA LIMITED by:

Signature: 

Name: OLAJIDE OMOKORE

Designation: CHAIRMAN

In the presence of:

Signature: 

Name: Chijioke Isiolu

Designation: COY SEC / Legal Adviser

Handwritten initials

ANNEX A

(INSERT COORDINATES OF OML 30)

RAAR

9

ANNEX B

TO THE STRATEGIC ALLIANCE AGREEMENT BETWEEN NPDC AND ATLANTIC FOR THE
DEVELOPMENT AND PRODUCTION OF CRUDE OIL AND NATURAL GAS FROM OML 30
DATED THIS

ARTICLE I

APPLICATION

1. This Annex "B" defines the obligations of NPDC to ATLANTIC in the conduct of Petroleum Operations.
2. In the event of a conflict between the terms of this Annex "B" and the Agreement, the terms of the Agreement shall prevail.
3. This Annex "B" may be amended from time to time by mutual consent of the Parties.

ARTICLE II

DEFINITIONS

1. The definitions contained in this Agreement shall apply to any and all purposes in this Annex "B" and shall have the same meanings.
2. "Operator" shall be as defined in the Agreement.

ARTICLE III

CONDUCT OF PETROLEUM OPERATIONS

1. The Parties acknowledge that the two main objectives to be achieved through this Agreement are:
 - (a) the funding of NPDC's 55% share of Petroleum Operation Cost in relation to the Contract Area; and
 - (b) the conduct of Petroleum Operations and training of NNPC/NPDC staff.

RRR

U

2. NPDC shall conduct Petroleum Operations through its own staff and professionals seconded by ATLANTIC who shall occupy well defined and mutually agreed positions. The manning level and tenure of secondment shall be agreed by the Parties.
3. ATLANTIC shall give one month prior written notice of de-secondment of any personnel. Any agreed replacement personnel shall work with de-seconded staff for a reasonable handover period.
4. The position of Head of Pipelines and Facilities and Head of Gas Marketing shall each be manned by a ATLANTIC nominee for training and capacity building of NPDC personnel for a maximum period of three (3) years after which such position shall revert to NPDC.

ARTICLE IV

RIGHTS AND DUTIES OF OPERATOR

1. In the conduct of Petroleum Operations, Operator shall:
 - (a) perform Petroleum Operations in accordance with the provisions of this Agreement;
 - (b) carry out the decisions of the Operating Committee;
 - (c) conduct all Petroleum Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices generally followed by the international petroleum industry;
 - (d) prepare and submit to the Operating Committee the proposed Work Programme and Budgets as provided in Article 8 of the Agreement;
 - (e) acquire all permits, consents, approvals, surface or other rights which may be required for or in connection with the conduct of Petroleum Operations;
 - (f) permit the representatives of ATLANTIC to have at all reasonable times and at their own risk and expenses reasonable access to the Petroleum Operations with the right to observe such Petroleum Operations;
 - (g) prepare and furnish such reports, records and information as may be required pursuant to the Agreement;
 - (h) take all necessary and proper measures for the safety or the protection of life, health, environment, and property in the case of an emergency; provided, however, Operator shall promptly notify ATLANTIC of the details of such emergency and measures.

ARTICLE V

INFORMATION SUPPLIED BY OPERATOR

Operator shall consult freely with, and shall make full and frank disclosure to ATLANTIC concerning Petroleum Operations and keep them currently advised of all matters of importance arising in connection therewith.

Operator shall promptly furnish ATLANTIC with the following reports and data in hard and digital copies as available and compiled from Petroleum Operations.

- (a) raw stack data and final stack and migrated seismic data (after routine and special processing), associated velocity and navigation data in a mutually agreed standards format for 2D seismic and in digital format only for 3D seismic;
- (b) final geological and geophysical maps, evaluation reports, prospect listings and reports including representative interpreted sections and work station files where appropriate;
- (c) well proposals, location reports, site survey reports and drilling programmes prior to or concurrent with Government filing or at such earlier time as may be specified by the Agreement;
- (d) daily (seven days a week) drilling progress reports to include basic drilling information and weekly drilling summary reports to include an estimate of cumulative cost. Mudlog data, MWD and other similar data gathered during drilling to be forwarded after validation by Operator;
- (e) all well logs at mutually agreed scales and format together with data on plugging, coring, testing, deviation surveys, velocity surveys and samples;
- (f) intermediate and final geotechnical reports, drill stem and well test reports, core analysis reports and final well reports;
- (g) provide ATLANTIC with daily production figures;
- (h) weekly production summary and engineering activity reports;
- (i) monthly reports on engineering studies, development schedules and progress reports on development projects, which shall at least, depict the status of each such project from inception to date, its cumulative costs to date and the commitments taken;

- (j) monthly reports on production with performance data listed by field, wells and reservoir;
- (k) annual reserves reports including proved developed reserves;
- (l) long term production forecasts submitted with the annual Work Programme and Budget on a yearly basis with the budget year shown on a quarterly basis;
- (m) prompt reports on well developments of significance such as blowout and prompt notice of special events of importance to the Petroleum Operations, such as fire, accident, sabotage or acts of God involving loss of life or serious property damage, strikes and riots, changes in production level affecting quota or relevant government actions. Such reports or notices shall be given by telex, telefax, telephone or equivalent means and confirmed in writing;
- (n) copies of accounting reports;
- (o) a quarterly report detailing and comparing approved budgeted amounts to actual amounts with an explanation for significant variations;
- (p) copies of all reports relating to Petroleum Operations (including safety performance statistics and incident report) furnished by Operator to the Government;
- (q) other reports as frequently as is justified by the activities or as instructed by the Operating Committee;
- (r) a monthly report on key operating performance data with a summary of all Petroleum Operations with updated schedules of events. These should include safety and environmental statistics, oil spills, produced water discharged, flaring volumes and related data. One such report shall be an annual summary and should include summary statistics reported on a monthly basis and a discussion of significant events during the year including current programmes, current and emerging issues, status of regulatory compliance parameters used to monitor performance, plans and objectives for the coming year;
- (s) as soon as available, on request, an individual set of washed or unwashed well drill cutting samples or access to cuttings if insufficient samples exist; and
- (t) as soon as available, allotments of core, formation water, and hydrocarbons or access to samples if insufficient amounts remain after Operator's analyses.

RRR

- (u) Operator shall promptly supply to ATLANTIC as soon as available :
- (i) a copy of all logs and surveys made including a complete log, electrical or otherwise, of each well from surface to final depth;
 - (ii) a copy of all drill stem tests and analytical reports including, without limitation, bottom hole or recombined fluid sample analyses, descriptions of core and cuttings, samples and analyses, Crude Oil and or Natural Gas analyses and any and all data obtained and interpretations thereof;
 - (iii) a copy of the plug-back record in the event that any well or part thereof is abandoned;
 - (iv) a copy of the final geological report and the drilling, completion and work over report on all wells;
 - (v) copies of all geological and geophysical surveys and reports, maps relating to drilling proposals and final well reports made by the Operator or its contractors;
 - (vi) field and well performance data;
 - (vii) monthly statements of Petroleum won and saved from the Contract area including Crude Oil and Natural Gas stocks and tanker loadings;
 - (viii) weekly well progress reports which include, for the week concerned, a brief description of the work performed, the interval drilled, the type and depth of formation penetrated, the size and landed depth of any casing, the type and results of any tests made and such other well information and data as each Party may, from time to time, reasonably specified; and
 - (ix) such additional reports as ATLANTIC may require including a copy of all reports on technical studies and research conducted or commissioned by Operator in respect of Petroleum Operations.
 - (x) Copies of major contracts for the execution of Petroleum Operations as may be requested by ATLANTIC.

ANNEX C

TO THE STRATEGIC ALLIANCE AGREEMENT BETWEEN NPDC AND ATLANTIC FOR
THE DEVELOPMENT AND PRODUCTION OF CRUDE OIL AND NATURAL GAS
FROM OML 30

DATED THIS 25th Day of May 2011...

ACCOUNTING PROCEDURE

ARTICLE I

GENERAL PROVISIONS

1. Definitions

This Accounting Procedure attached to and forming a part of the Agreement is to be followed and observed in the performance of either Party's obligations thereunder. The defined terms appearing herein shall have the same meaning as is ascribed to them in the Agreement.

2. Accounts and Statements

NPDC shall keep accounting records and books as provided under Article 16.1 of the Agreement in accordance with generally accepted accounting principles consistent with modern petroleum industry practices and procedures.

All original books of accounts together with original supporting documentation shall be kept and maintained in Nigeria in compliance with all Nigerian laws and regulations.

3. Other

In the event of a conflict of the terms of this Procedure and the Agreement, the terms of the Agreement shall prevail.

ARTICLE II

PETROLEUM OPERATIONS COSTS

Petroleum Operations Costs shall be defined as all costs, expenses paid and obligations incurred by the Operator in carrying out Petroleum Operations and shall consist of (1) Non-Capital Costs, and (2) Capital Costs.

