

STUBB CREEK MARGINAL FIELD FARM-OUT AGREEMENT

BETWEEN

NIGERIAN NATIONAL PETROLEUM CORPORATION

and

SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA
LTD

and

NIGERIAN AGIP OIL COMPANY LTD

and

ELF PETROLEUM NIGERIA LTD

as Farmor

AND

UNIVERSAL ENERGY RESOURCES LIMITED

as Farmee

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THIS AGREEMENT is made the 22nd day of DECEMBER 2003
BETWEEN:

1. The **NIGERIAN NATIONAL PETROLEUM CORPORATION**, a body corporate established under the laws of the Federal Republic of Nigeria whose Head Office is at NNPC Towers, Abuja, Nigeria, (hereinafter referred to as "NNPC"),
2. **THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at Freeman House, No. 21/22 Marina, Lagos, Nigeria (hereinafter referred to as "SHELL"),
3. **ELF PETROLEUM NIGERIA LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at No 35, Kofo Abayomi Street, Victoria Island, Lagos, Nigeria, (hereinafter referred to as "Elf"),
4. **NIGERIAN AGIP OIL COMPANY LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at Plot PC 23 Engineering Close, Victoria Island, Lagos, Nigeria (hereinafter referred to as "NAOC"),

(NNPC, SHELL, ELF, NAOC,) hereinafter collectively called "Farmor" where the context so admits, which expression shall include their respective successors and assigns)

And

UNIVERSAL ENERGY RESOURCES LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria and having its registered office at No. 25 Idoro Road, Uyo, Akwa Ibom State, Nigeria (hereinafter referred to as "Farmee" where the context so admits, which expression shall include its respective successors and assigns).

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WHEREAS:-

- (A) The Farmor hold participating interests in several oil mining leases (OMLs) granted by the Federal Government of Nigeria including OML 14 which contains Stubb Creek Field, (hereinafter referred to as "OML 14") in the following proportions: NNPC 55%, SHELL 30%, Elf 10% and NAOC 5%;
- (B) The Farmor are entitled to the benefits and rights, and subject to the duties and obligations of a lessee under OML 14 by virtue of the participating interest which they hold in OML 14, and
- (C) The Farmor are parties to a joint venture under a joint operating agreement dated 11th July 1991, which governs their relationship in relation to, inter alia, OML 14 whereby SHELL was appointed operator to conduct petroleum operations within the areas covered by their oil mining leases, and
- (D) Pursuant to the Petroleum Amendment Act (number 23) of 1996 and by virtue of a letter dated 27th August 2001 from the Office of the Presidential Adviser for Petroleum and Energy, Stubb Creek Field has been declared a Marginal Field;
- (E) Farmee has been allocated Stubb Creek Field by the Government in the Marginal Field Allocation Round whereupon the Parties wish to set out the terms and conditions of the farm-out by the Farmor of the Marginal Field to Farmee, Provided that full legal title to OML 14 shall wholly be retained by the Farmor;

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

1.0 ARTICLE 1

1.1 Definitions and Interpretation

In this Agreement the following terms shall have the meanings specified below:

1.1.1 "Affiliate" - means

- (a) as it relates to all Parties except SHELL; a company or other entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of, or with, a Party;

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(b) as it relates to SHELL

(i) N.V. Koninklijke Nederlandsche Petroleum Maatschappij,

(ii) The "Shell Transport and Trading Company Plc, and any company (other than SHELL) which is for the time being directly or indirectly controlled by N.V. Koninklijke Nederlandsche Petroleum Maatschappij and The Shell Transport and Trading Company, Plc or either of them. For the [purpose of this definition, "Control" means ownership of a minimum of 50% of the issued voting stock of company entitled to vote or ownership of equivalent rights to determine the decisions of such company or entity;

1.1.2 "Agreement" means this agreement including the Schedules;

1.1.3 "Appraisal" means the activity whose purpose at the time of its commencement is the determination of the extent, volume or producibility of Hydrocarbons contained in a Discovery.

1.1.4 "Farm-out" means the grant of possession and use of Farm-out Area to Farmee for the purpose of conducting Operations in the Marginal Field as defined in Article 3.

1.1.5 "Additional Reservoir" means any new Petroleum Deposit in the Farm-out Area that is outside the Farm-out Depth.

1.1.6 "Associated Agreements" means all agreements to which some or all Parties are party under which the Farmor provide services to Farmee with regard to the transportation or disposal of Production from the Marginal Field including but without limitation to the Hydrocarbon Handling Agreement and the Offtake Agreement.

1.1.7 "Abandonment Security Agreement" means an agreement substantially in the form of Schedule C provided that such amendments shall be made thereto as are necessary to;

(i) make provision for the principles set out in the schedules thereof

(ii) comply with the Regulations and/or any third party signatory to the documents comprising the schedules thereof, and/or

(iii) as may be required to render the Abandonment Security Agreement and/or the documents comprising its schedules effective and enforceable (in accordance with the intention of the Parties as set out in this Agreement) under the law applicable at the date of execution thereof.

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- 1.1.8 "Discovery" means the finding by drilling of an accumulation of Hydrocarbons within the Farm-out Area the existence of which until that moment was unknown or not confirmed.
- 1.1.9 "Dollars" or "US\$" means the legal currency of the United States of America.
- 1.1.10 "Dry Crude" means treated crude oil from Marginal Field with a water content of less than 0.5% by volume, measured in accordance with Department of Petroleum Resources (DPR) approved methods in accordance with the provision of the Regulations.
- 1.1.11 "Effective Date" shall be as defined in Article 3 of this Agreement;
- 1.1.12 "Encumbrances" means any mortgage, charge (whether fixed or floating), pledge, claim, lien, equity or other security agreement or arrangement, or any royalty interest, production payment, net profit interest, carried interest, deferred obligation, right of pre-emption or similar agreement or arrangement;
- 1.1.13 "Farmee" means Universal Energy Resources Limited
- 1.1.14 "Farm-out" means the grant of possession and use of Farm-out Area to Farmee for the purpose of conducting Operations in the Marginal Field as defined in Article 3.
- 1.1.15 "Farm-out Area" means the area within OML 14 delineated by its coordinates shown in Schedule A as may be amended from time to time by the agreement of the Parties in accordance with the provisions of this Agreement.
- 1.1.16 "Farm-out Depth" means the True Vertical Depth (TVD) of the deepest well drilled in the Marginal Field as at the Effective Date, which is 9829 Feet True Vertical Depth Subsea as indicated in Schedule A.
- 1.1.17 "Farm-out Facilities" means all property, facilities and equipment belonging to the Farmor within the Farm-out Area that shall be handed over to the Farmee by Farmor on 'as is' basis, including all benefits and liabilities, pursuant to this Agreement.
- 1.1.18 "Government" means the Government of the Federal Republic of Nigeria, including, as the context requires, state and local governments, its ministries, agencies, and other subdivisions.
- 1.1.19 "Gross Negligence or Wilful Misconduct" means an intentional and conscious, or reckless disregard of good and prudent oil and gas field practice

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or of the terms of this Agreement, and shall not include any omissions, errors or mistakes made by any director, officer, employee, agent, contractor or subcontractor of such Party or its Affiliates in the exercise in good faith of any authority or discretion conferred upon such Party under this Agreement.