9

POB

1. Non-Capital Costs

"Non-Capital Costs" means, those Petroleum Operations Costs incurred that are chargeable to the current year's operations. Non-Capital Costs include, but are not limited to the following:

- (a) General office expenses – office, services and general administration services pertaining to Petroleum Operations including but not limited to, services of legal, financial, purchasing, insurance, accounting, computer, and personnel department, communications, transportation, rental of specialized equipment, charitable contributions and approved community related expenses.

- (b) Labour and related costs – salaries and wages, including bonuses, of employees of the Parties who are directly engaged in the conduct of Petroleum Operations, whether temporarily or permanently assigned, irrespective of the location of such employee including but not limited to, the costs of employee benefits, customary allowances and personal expenses incurred under each Party's practice and policy and amounts imposed by applicable Governmental authorities which are applicable to such employees. These costs and expenses which shall be disclosed to the Parties shall include:
 - (i) Cost of established plans for employee group life insurance, hospitalization, pension, retirement, savings and other benefit plan;
 - (ii) Cost of holidays, vacations, sickness and disability benefits;
 - (iii) Cost of living, housing and other customary allowances;
 - (iv) Reasonable personal expenses which are reimbursable under each Party's standard personnel policies;
 - (v) Obligations imposed by Governmental authorities;
 - (vi) Cost of transportation of employees, other than as provided in paragraph (c) below, as required in the conduct of Petroleum Operations; and

Handwritten initials/signature

Handwritten mark

- (vii) Charges in respect of employees temporarily engaged in Petroleum Operations which shall be calculated to reflect the actual costs thereto during the period or periods of such engagement.
 - (c) Employee relocation costs – costs for relocation, transportation and transfer of employees of the Parties engaged in Petroleum Operations including, but not limited to the cost of freight and passenger service of such employees' families and their personal and household effects together with meals, hotel and other expenditures related to such transfer incurred with respect to:
 - (i) employees of the Parties within and or outside Nigeria, including expatriate employees, engaged in Petroleum Operations;
 - (ii) transfer to or from Nigeria for engagement in Petroleum Operations;
 - (iii) relocation costs and other expenses incurred in the final repatriation or transfer of each Party's employees and families.
- Provided always that:
- a) such relocations are pre-approved by the Operating Committee;
 - b) relocation costs incurred in moving an employee and his family beyond his point of origin, established at the time of his transfer to the project, in Nigeria will not be recoverable as Petroleum Operations Cost, and
 - c) no charge shall be made to the Petroleum Operation with respect to the expenses incurred in the final repatriation or transfer of the expatriate employees and families to other areas outside of the Contract Area.
 - (iv) Nigerian employees on training assignments outside Nigeria.
- (d) Services provided by third parties – cost of professional, technical, consultation, utilities and other services procured from third party sources pursuant to any contract or other arrangements between such third parties and the Operator for the purpose of Petroleum Operations.

RRR

- (e) Legal expenses – All costs or expenses of handling, investigating, asserting, defending, and settling litigation or claims arising out of or relating to Petroleum Operations or necessary to protect or recover property used in Petroleum Operations including, but not limited to, legal fees, court costs, arbitration costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation, arbitration or claims in accordance with the provision of the Agreement.
- (f) Services provided by Affiliates of the Parties – professional, administrative, scientific, technical services for the direct benefit of Petroleum Operations including, but not limited to, services provided by the exploration, production, legal, financial, purchasing, insurance, accounting and computer services departments of such Affiliates. Charges for providing these services shall reflect the actual cost only and must be consistent with international market prices and shall not include any element of profit.
- (g) Insurance premiums and settlements – premiums paid for insurance normally required to be carried for the Petroleum Operations together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other agreed expenses.
- (h) Duties and taxes – all duties and taxes, fees and any Government assessments, including but not limited to, gas flare charges, license fees, customs duties, and any other payments to the Government, other than taxes due on ATLANTIC 's income.
- (k) Intangible drilling costs – expenditures for labour, fuel, repairs, maintenance, hauling and supplies and materials (not including, casing and other well fixtures) which are for or incidental to drilling, cleaning, deepening or completing wells or the preparation thereof incurred in respect of:
- (i) determination of well locations, geological, geophysical, topographical and geographical surveys for site evaluation preparatory to drilling including the determination of near surface and near sea bed hazards, cleaning, draining and leveling land, road-building and the laying of foundations,
1. drilling, shooting, testing and cleaning wells, and
 2. erection of rigs and tankage assembly and installation of pipelines and other plan and equipment required in the

preparation or drilling of wells producing Crude Oil and Natural Gas.

- (l) Geological and geophysical surveys – labour, materials and services used in aerial, geological, topographical, geophysical and seismic surveys incurred in connection with Petroleum Operations.
- (m) Operating expenses – labour, materials and services used in day to day oil and gas well operations, oil and gas field production facilities operations, secondary recovery operations; storage, transportation, delivery and marketing operations; and other operating activities, including repairs, well workovers, maintenance and related leasing or rental of all materials, equipment and supplies.
- (n) Exploration and appraisal drilling – all expenditures incurred in connection with exploration drilling and the drilling of appraisal wells and drilling of development wells, including costs incurred in respect of casing, well cement and well fixtures.
- (o) Abandonment/Decommissioning – a provision for all expenditures incurred in connection with the plugging of wells; the removal and disposal of equipment and facilities including well heads, processing and storage facilities, platforms, pipelines, transport and export facilities, roads, buildings, wharves, plants, machinery, fixtures, the restoration of sites and structures including the payment of damages to property lessors. The expenditures will be estimated on the basis of technical studies by the Operator and shall be approved by the Operating Committee. Annual budget provisions for such expenditure shall be made after full recovery of all Development Cost or at the expiration of three (3) years whichever comes first taking into account the relationship between estimated total abandonment cost and anticipated remaining production reserves from the Contract Area. Following establishment of such funds, yearly contributions from Cost Oil and Cost Gas shall be made into an account to be opened and maintained by NPDC. Any balance on the fund after total abandonment shall revert to NPDC.

2. Capital Costs

"Capital Costs" means, without limitations, expenditures which are subject to a Capital Allowance under the PPT Act. Such expenditures normally have a useful life beyond the year incurred and include but are not limited to the following:

- (a) Plant expenditures – expenditures in connection with the design, construction and installation of plant facilities (including machinery, fixtures, and appurtenances) associated with the production and processing of Crude Oil and Natural Gas (except such costs properly allocable to intangible drilling costs) including offshore platforms,

secondary or enhanced recovery systems, gas injection, water disposal, expenditures for equipment, machinery and fixtures purchased to conduct Petroleum Operations such as office furniture and fixtures, office equipment, automotive equipment, petroleum operational aircraft, construction equipment, miscellaneous equipment.

- (b) Pipeline and storage expenditures – expenditures in connection with the design, installation, construction of pipeline, transportation, storage and terminal facilities associated with Petroleum Operations including tanks, metering and export lines.
- (c) Building expenditures – expenditures incurred in connection with the construction of buildings, structures or works of a permanent nature including workshops, warehouses, offices, roads, wharves, furniture and fixtures related to employee housing and recreational facilities and other tangible property incidental to construction.
- (d) Drilling expenditures – expenditures for tangible goods in connection with drilling wells such as casing, tubing, surface and sub-surface production equipment, flow lines, instruments; costs incurred in connection with the acquisition of rights over the Contract Area pursuant to paragraph 1 (d)(i) of the Second Schedule of the PPT Act except any bonuses paid under Article 2 of the Agreement.
- (e) Pre-Production expenditures – all costs (including those otherwise falling within Non-Capital Costs described in paragraph 1 of this Article II) incurred before the first accounting period relevant to PPT calculation.
- (f) Material inventory – cost of material purchased and maintained as inventory items solely for Petroleum Operations subject to the following provisions:
 - i) The Operator shall source and purchase any materials required for Petroleum Operations, including those required in the foreseeable future. Inventory stock levels shall take account of the time necessary to provide the replacement, emergency needs and similar considerations.
 - ii) Materials purchased by the Operator for use in Petroleum Operations shall be valued so as to include invoice price (less prepayment discounts, cash discounts, and other discounts if any) plus freight and forwarding charges between point of supply and point of destination but not included in the invoice price, inspection costs, insurance, customs fees and taxes, on imported materials required for this Agreement.

AAA

- iii) Materials not available in Nigeria supplied by ATLANTIC or from its Affiliates' stocks shall be valued at the current competitive cost in the international market.
- iv) The Operator shall maintain physical and accounting controls of materials in stock in accordance with general practice in the international petroleum industry. The Operator shall make a total inventory at least once a year. Each Party may however carry out partial or total inventories at its own expense, whenever it considers necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

ARTICLE III

COMPUTATION OF ROYALTY AND PPT

1. The Operator shall compute the amount of Royalty payable by NPDC pursuant to Article 17 of this Contract. Such amounts shall be computed as provided under the Petroleum Act, CAP P10 LFN 2004 and the Petroleum Profits Tax Act, CAP P13 LFN 2004 ("PPT Act") and the provisions of this Agreement. For purposes of Article IV of this Accounting Procedure, Operator shall compute the Royalty payment in a given month based on the prevailing fiscal value of the Crude Oil and/or Natural Gas produced during the second preceding month. The applicable Royalty rate shall be in accordance with the applicable legislation.
- 2(a) The Operator shall compute the PPT payable by NPDC pursuant to Article 17 of the Agreement in accordance with the provisions of the PPT Act and any prevailing Government fiscal incentives.
- (b) The PPT rate is currently 65.7% for the first five (5) years from the commencement date.

ARTICLE IV

ACCOUNTING ANALYSES

1. A monthly accounting analysis in the form of Schedule C-1 attached to this Accounting Procedure shall be prepared by the Operator and furnished to ATLANTIC within sixty (60) days of the end of the period covered by such analysis for consideration and approval.
2. The Market Price and the quantities actually lifted by the Parties shall be used to compute the proceeds as reflected in Section A of each Schedule C-1 and the allocation of such proceeds in the categories *BFA*

described under Article 10.2 of this Agreement shall be reflected in Section B thereof.

3. The allocation of the quantity of Available Crude Oil and Available Natural Gas shall be in accordance with the percentages in Article 10 of this Agreement and the provisions of the Allocation Procedure.
4. The priority of allocation of the total proceeds for each period shall be as follows:
 - (a) Royalty Oil/Royalty Gas,
 - (b) Cost Oil/Cost Gas,
 - (c) Tax Oil/Tax Gas
 - (d) Profit Oil/Profit Gas.
5. The amount chargeable to and recoverable from Royalty Oil/Royalty Gas, Cost Oil/Cost Gas, Tax Oil/Tax Gas to be entered in Section B of Schedule C-1 shall be determined as follows:
 - (a) Royalty Oil/Royalty Gas – The sum of royalties payable during such month,
 - (b) Cost Oil/Royalty Gas – The Petroleum Operations Costs applicable to such month for purposes of Cost Oil and/or Cost Gas as follows:
 - (i) Non-Capital Costs shall be the amount recorded in the books and accounts of the Operator for such month in accordance with this Accounting Procedure.
 - (ii) Capital Costs recorded in the books and accounts of Operator shall be recoverable in full and chargeable in equal installments over a five (5) year period or the remaining life of this Agreement, whichever is less. Amortization of such costs shall be in accordance with the method prescribed under the Second Schedule of the PPT Act, or over the remaining life of this Agreement, whichever is less.
 - (iii) Qualifying Pre-Production Costs for the Contract Area shall be in accordance with the PPT Act and CITA as applicable.
 - (c) Tax Oil/Tax Gas – The sum of the PPT or CIT payable for such month as provided under Article III (2) of this Accounting Procedure, for purposes of Tax Oil/Tax Gas.

CD

- (d) Any carryover from previous months as provided under paragraph 6 of this Article.
6. Any amounts chargeable and recoverable in excess of the allocation of proceeds for the month to Royalty Oil/Royalty Gas, Cost Oil/Royalty Gas and Tax Oil/Tax Gas shall be carried forward to subsequent months. Carryovers shall be determined as follows:
- (a) A Royalty Oil/Royalty Gas value carryover results when the proceeds for such month are insufficient for recovery of the Royalty Oil/Royalty Gas due for the month.
- (b) A Cost Oil/Cost Gas value carryover results when the proceeds remaining after allocating a portion of the Proceeds to Royalty Oil/Royalty Gas is insufficient for recovery of Cost Oil/Royalty Gas due for the month.
- (c) A Tax Oil/Tax Gas value carryover results when the Proceeds remaining after allocating a portion of the Proceeds to Royalty Oil/Royalty Gas and Cost Oil/Cost Gas are insufficient for recovery of the Tax Oil/Tax Gas due for the month.
7. Profit Oil/Profit Gas results where Proceeds remain after allocations to Royalty Oil/Royalty Gas, and Cost Oil/Cost Gas and Tax Oil/Tax Gas pursuant to paragraph 5 of this Article IV. Profit Oil shall be allocated and Profit Gas shall be shared by the Parties in accordance with Article 10 of this Agreement.

A computation of Profit Oil/Profit Gas shares in the form of Schedule C-2 attached to this Accounting Procedure shall be submitted monthly.

ARTICLE V

OTHER PROVISIONS

- 1(a). For as long as the conduct of Petroleum Operations subsists, the Operator shall open and keep a project development bank account(s) exclusively for this Agreement where all funds remitted by ATLANTIC shall be deposited for the purpose of meeting Petroleum Operations Costs subject to the provisions of Article 8.1 of the Agreement. For purposes of keeping the books of accounts, any Foreign Currency remitted by ATLANTIC into Nigeria shall be converted into Naira at the monthly exchange rates advised by the Central Bank of Nigeria.

- 1(b) The Operator shall also open and maintain a Production Operations account to receive proceeds of Cost Oil allocated to finance Production Operations
- 1(c) NPDC shall open and maintain an abandonment account to receive Cost Oil/Cost Gas allocated to finance abandonment and decommissioning costs.
- 2. The Operator shall prepare financial accounting and budget statements in accordance with the agreed reporting format. The Operator shall report on the cumulative production in the Contract Area in the Form on Schedule C-3 attached.
- 3. Invoices not duly certified by both Parties as part of Petroleum Operations cost shall not be admitted into records and accounts for the purposes of cost recovery.

Schedule C-1
Monthly Accounting Analysis

Month of _____

Section A – Lifting Summary

Lifting Date	Crude Type	RP/Market Price US\$/Bbl	Volume Bbls	Proceeds US\$	Proceeds Received By:	
					NPDC	ATLANTIC
Totals						

Handwritten signature

Handwritten mark

Section B – Allocation of Proceeds – Expressed in U.S. Dollars

CATEGORY	PRIOR MONTH CARRYOVER	CURREN MONTH CHARGES	RECOVERABLE THIS MONTH	ALLOCATION OF PROCEEDS:		CARRYOVER
				ATLANTIC	NPDC.	
Royalty Oil/Royalty Gas						
Cost Oil/ Cost Gas						
Tax Oil/ Tax Gas						
NPDC Profit Oil/ Profit Gas						
ATLANTIC Profit Oil/ Profit Gas						
Totals						

Handwritten initials/signature

Handwritten mark

**Schedule C-2
Profit Oil/Profit Gas Shares**

Month of _____

Section A – Total Production for the Month

Field	Total Net Barrels/Mcf
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Section B – Total Profit for the Month

Category	US\$
Proceeds	_____
Royalty Oil/Royalty Gas	_____
Cost Oil/Cost Gas	_____
Tax Oil/Tax Gas	_____
Profit Oil/Profit Gas	_____

Section C – Calculation of Profit Oil/Profit Gas Shares

Barrels/Day Profit Share month	Monthly production		% of Total Monthly Produced for US\$	Monthly Profit	
	NPDC	ATLANTIC		Barrels	Profit
	Production			Profit	Profit
	US\$	\$			

Handwritten initials/signature

Handwritten mark

SCHEDULE C-3

Cumulative Production Analysis

Section A – Monthly Production

Crude/Gas Type	Planned Production	Planned Cumulative	Actual Production	Actual Cumulative
	For Month	For Quarter	For Month	For Quarter
	Bbls/Mcf BBls/Mcf	Bbls/Mcf Bbls/Mcf	Bbls/Mcf Bbls/Mcf	Bbls/Mcf Bbls/Mcf
Totals				

SECTION B – Cumulative Production

Crude/Gas Type	Cumulative Production For Quarter Bbls/Mcf	Previous Quarter Cumulative Production B/F Bbls/Mcf	Cumulative Production to date Bbls/Mcf
TOTALS			

SECTION C – Cumulative Production/Liftings/Storages

Crude/Gas Type	Cumulative Production	Cumulative Liftings	In Storage
TOTALS			

Handwritten signature

Handwritten mark

ANNEX D

To The STRATEGIC ALLIANCE AGREEMENT Between NPDC and ATLANTIC

Dated 25th Day of May 2011

ALLOCATION PROCEDURE

ARTICLE I

APPLICATION

1. This Allocation Procedure ("this Procedure") sets out the methods for the allocation of Available Crude Oil from the Contract Area and the Parties shall allocate all lifting of Available Crude Oil in accordance with this Procedure and the Agreement.
2. In the event of a conflict between the terms of this Annex and this Agreement, the terms of this Agreement shall prevail.
3. The procedures set forth herein may be amended from time to time by agreement of the Parties.

ARTICLE II

1. The words and expressions defined in this Agreement when used herein shall have the meaning ascribed to them in this Agreement. In addition, the following words shall have the meanings set forth below:
 - (a) "Current Quarter" means, the calendar quarter within which the relevant Schedules are prepared and submitted;
 - (b) "Forecast Quarter" means, the first calendar quarter succeeding the Current Quarter;
 - (c) "Lifting Allocation" means, the quantity of Available Crude Oil which each Party has the right to take in kind, lift and dispose of in accordance with Article 10 of the Contract;
 - (d) "Off Take Quantity" means, the quantity of Natural Gas which the Parties have the right to dispose off in accordance with Article 10 of this Agreement.