- 1.1.20 "Health Safety and Environmental or 'HSE' Standards" means the standards as set out by the Department of Petroleum Resources and the JV Operator.
- 1.1.21 "Joint Operating Agreement" or "JOA" means the Joint Operating Agreement between the Farmor dated 11th July 1991, as may be amended from time to time, which governs their relationship in relation to, inter alia, OML 14 whereby SHELL was appointed operator to conduct petroleum operations within the areas covered by their oil mining leases.
- 1.1.22 "JV Operator" means SHELL, as the Operator for the time being of the Joint Venture.
- 1.1.23 "Joint Venture" means the joint venture between the Farmor.
- 1.1.24 "LIBOR" means the London Inter Bank Offer Rate as quoted by the National Westminster Bank in London for three months United States Dollar deposits at 11.00 hours on the relevant date, or the maximum legally permissible rate, if less. If the London Inter Bank Rate is not so quoted on the relevant date, such rate last previously so quoted shall be taken, provided that if National Westminster Bank shall not have quoted such rate for seven (7) consecutive days, the rate published in the Financial Times, London on the day after the relevant date shall be substituted.
- 1.1.25 "Marginal Field" means Stubb Creek Field situated in the Farm-Out Area as defined in 1.1.15.
- 1.1.26 "MFO" means Universal Energy Resources Limited as marginal field operator on behalf of herself and Partners where applicable.
- 1.1.27 "Minister" or "Ministry" means the Minister or Ministry of Petroleum Resources of the Federal Republic of Nigeria, as the context requires, including the Department of Petroleum Resources ("DPR") of the Ministry.
- 1.1.28 "Month" means a calendar month;
- 1.1.29 "Natural Gas" means all gaseous Hydrocarbons produced in association with Crude Oil or from reservoirs, which produce mainly gaseous Hydrocarbons.
- 1.1.30 "Nigeria" means the Federal Republic of Nigeria;

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- 1.1.31 "Oil Mining Lease ("OML") means the lease to the Farmor granted by the Minister under the Petroleum Act 1969 Cap 350, laws of the Federation of Nigeria 1990 as amended, to a lessee to search for, win, work, carry away and dispose Petroleum from all the area covered by OML 14.
- 1.1.32 "Operations" means the exploration, prospecting, winning, working and carrying away of petroleum undertaken by the Farmee in respect of the Marginal Field, and all matters ancillary thereto, including further Appraisal within the Farm-out Area in accordance with the terms of this Agreement.
- 1.1.33 "Party" means any party to this Agreement, its successors and permitted assigns and "Parties" means all such parties collectively.
- 1.1.34 "Petroleum" means mineral oil (or any related hydrocarbon) or natural gas as it exists in its natural state in strata and does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation.
- 1.1.35 Petroleum Operations' shall have the meaning ascribed to it in the Petroleum Profits Tax Act, Cap 354, Laws of the Federation of Nigeria, 1990.
- 1.1.36 "Petroleum Profits Tax" or "PPT" has the meaning ascribed to it in the Petroleum Profits Tax Act, Cap 354, and Laws of the Federation of Nigeria 1990.
- 1.1.37 "Regulations" means any and all statutes, laws, rules, orders and regulations affecting oil mining leases and Marginal Fields and companies conducting petroleum operations in effect from time to time and made by government authorities having jurisdiction over oil mining leases and the Farm-out Area and over operations conducted thereon, and any laws, orders or Regulations of any State or local Government authority.
- 1.1.38 Work Programme" means any programme of Operations to be carried out in the Farm-Out Area.

1.2 Interpretation

All references to Articles, Schedules and Appendices are, unless otherwise expressly stated, references to Articles, Schedules and Appendices to this Agreement.

The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise

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requires in this Agreement references to the singular include a reference to the plural and vice versa and references to one gender will include all genders.

References in this Agreement to any statute, statutory instrument, act or regulation will be a reference to the same as amended, re-enacted or replaced from time to time and will include any rules or regulations passed in pursuance of the same.

1.3 Conflicts

In the event of any conflict or inconsistency between the provisions of the main body of this Agreement and the Schedules and/or Exhibits hereto, the provisions of the main body of this Agreement shall prevail.

In the event of any conflict or inconsistency between the provisions of this Agreement and the OML, the provisions of the OML, as applicable shall govern this Agreement and it shall be deemed to be modified accordingly and, as so modified, this Agreement shall continue in full force and effect.