U

- (e) "Primary Nomination" means, written statement issued by each Party to the other at least twenty-five (25) days prior to the commencement of each quarter declaring the volume by grade of its estimated Lifting Allocation and Off take Quantity which the Party desires to lift or off take during the Forecast Quarter;
- (f) "Proceeds Imbalance" means, the difference between each Party's Proceeds to which it is entitled and the Proceeds which each Party has actually received, as reflected in each quarter's Schedule D-2 of this Annex.

ARTICLE III

LIFTING ALLOCATION

1. On or before September 30 of every year, Operator shall advise ATLANTIC of its forecast of the Available Crude Oil and to be produced by grades during each month of the first six (6) months of the next ensuing year.
2. On or before March 31 of every year, Operator shall advise ATLANTIC of its forecast of Available Crude Oil and Available Natural Gas to be produced during each month of the six (6) months commencing July 1, of the year.
3. Thirty-five (35) days before commencement of production from the Contract Area and thereafter thirty-five (35) days prior to the beginning of the Forecast Quarter, Operator shall notify ATLANTIC the estimated Lifting Allocation and Off Take Quantity which can be produced and made available for disposal during the Forecast Quarter. Such estimated Lifting Allocation and Off Take Quantity shall take into account any Proceeds Imbalance for the quarter first preceding the Current Quarter and any estimated Proceeds Imbalance for the Current Quarter computed in accordance with paragraph 3 of Article IV. Such notice shall be in the form of Schedule D-1 attached hereto indicating the estimated quantities of Royalty Oil/Royalty Gas, Tax Oil/Tax Gas, Cost Oil/Cost Gas and Profit Oil/Profit Gas, each Party's estimated Lifting Allocation and Off Take Quantity, the estimated Realizable Price used to prepare such estimated Lifting Allocation.
4. Not later than twenty-five (25) days before the beginning of Forecast Quarter, each Party shall notify the other of its Primary Nomination of Available Crude Oil which it intends to lift during the Forecast Quarter which shall not exceed its estimated Lifting Allocation. Such notice shall include the

RAA

information described in Article IV, paragraph 1 of this Annex D – Nomination, Ship Scheduling and Lifting Procedure.

5. The estimated Market Price to be used by Operator to prepare Schedule D-1 (Estimated Quarterly Lifting Allocation) shall be the Market Price.
6. Each Party shall be obliged to lift its own allocation in accordance with the Nomination, Ship Scheduling and Lifting Procedure (Annex E). In the event that one Party lifts the other Party's allocation, pursuant to Article 10.5 of this Agreement the lifting Party shall pay to the non-lifting Party the applicable proceeds pursuant to Article 10.5 of this Agreement. In such case, the non-lifting Party shall be treated for all other purposes under this Agreement as though it had lifted the allocation itself.

ARTICLE IV

1. On or before thirty-fifth (35) day prior to the last day of the Current Quarter, the Lifting Allocation for the first preceding quarter thereto shall be computed and the Proceeds Imbalance determined and agreed to by NPDC in the form of Schedule D-2 attached hereto. Section A of such Schedule D-2 shall be based on the actual liftings made by the Parties and the Proceeds therefrom. For the actual liftings of the months in the quarter Schedule C-1 (of the Accounting Procedure) shall be utilized.
2. On or before thirty-fifth (35) day prior to the last day of the Current Quarter, the Proceeds Imbalance for the Current Quarter shall be estimated, taking into account the actual Proceeds Imbalance computed for the first preceding quarter under paragraph 1 of this Article IV.
3. The Proceeds Imbalance for the first preceding quarter computed under paragraph 1 above and the estimated Proceeds Imbalance for the Current Quarter computed under paragraph 2 above shall be taken into account by the Parties by debiting or crediting such Proceeds Imbalances to each Party's share of the estimated Lifting Allocation reflected in Schedule C-1 of Annex "C" for the Forecast Quarter field by dividing the respective Proceeds Imbalance by the Market Price applicable for the period in question.
4. Notwithstanding the reports required to be kept by Operator pursuant to Article IV in Annex E, Operator shall keep complete records of all liftings. At the end of each quarter, the Parties will meet to reconcile the Lifting Allocations and the actual lifting with a view to making adjustments as appropriate. If any disagreement arises with respect to such reconciliation, the area of disagreement shall be mutually resolved by the Parties, in

accordance with the official records of the Ministry of Petroleum Resources.

5. All Lifting Allocations and actual lifting shall be audited at the end of each calendar year by a mutually acceptable independent auditor.

SCHEDULE D-1

ESTIMATED QUARTERLY LIFTING ALLOCATION

QUARTER (-)

SECTION A – ESTIMATED TOTAL PROCEEDS

Crude Type	Estimated Lifting Volume Bbls	Estimated RP US\$/Bbl	Estimated Proceeds US\$
Totals			

Handwritten signature

Handwritten mark

SECTION B – ALLOCATION OF ESTIMATED PROCEEDS – EXPRESSED IN U.S.DOLLARS

CATEGORY	PRIOR MONTH CARRYOVER	ESTIMATED QUARTER CHARGES	RECOVERABLE THIS MONTH	ALLOCATION OF EST. PROCEEDS:	
					NPDC ATLANTIC
Royalty Oil/ Royalty Gas					
Cost Oil/ Cost Gas					
Tax Oil/ Tax Gas					
NPDC Profit Oil/ Profit Gas					
ATLANTIC Profit Oil/ Profit Gas					
Totals					
Prior Quarter's Proceeds Imbalance (over) Under					
Current Quarter's Estimated Proceeds Imbalance (Over)/Under					
Estimated Proceeds Allocation For Quarter					

PAAB

6

SECTION C - ESTIMATED LIFTING ALLOCATION

Crude Type	NPDC Allocation		ATLANTIC Allocation	
	Proceeds	Bbls	Proceeds	Bbls

8/27/11

0

SCHEDULES D-2
ACTUAL QUARTERLY LIFTINGS ALLOCATION
QUARTER (_____)

SECTION A – LIFTING SUMMARY

Crude Type	Volume (Bbls)	Proceeds (US\$)	Proceeds Received By NPDC	Proceeds Received By ATLANTIC
Totals				

CATEGORY	Sum of Monthly Allocation	NPDC		ATLANTIC	
		Allocation of Proceeds	Lifting Proceed Received	Allocation of Proceeds	Lifting Proceeds Received
Royalty Oil					
Cost Oil					
Tax Oil					
NPDC Profit Oil					
ATLANTIC Profit Oil					
Proceed Imbalance	Quarter(Over)/under				
	Prior Quarter(over) under				
	Total (over) under				

CD

ANNEX E

To The Strategic Alliance Agreement Between NPDC and ATLANTIC Dated ...

UNIFORM NOMINATION, SHIP SCHEDULING AND LIFTING PROCEDURE

ARTICLE I

APPLICATION

1. This Annex E sets out the procedure for the nomination, ship scheduling and lifting of Available Crude Oil from the Contract Area.
2. Pursuant to Article 10.2 of the Contract, NPDC and the ATLANTIC shall have the right to nominate, lift and separately dispose of their agreed share of Available Crude Oil produced and saved from the Contract Area.
3. The procedures set herein may be amended from time to time by agreement of the Parties.
4. In the event of a conflict between the terms of this Annex E and the Agreement, the terms of this Agreement shall apply.

ARTICLE II

DEFINITION AND TERMINOLOGY

2. Words and expressions in this Annex shall have the meanings ascribed to them in the Agreement. In addition, the following words shall have the following meanings:
 - (a) "Available Production" means, the quantity of petroleum which can be efficiently and economically produced and saved from the producing wells subject to any limitations imposed by Government or other technical limitations resulting from operations.
 - (b) "Available Monthly Scheduling Quantity" means, each Party's share of the Available Production for the calendar month plus Opening Stock.

- (c) "Actual Production" means, the quantity of petroleum which is produced and saved from the Contract Area on a monthly/quarterly basis.
- (e) "Combined Lifting Schedule" means, the lifting programmes of the Parties for a given calendar month/quarter as prepared by Operator and agreed to by the Parties.
- (f) "Commercial Production Quota" means, the quantity of Crude Oil from time to time fixed or advised by NNPC as the permissible quantity that may be produced from the Contract Area on a crude stream basis for a particular month/quarter.
- (g) "Opening Stock" means, the balance of each Party's available monthly scheduling quantity carried forward to the succeeding month after each month's lifting. The quantity includes credits/debits accruing to each Party after reconciliation of available production with lifting. This quantity is same as closing stock for the current month.
- (h) (g)"Primary Nomination" means, a written statement issued by each Party to Operator at least twenty-five (25) days prior to the commencement of each calendar month of its proposed lifting schedule based on its share of commercial production quota plus opening stock by grade.
- (i) "Technical Allowable" means, the quantity of petroleum determined and advised to Operator by DPR as being the maximum quantity of Crude Oil that may be technically produced from the Contract Area on a well by well basis for a particular period.
- (j) "Combined Monthly Lifting Schedule" means a lifting programme made and advised to each Party by Operator based on each Party's Primary Nomination and lifting entitlement.

ARTICLE III


PRODUCTION/NOTICE OF AVAILABILITY

1. Operator shall ensure the production of the aggregate volume of Crude Oil nominated by the Parties as provided in this Agreement.
2. In the event that Available Crude Oil is segregated into two or more grades the provisions of this Annex E shall apply separately to each such grade, to the extent that distribution on such a basis is impracticable, separate arrangement for sharing of such Available Crude Oil shall be agreed upon by the Parties.

3. On or before September 30 of every year, Operator shall advise ATLANTIC of its forecast of the Available Production to be produced by grades during each month of the first six (6) months of the next ensuing year.
4. On or before March 31 of every year, Operator shall advise ATLANTIC of its forecast of the Available Production to be produced by grades during each month of the six months commencing July 1 of the year.
5. Where for operational reasons Operator cannot exactly produce at the anticipated Commercial Production Quota, Operator shall notify ATLANTIC promptly of any required changes exceeding 2% of the quantities originally notified. In any event, when the actual production for the month/quarter is known, each Party's share will be determined in line with the procedures contained in Article VI herein.
6. Twenty-five (25) days before the commencement of production from the Contract Area and thereafter not later than twenty-five (25) days before the beginning of each month, each Party shall notify Operator of its Primary Nomination of Available Crude Oil which it intends to lift during the ensuing month, which shall not exceed its monthly allocation of Commercial Production Quota plus Opening Stock.
7. At the end of each month or quarter, as may be agreed, Parties will meet to reconcile Available Monthly Scheduling Quantities with actual Available Crude lifted and adjustments made where necessary. All entitlements shall be audited at the end of each calendar year by a mutually acceptable independent auditor.
8. Operator shall keep complete records of all liftings and provide same to ATLANTIC in accordance with Articles III & IV of this Annex "E".

ARTICLE IV

THE OPERATOR'S REPORTS

1. Operator shall, not more than fifteen (15) working days after the end of each calendar month, and quarter, prepare and furnish to ATLANTIC a written statement showing in respect of the month and quarter respectively:
 - a) Each Party's share of Opening Stock.
 - b) Each Party's share of Commercial Production Quota/Available Crude Oil;
 - c) Actual Crude Oil quantity lifted by each Party.
- 

- d) Quantity of Crude Oil in Stock for each Party at the end of the said calendar month or quarter;
 - e) Any production losses attributable to Crude Oil, condensate or associated gas used in Petroleum Operations.
 - f) Cumulative production.
2. In the event ATLANTIC disagree with any of Operator's reports, the area of disagreement shall be mutually resolved by the Operating Committee. Operator shall thereafter prepare a revised report to reflect the changes agreed.
3. Operator shall send consistent statistical data to the different reporting bodies and should adhere to agreed formats of reporting.

ARTICLE V

SCHEDULING DETAILS

1. **Scheduling Notification** – At least twenty-five (25) days prior to the beginning of a calendar month, each Party shall notify Operator of its proposed tanker schedule for that calendar month specifying the following:
- (a) A loading date range of ten (10) days for each tanker lifting;
 - (b) The desired parcel size for each lifting in Barrels, subject always to change within a range of plus or minus five percent (5%) by the Party so nominating;
 - (c) The tanker's name or To Be Named (TBN) for each tanker lifting. Tanker nominations made as TBN shall be replaced at least five (5) working days prior to the accepted date range, unless a shorter time is acceptable to Operator ; and
 - (d) Documentation instructions shall be given for each lifting not later than four (4) days prior to the first day of the accepted date range for the tanker in question.
4. **Tanker Substitution** – Either Party may substitute another tanker to lift its nominated volume of Crude Oil provided such substituted tanker has the same arrival date range as the originally scheduled tanker and all other provisions of this Annex E are complied with.
3. **Overlapping Date Ranges** – In the event the Combined Lifting Schedule contains overlapping accepted date ranges, the tanker which gives its Notice of Readiness (NOR) and has provided all documentation and

- obtained clearances first within such accepted date ranges shall be loaded first, unless urgent operational requirements dictate otherwise in which case demurrage shall be borne by Petroleum Operations and charged to Petroleum Operations Costs.
4. **Confirmation of Lifting Schedules** – At least fifteen (15) days prior to the beginning of a calendar month Operator shall either confirm the feasibility of the proposed month, lifting schedules or, alternatively, advice necessary modifications to such schedules. Such confirmation which shall be in the form of Combined Lifting Schedule should include a loading date range of two (2) days for each lifting, the first day being the earliest date of arrival and the second day being the latest date of arrival. Operator shall use its best endeavors to accommodate each Party's Primary Nomination.
 5. **Operational Delays** – The Parties recognize that occasionally environmental and technical problems in the Contract Area may cause delays and/or disruptions in the Combined Lifting Schedule. Operator shall promptly notify ATLANTIC of such delays and/or disruptions, and the projected termination of each of such delays and/or disruptions and advise ATLANTIC of the revised Combined Lifting Schedule. In the event such notification does not allow for a revised Combined Lifting Schedule on the part of the Parties, then any resultant costs will be charged to Petroleum Operation Costs.
 6. **Estimated Delayed Arrival of a Tanker** – Whenever it becomes apparent that a tanker will not be available as scheduled or will be delayed, the Party nominating such tanker shall notify the other Party of the circumstances and expected duration of the delays. Upon assessing the impact that the delay will have upon the Combined Lifting Schedule and production during the current and/or next month, Operator shall make appropriate revision(s) to the Combined Lifting Schedule to avoid disruption in production. In the event that any Party fails to lift its nominated share of production in any month due to circumstances beyond the Party's control, in maintaining the lifting schedule, that Party shall have the right during the following quarter to lift the said un-lifted quantities to the extent reasonably possible.
 7. **Tanker Standards** – All tankers nominated for lifting by any Party pursuant to this Annex E shall conform to the international regulations and standards concerning size, equipment, safety, maintenance and the like adopted by Operator for the terminal in question and by the appropriate government authority. Failure of a tanker to meet such standards shall not excuse the nominating Party from the applicable consequences provided in the Agreement. Operator shall keep ATLANTIC advised as to the current Regulations and standards in use at the terminals operated by the Operator.
 8. **Destination of Crude Oil** – Operator shall at all times disclose the destination of the Crude Oil lifted under this Agreement. AAA

ARTICLE VI

PRODUCTION DECREASES/INCREASES SUBSEQUENT TO NOMINATION

1. Production decreases occurring after lifting nominations have been scheduled and not resulting from the fault of either Party shall be shared by the Parties in proportion to their respective share of production.
2. Production increases occurring after lifting nominations have been confirmed by Operator shall be shared by the Parties, in proportion to their respective share of production.
3. To the extent that field operations permit, a Party shall have the right to adjust its nomination during a month following confirmation of lifting schedule provided that the nominations, entitlements and lifting of the other Party are not affected thereby without their express written consent. Adjusted nomination shall always be within the limits of the Party's allocated portion of the Commercial Production Quota plus Opening Stock.
4. For the avoidance of doubt each Party's agreed share shall be based on Actual Production.

ARTICLE VII

DELIVERY TERMS AND CONDITIONS

1. **Tanker Notification** – The Parties shall report or cause the tankers nominated for lifting pursuant to this Annex E to report by e-mail/ radio/telex to the Operator of each tanker's Scheduled arrival date and hour as follows:
 - (a) Seven (7) days before estimated time of arrival (ETA) or upon clearing at last port if there is less than seven (7) days steaming time before ETA;
 - (b) Seventy-two (72) hours before ETA;
 - (c) Forty-eight (48) hours before ETA;
 - (d) Twenty-four (24) hours before ETA; and
 - (e) At any other time(s) between the seventy-two (72) hours notice, forty-eight (48) hours notice and twenty-four (24) hours notice when ETA is to be revised by more than twelve (12) hours from that most recently notified or after that twenty-four (24) hours notice when ETA has to be revised by more than one-half hour.

Parties shall also cause such tanker so nominated, or their agent, to report by radio/telex/e-mail to the Nigerian Government Port Health Official at

the port at least seventy-two (72) hours before each tanker's scheduled arrival date giving the tanker's name, call sign, ETA at the port(s), cargo tonnage to be loaded, number of crew and health status, whether or not a doctor is on board and a request for "Free Pratique".

2. **Notice of Readiness** – Upon arrival at the designated safe anchorage at the port or upon the time of boarding of the Mooring master, whichever is earlier, the Master of the tanker shall give Operator a NOR by radio or by letter, as appropriate, confirming that the tanker is ready to load cargo, berth or no berth. Laytime, as herein provided, shall commence upon the expiration of six (6) running hours after receipt by the loading terminal of such notice, or upon the tanker's completion of mooring at the sea loading terminal, whichever first occurs. However, where delay is caused to the tanker getting into berth after giving NOR for any reason over which neither Operator nor the loading terminal has control, such delay shall not count as used laytime. In addition, time used by tanker while proceeding to berth or awaiting entry and Free Pratique by customs after the expiration of six (6) running hours free time, shall not count as used laytime.
3. **Early Tanker Arrival** – Notwithstanding the provisions of Article VII (2) above, if the tanker arrives and tenders NOR to load prior to its agreed date range, Operator shall endeavor to load such tanker on arrival or as soon thereafter as possible and laytime shall only commence when loading of the tanker commences. If, however, Operator is unable to accept such tanker for loading prior to the agreed date range, Operator shall endeavour to load such tanker on arrival or as soon thereafter as possible and laytime shall commence at 0600 hours, local time on the first day of the agreed date range or when loading commences, whichever occurs first.
4. **Late Tanker Arrival** – If tanker arrives and tenders NOR to load after its accepted date range and other tankers (having arrived during their accepted date-range), are either loading or waiting to load, the loading of such tanker shall be governed by the earliest availability of crude and loading slot and best endeavour laytime shall commence only when loading commences.
5. **Laytime** – Operator shall be allowed laytime in running hours equal to one-half of the voyage laytime permitted under Worldscale or such other freight scale that is issued in replacement thereof, for loading a full cargo and pro rata thereof for a part cargo, with a minimum of eighteen (18) hours, Sundays and holidays included. Any delay due to the fault of the tanker or its facilities to load cargo within the time allowed shall not count as used laytime. If rules of the Owner of the vessel or Regulations of Government or appropriate government agencies prohibit loading of the cargo at any time, the time so lost shall not count as used laytime. Time consumed loading or discharging ballast or discharging slops shall not count as used laytime. Laytime shall continue until hoses have been disconnected. Laytime allowed for loading a full cargo is "36 Running

CS

Hours" with a provision for pro-rating the laytime in the case of vessels loading part cargo. When a vessel is loading one parcel only and operations commence ahead of the acceptance date there is no demurrage involved unless the vessel completes cargo after the permissible laytime, commencing 0001 hours on the agreed acceptance date. In cases where a vessel loads more than one parcel and more than one acceptance date is awarded, then demurrage will not count unless the total loading is completed after the expiry of the permissible laytime for the last parcel, counting from 0001 hours on the last acceptance date.

6. **Demurrage** – If Operator is unable to load within the time allowed, Operator shall apply demurrage per running hour (pro rata for a part thereof) for laytime exceeding the allowed laytime as specified herein. The rate of demurrage will be calculated by multiplying the time by the Average Freight Rate Assessment (AFRA) as determined by the London Tanker Brokers Panel. In the event such determination is no longer available, a freight rate assessment shall be mutually agreed by the Parties; which rate shall be appropriate in relation to the size of the tanker and in demurrage rate according to tanker size as specified in the Worldwide Tanker Nominal Freight Scale or such other freight scale that is issued in replacement thereof. If however, demurrage shall be incurred by reason of fire, storm, explosion, or by strike, picketing, lockout, stoppage or restraint or labour difficulties, or disturbances or by breakdown of machinery or equipment in or about the loading terminal, the rate of demurrage as calculated in accordance with the above shall be governed by Force Majeure and shall not attract any demurrage. Demurrage claims must be notified within ninety (90) days from Bill of Lading date.
7. **Change of Berth** – Operator shall have the right to shift any vessel from one berth to another. Charges of running lines on arrival at and leaving the berth, wharfage and dockage charges at that berth and any other extra port charges or port expenses incurred by reason of such shifting at Operator's request shall be borne by Petroleum Operations Costs and shall count as used laytime. If, however, it is necessary to shift the vessel from the berth because of breakdown of the tanker, machinery or other deficiency of the vessel or its crew, the resulting expenses shall be borne by the Party whose Crude Oil is being lifted. The time consumed in such circumstances, shall not count as used laytime. However, the vessel shall lose its regular turn in berth. When the vessel is ready to recommence loading, it shall so advise Operator and await its turn for reberthing and such time after notice is given shall not count as used laytime.
8. **Tanker Departure** – Tanker shall vacate the berth upon disconnection of the hoses and thereafter go to anchor awaiting documentation. The Party that scheduled such tanker shall indemnify Operator for any direct loss or damage incurred as a result of tanker's failure to vacate the berth promptly including such loss or damage as may be incurred due to

resulting delay in the docking of the tanker awaiting the next turn to load at such berth.

9. **Loading Hoses** – Hoses for loading shall be furnished by Operator and shall be connected and disconnected by the tanker's crew under the supervision of a suitably qualified Ship's Officer acting on the advice of the Operator's Mooring Master.
10. **Partial Cargo**– Should Operator supply less than full cargo for any reasons, the tanker shall not be required to proceed to sea until all of her tanks are filled with a combination of cargo and ballast as will place her in a seaworthy condition.

ARTICLE VIII

CRUDE OIL QUANTITY AND MEASUREMENT

1. **Certification** – The quantity and origin of each shipment of Crude Oil shall be determined by the appropriate government authority at the loading terminal and set forth in the standard "Certificates of Quantity, Quality and Origin". Each Party shall have the right to designate a representative at its own expense, who shall have the right to witness the determination of quantity, quality and origin. All reasonable facilities shall be supplied by Operator as necessary, to such Party's representatives at the Port to enable such representatives to witness the measurements taken at the loading terminal and the taking of the sample to be used to the representative of the Party.
2. **Acceptance of Certificate** – If the Party in question does not appoint a representative or if such representative appointed as aforesaid agrees with the Certificate of Quantity, Quality and Origin of a shipment of Crude Oil (in which event he shall so indicate by signing the Certificate of Quantity, Quality and Origin), such determinations shall be final and binding on the Parties.
3. **Dispute on Certificate** – If the determination of quantity, quality and origin by the appropriate government authority has not been approved by such a representative in accordance with Article VIII (2) above and dispute arises concerning the quantity, quality and origin of Crude Oil, recourse shall be had to a mutually agreed independent expert to resolve the dispute on the basis of his expertise. Claims about quantity and or quality of the Crude Oil delivered shall be notified within forty-five (45) days from Bill of Lading date. The expert shall be selected on the basis of his special knowledge of the subject matter in this regard and shall be appointed by mutual agreement of the Parties. Such expert shall file his conclusions within thirty (30) days after his date of appointment. Any conclusions of

such expert shall be binding upon the Parties. The cost incurred on the services of such expert shall be shared equally by the Parties. Pending the determination of the dispute, the tanker may sail, unless the Parties agree otherwise.

4. **Quantity Determination** – The quantity of Crude Oil lifted shall be determined at the time of loading on the basis of gauging the terminal tanks before and after the lifting of such Crude Oil, or otherwise by meter readings installed on the loading line from the tanks, as approved by appropriate government authority. The quantity in Barrels of Crude Oil determined pursuant to the foregoing procedure shall be corrected to a temperature of sixty degree Fahrenheit (60°F) in accordance with the most currently published ASTM-IP Petroleum Measurement Tables. A copy of the conversion calculation, if any, shall be submitted to the lifting Party through its representative. In addition, the Basic Sediment and Water ("BS&W") content, determined in accordance with Article VIII (5) hereof, shall be deducted from the quantity loaded, for purposes of preparing the Bill of Lading for such shipment and for the purpose of substantiating claims about quantity and quality. Any substantiated loss of Crude Oil occurring in transit between the point of such determination and delivery point shall be borne by Petroleum Operations Cost provided such losses do not result due to differences in method of determining BS&W between the loading and discharge terminals. For differences occurring where same method of determination at both points are used, provisions of Article VIII (3) above shall apply. The retained sample shall be used in determining such loss claims.
5. **Quality Determination** – The determination of API Gravity and BS&W content shall be made of each shipment of Crude Oil. BS&W content and API Gravity shall be determined according to standard international practices acceptable to the relevant Government authorities.
6. **Samples** – A sample of each shipment of Crude Oil shall be taken. The sample shall be sealed and retained by Operator for a maximum of ninety (90) days. The lifting Party or its representative shall have the right to receive one (1) gallon sealed sample of the Crude Oil loaded which shall be placed on board the tanker, if so requested.

Handwritten initials

CS

ANNEX F

TO THE STRATEGIC ALLIANCE AGREEMENT BETWEEN NPDC AND ATLANTIC

Dated 25th Day of May 2011

PROCUREMENT AND PROJECT IMPLEMENTATION PROCEDURES

ARTICLE 1

APPLICATION

1. These Procurement and Project Implementation Procedures ("Procedures") shall be followed and observed in the performance of either Party's obligations under the Agreement. Words and expressions defined under the Agreement, when used herein, shall have the meanings ascribed to them in the Agreement. In the event of a conflict between the terms of these Procedures and the Agreement, the terms of the Agreement shall prevail.
2. These Procedures shall be applicable to all contracts and purchase orders whose values exceed the respective limits set forth in Article 15 of the Agreement and which, pursuant thereto, require the prior concurrence of the Operating Committee. These Procedures may be amended from time to time by the Parties.
3. Operator shall have the authority, subject to any limitations or restrictions established by the Operating Committee to enter into any contract or place any purchase order in its own name for the performance of services or the procurement of facilities, equipment, materials or supplies, provided that:
 - (a) Prior approval of the Operating Committee shall be obtained for all foreign contracts and foreign purchase orders awarded to third parties where the cost exceeds One Hundred Thousand U.S. Dollars (\$100,000.00);
 - (b) Prior approval of the Operating Committee shall be obtained for all local contracts and purchase orders where the cost exceeds Ten Million Naira (N10,000,000.00);
 - (c) The amounts set forth in Article 15 of this Agreement will be reviewed by the Operating Committee whenever it becomes apparent to either Party that such limits create unreasonable constraints on Petroleum Operations. In the event of a significant change in the exchange rate of Naira to U.S. Dollar compared to that which existed on the Effective Date, the Operating Committee shall review the limits sets forth in Article 15;

CS

ARRA

- (d) Such contracts shall be entered into, and such purchase orders shall be placed with third parties which in Operator's opinion are technically and financially able to properly perform their obligations;
- (e) Approved procedures customary to the industry for securing competitive prices shall prevail;
- (f) Operator shall give preference to sub-contractors that are companies organized under the laws of Nigeria to the maximum extent possible provided they meet the required standards.
- (g) Operator shall give preference to such goods which are manufactured or produced in Nigeria or services rendered by Nigerians provided they meet specifications and standards.
- (h) In such cases of replenishment of stock and or procurement of long lead items, approved tendering process will be followed.

ARTICLE II

PROJECT IMPLEMENTATION PROCEDURE

- 2.1 Operator realizing the need for a project or contract to which these Procedures apply pursuant to Article 1.3 herein above, shall introduce it as part of the proposed Work Programme and Budgets to be developed and submitted to the Operating Committee pursuant to Article 7 of this Agreement.
- (a) Operator shall provide adequate information with respect to the project including, without limitation, the following:
 - (i) clear definition of the necessity and objectives of the project;
 - (ii) Scope of the project; and
 - (iii) Cost estimate thereof.
 - (b) Operator shall transmit the project proposal along with all related documentation to the Operating Committee for consideration.
 - (c) The Operating Committee shall consider the proposal and the recommendations and shall take decision on the matter in accordance with Article 7 of this Agreement.
- 2.2 The project as approved pursuant to Article 2.1 above shall form part of the Work Programme and Budget for the Petroleum Operations. Such approval shall also constitute authorizations by the Operating Committee

to Operator to initiate contracts and purchases relevant to the project proposal, subject to the provisions of Article 15 of this Agreement.

- 2.3 The resources for the project design, supervision, and management shall first be drawn from the Parties available in-house expertise. If the Operator approves, such may be performed by a Party's Affiliate under the approved budget for the project. Competent Nigerian Engineering/Design companies shall be given priority over others by the Operating Committee for such project.
- 2.4 After approval of the project/budget, Operator shall prepare and transmit to ATLANTIC complete details of the project including, without limitation, the following:
- (a) Project definition;
 - (b) Project specification;
 - (c) Flow diagrams;
 - (d) Projects implementation schedule showing all phases of the project including without limitation, engineering design, material/equipment procurement, inspection, transportation, fabrication/construction, installation, testing and commissioning;
 - (e) Major equipment specifications;
 - (f) Cost estimate of the project;
 - (g) An activity status reports.

The Operating Committee shall consider the proposal and the recommendations and shall take decision on the matter in accordance with Article 7 of this Agreement for approval.

ARTICLE III

CONTRACT TENDER PROCEDURE

- 3.1 The following tender procedure shall apply to work/services/supply not directly undertaken by a Party or its Affiliate:
- (a) Operator shall maintain a list of approved sub-contractors for the purposes of contracts for Petroleum Operations, (the "Approved Contractors' List") which shall be approved from time to time by the Operating Committee. Each Party shall have the right to nominate sub-contractors to be included/deleted in the list. NPDC and

ATLANTIC shall be responsible for pre-qualifying any sub-contractor to be included in the Approved Contractor's List.

- (b) Sub-contractors included in the Approved Contractors' List shall be both local and/or overseas sub-contractors or entities. Where regulations require, they shall be registered with the DPR.
 - (c) Operator shall issue invitations to bid to prospective sub-contractors thereafter. Contract specifications shall be in English and in a recognized format used in the international petroleum industry.
 - (d) Operator shall within its limits in Article 15 establish a tender committee who shall be responsible for pre-qualifying bidders, sending out bid invitations, receiving and evaluating bids, determining successful bidders to whom contracts shall be awarded.
- 3.2 Analyses and recommendations of bids received and opened by the tender committee shall be presented by Operator to the Operating Committee for approval before a contract is signed with the selected contractor.
- 3.3 Prospective vendors/sub-contractors for work estimated in excess of one hundred thousand U.S. Dollars (\$100,000.00) shall submit the commercial summary of their bids to Operator in three properly sealed envelopes to the Operator and the Operator shall forward one of the sealed envelope to ATLANTIC for record purposes.
- 3.4 In all cases in which an offshore sub-contractor or its Nigerian Affiliate is invited to bid, a Party shall make full disclosure to the other Party of its relationship, if any, with such sub-contractors.
- 3.5 These Procedures may be waived and Operator may negotiate directly with the sub-contractor and promptly inform the other Party of the outcome of such negotiations in the following cases:
- (a) emergency situations; and
 - (b) in work requiring specialized skills, or when special circumstances warrant, upon the approval of the Operating Committee.

Handwritten signature

CS

ARTICLE IV

GENERAL CONDITIONS OF CONTRACTS

- 4.1 The payment terms shall provide, without limitation, that:
- (a) A minimum of 10% of contract price shall be held as a retention fee until after the end of a guarantee period agreed with the sub contractor which shall vary between six months and twelve months, depending on the project, with the exception of drilling and seismic data acquisition, well surveys and other such services; provided that, a sub contractor may be given the option to provide other guarantee equivalent to the 10% retention fee such as letter of credit or performance bond; and
 - (b) Provisions shall be made for appropriate value added tax as may be applicable.
- 4.2 The governing law of all agreements signed with sub- contractors shall be Nigerian law for work to be carried out within Nigeria and to the extent feasible, for work outside Nigeria.
- 4.3 Nigerian law shall apply to sub contractors performing in Nigeria and, as far as practicable; they shall use Nigerian resources both human and material.
- 4.4 All contracts shall include a provision whereby the sub contractor shall hold Operator harmless and indemnify Operator from and against all liabilities, losses, damages and claims resulting from claims and suits by third parties.
- 4.5 Each sub-contractor shall provide for early termination upon notice and Operator shall use all reasonable endeavors to obtain a termination provision with minimal penalty.
- 4.6 Contractor shall provide, in the case of a foreign sub-contractor, that the local part of the work, in all cases, shall be performed by contractor's local subsidiary.

RRR

CS

ARTICLE V

MATERIALS AND EQUIPMENT PROCUREMENT

- 5.1 A Party may, through own in-house or a Party's parent company, procure materials and equipment subject to conditions set forth in this Article 5.
- 5.2 The provisions of this Article 5 shall not apply to lump sum or turnkey contracts/projects.
- 5.3 In ordering the equipment/materials, Operator shall obtain from vendors/manufacturers such rebates/discounts and such warranties/guarantees that such vendors/manufacturers normally offer, and all rebates, discounts, guarantees and all other grants and responsibilities shall be for the benefit of Petroleum Operations.
- 5.4 Operator shall:
- (a) By means of established policies and procedures ensure that its procurement efforts provide the best total value, with proper consideration of quality, service, price, delivery and operating costs to the benefits of Petroleum Operations;
 - (b) Maintain appropriate records, which shall be kept up to date, clearly documenting procurement activities;
 - (c) Provide quarterly and annual inventory of materials in stock;
 - (d) Provide a quarterly listing of excess materials in its stock list to ATLANTIC ; and
 - (e) Check the excess material listings from other companies, to identify materials available in the country prior to initiating any foreign purchase order.
- 5.5 Operator shall initiate and maintain policies and practices which provide a competitive environment/climate amongst local and/or overseas suppliers. Competitive quotation processes shall be employed for all local procurement where the estimated value exceeds the equivalent of one hundred thousand U.S. Dollars (\$100,000.00).
- (a) Fabrication, wherever practicable shall be done locally. To this effect, Operator recognizes and shall accommodate local offers at a premium not exceeding 10%.
 - (b) Subject to Article 3.1 (a) herein, Operator shall give preference to Nigerian indigenous sub-contractors in the award of contracts. Contracts within the agreed financial limit of Operator shall be awarded to only competent Nigerian indigenous sub-contractors. *AAA*

Where there are no Nigerian indigenous sub-contractors possessing the required skill/capability for the execution of such contracts, Operator shall notify ATLANTIC accordingly.

- 5.6 Analyses and recommendations of competitive quotations of a value exceeding the limits established in Article 15 of this Agreement shall be transmitted to the Operating Committee for approval before a contract or purchase order is issued to the selected vendor/manufacturer.
- 5.7 Pre-inspection of rig, equipment/stock materials of reasonable value shall be jointly carried out at factory site and quay before shipment at the request of either Party.

ARTICLE VI

PROJECT MONITORING

- 6.1 Operator shall provide a project report monthly to ATLANTIC .
- 6.2 For major projects exceeding one hundred thousand U.S. Dollars (\$100,000.00) or equivalent, Operator shall provide to ATLANTIC a detailed quarterly report which shall include:
 - (a) Approved budget total for each project;
 - (b) Expenditure on each project;
 - (c) Variances and explanations;
 - (d) Number and value of construction change orders;
 - (e) Bar chart of schedule showing work in progress and work already completed and schedule of miles-stones and significant events; and
 - (f) Summary of progress during the reporting period, summary of existing problems, if any, and proposed remedial action, anticipated problems, and percentage of completion.
- 6.3 Each Party shall have the right to send its own representatives to assess the project based on the report.
- 6.4 In the case of an increase in cost in excess of 10% on the project, Operator shall promptly notify ATLANTIC and obtain necessary budget approval.
- 6.5 Not later than six (6) months following the physical completion of any major project whose cost exceeds one hundred thousand U.S. Dollars

(\$100,000.00) or equivalent, Operator shall prepare and deliver to ATLANTIC a project completion report which shall include the following:

- (a) Cost performance of the project in accordance with the work breakdown at the commencement of the project;
- (b) Significant variations in any item or sub-items;
- (c) Summary of problems and unexpected events encountered during the project; and
- (d) List of excess project materials.



ANNEX G

TO THE STRATEGIC ALLIANCE AGREEMENT BETWEEN NPDC AND ATLANTIC

Dated 25th Day of May 2011

AFFILIATE COMPANY GUARANTEE

Parent Company Guarantee

To: Nigerian Petroleum Development Company Limited.
62, Sapele Road,
Benin City,
Nigeria.

Guarantee from SPOG PETROCHEMICAL NIGERIA LIMITED (hereinafter referred to as "the Guarantor") of the performance by ATLANTIC (hereinafter referred to as "the Obligor") of the obligor's obligations following the execution of the Strategic Alliance Agreement (hereinafter referred to as the "Agreement") dated2011 and made between NPDC and Obligor under the Agreement.

Pursuant to the said Agreement and the performance of the obligations therein, the Guarantor will directly and indirectly benefit from the said Agreement, wherein the Guarantor hereby agrees and covenants as follows:

1. The Guarantor unconditionally and irrevocably guarantees to NPDC the performance of all the obligations of the Obligor, its Nigerian affiliate, which is organized under the laws of the Federal Republic of Nigeria and any and all its successors and assigns under the Agreement.
2. Subject to Article 8.5 of the Agreement and the terms of this Guarantee, the Guarantor shall unconditionally fulfill the obligations of the Obligor under the Agreement forthwith upon receiving written notice from NPDC.
3. The Guarantor absolutely, irrevocably and unconditionally guarantees to NPDC the full, due and punctual payment to NPDC by Obligor of all monies which Obligor is or shall become obliged to pay to NPDC pursuant to the Agreement (the "Obligations") and, subject to the other provision of this Guarantee, irrevocably and unconditionally agrees to indemnify and hold harmless NPDC (but only to the extent of the Guaranteed Amount) in respect of any and all failure by Obligor to pay such monies PROVIDED always that the maximum aggregate liability of Guarantor under this Guarantee shall not exceed [] million US ([]) ("Guaranteed Amount").

4. This Guarantee shall terminate on the fifth (5th) anniversary of the date on which the Agreement is terminated or otherwise expires (whichever is earlier).
5. No document, proof or other action other than herein is necessary as a condition of the Guarantor honoring any and all unfulfilled obligations of the Obligor pursuant to the provisions of the Agreement. The Guarantor therefore waives any right to require as a condition of its obligations hereunder that presentment or demand be made upon Obligor.
6. Neither the Guarantor nor NPDC may assign or transfer (whether by way of security or otherwise) this Guarantee nor any interest or obligation in or under this Guarantee without the prior written consent of NPDC or the Guarantor respectively. Any purported assignment or transfer that is not in accordance with this Clause 6 shall be void. Subject to the foregoing this Guarantee shall be binding upon and ensure to the benefit of and be enforceable by the respective successors, assigns and transferees of Guarantor and NPDC.
7. This Guarantee embodies the entire understanding between the Guarantor and NPDC and supersedes all prior arrangements and understandings relating to the subject matter hereof.
8. The obligations of the Guarantor hereunder shall in no way be affected or impaired by reason, and the Guarantor, waives its right to prior notice, of the happening from time to time of any of the following:
 - i. extensions (whether or not material) of the time for performance of all or any portion of the Obligations;
 - ii. the modification or amendment in any manner (whether or not material) of the Agreement or the Obligations;
 - iii. any failure, delay or lack of diligence on the part of NPDC, or any other person or entity to enforce, assert or exercise any right, privilege, power or remedy conferred on NPDC or any other person or entity under the Agreement or at law or any action on the part of NPDC or such other person or entity granting indulgence or extension of any kind; and
 - iv. a change of status, composition, structure or name of Obligor, including, without limitation, by reason of bankruptcy, liquidation, insolvency, merger, dissolution, consolidation or reorganization.
9. With the prior written consent of NPDC, which consent shall not be unreasonably withheld, this Guarantee may be replaced by a guarantee or guarantees in substantially similar form made by a guarantor of equal or better creditworthiness.

10. This Guarantee may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one document.
11. The Guarantor shall make payment in US Dollars and without deductions to NPDC immediately by making available funds of all sums due hereunder within ten (10) business days of written demand for the same by NPDC (which demand shall set forth the basis and the calculation of the amount for which demand is made and which shall in the absence of manifest error be conclusive).
12. The Guarantor warrants that this Guarantee is its legally binding obligation enforceable in accordance with its terms and further warrants that all necessary consents and authorizations for the giving and implementation of this Guarantee have been obtained.
13. If a difference or dispute arises between the Guarantor and NPDC, concerning the interpretation or performance of this Guarantee, and if the parties fail to settle such difference or dispute by amicable agreement, either Party may serve on the other a demand for arbitration.
 - 13.1 Within thirty (30) days of such demand being served, each Party to this Guarantee shall appoint an arbitrator and the two arbitrators thus appointed shall within a further thirty (30) days appoint a third arbitrator, who shall be of a nationality which is different from that of the parties and of the arbitrators (the nationality of a company shall be deemed to be that of the country under the laws of which it and/or its owners are incorporated). If the arbitrators do not agree on the appointment of such third arbitrator, or if either Party fails to appoint the arbitrator to be appointed by it, such arbitrator or third arbitrator shall be appointed by the Chief Judge of the Federal High Court, Abuja on the application of the other Party (notice of the intention to apply having been duly given in writing by the applicant Party to the other Party). The third arbitrator when appointed shall convene meetings of the arbitration panel and act as chairman. If an arbitrator refuses or neglects to act or is incapable of acting or dies, a new arbitrator shall be appointed in his place and the above provisions of appointing arbitrators shall govern the appointment of any such new arbitrator or arbitrators.
 - 13.2 The arbitral award shall be binding upon the parties to this Guarantee. The Arbitration and Conciliation Act Cap A18, LFN, 2004 shall apply to this Guarantee and the award rendered by the arbitrators may be entered in a court having jurisdiction thereof. Each Party shall pay its own attorney's fees and costs.
 - 13.3 The venue of the arbitration shall be anywhere in Nigeria as may be agreed by the parties.

14. All notices required or permitted shall be in writing and shall be deemed given when delivered in person, or, if sent by facsimile or other means of electronic transmission on the second business day following transmission, or if mailed on the second business day after being consigned to Federal Express or similar courier, at the address for notice provided below:

To the Guarantor:

SPOG PETROCHEMICAL NIGERIA LIMITED
50D Glover Road
Ikoyi, Lagos
Nigeria

To NPDC:

Nigerian Petroleum Development Company Limited
62, Sapele Road,
Benin City,
Nigeria

15. This Guarantee shall in all respects be governed by and construed in accordance with, the laws of the Federal Republic of Nigeria.

FOR AND ON BEHALF OF:

Name:

Title:

U

ANNEX H

TO THE STRATEGIC ALLIANCE AGREEMENT BETWEEN NPDC AND ATLANTIC

Dated 25th Day of May 2011.

PRODUCTION PROFILE FOR THE CONTRACT AREA

2011

CS