The unenforceability of any provisions of this Agreement for any reason whatsoever shall not prejudice the enforceability or validity of the rest of this Agreement or any other provision hereof.

1.4 Schedules

The following Appendices are attached hereto and incorporated into this Agreement:

- (a) Schedule A: Farm-out Area, Farm-out Depth, and Farm-out Facilities: Stubb Creek Field
- (b) Schedule B: DESCRIPTION OF ENVIRONMENTAL CONDITIONS OF THE FARM-OUT AREA - ENVIRONMENTAL EVALUATION STUDIES
- (c) Schedule C: Decommissioning and Abandonment Security

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**ARTICLE 2
REPRESENTATIVES**

2.1 Farmor's Representative

2.1.1 Each of the Farmor hereby appoints SHELL as its representative and hereby authorises the said representative to act for and on behalf of each of the Farmor in the performance and administration of this Agreement.

2.2 Farmee's Representative (If Farmee is more than party)

2.2.1 The Partners to Stubb Creek Marginal field agree that Universal Energy Resources Limited is the operator and has the exclusive responsibility for executing the Operations and shall represent the Partners in the performance and administration of this Agreement.

2.2.2 Notwithstanding Article 2.2.1, each of the Farmee shall be jointly and severally liable for its obligations under this Agreement.

**ARTICLE 3
FARM-OUT**

3.1 Farm-out

3.1.1 Subject to the terms and conditions of this Agreement, the Farmor hereby grant to the Farmee, for the term of this Agreement, possession and use of the Farm-out Area for the purpose of Farmee conducting Operations in the Marginal Field together with all rights, benefits, duties and liabilities associated with conducting Petroleum Operations in the Farm-out Area and Farmee hereby accepts subject to the terms of this Agreement and Government consent, the possession and use of the Farm-out Area and/or Farm-out Facilities for the purpose of conducting Operations in the Marginal Field together with all rights, benefits, obligations and liabilities associated with the conduct of Petroleum Operations in the Farm-out Area.

3.1.2 Farmee shall use the Farm-out Area only for the purposes set forth in this Agreement, and in accordance with the terms of this Agreement, the OML and the Regulations.

3.1.3 Except as otherwise provided for in this Agreement, the costs and expenses incurred in the Operations, as well as any losses and risks derived therefrom, shall be borne by Farmee, and Farmor shall not be responsible to bear or repay any of the Farmee's costs provided such losses are not caused by the Farmor.

3.1.4 It is understood and agreed that this Agreement is subject to the provisions of the OML and the Regulations.

3.1.5 As between the Farmor and Farmee, the Farmor shall retain all ownership rights to the OML, and the rights, title and interest or estate of the Farmee shall be equivalent to those of a sub-lessee in accordance with the terms of this Agreement.

3.2 Government Approvals

3.2.1 The Farmor and Farmee each undertake to obtain all necessary approvals from the relevant authorities in relation to their respective rights and obligations under this Agreement. In this regard, each Party shall provide reasonable assistance to the other Party, as necessary, in order for such approvals to be obtained in a timely manner.

3.3 Effective Date and Term of Farm-out

3.3.1 The Effective Date of the Farm-out intended by this Agreement shall be the latter of:

- (a) The payment by Farmee of any signature bonus and/or other fees payable to the Government upon the terms of the allocation of the Marginal Field to Farmee.
- (b) The obtaining of all approvals and consents required by the Regulations for the Farm-out.
- (c) The receipt by Farmor from Farmee of copies of the certificates of insurance in respect of the classes of insurance listed in Article 16.1.1, 16.1.2, and 16.1.3.

3.3.2 Term of Agreement

3.3.2.1 Subject to Article 19 this Agreement shall be for an initial period of sixty months from the Effective Date.

3.3.2.2 If prior to the end of the initial sixty month period, Farmee serves on the JV Operator notification from DPR of approval and renewal of the farm-out to Farmee by Government, the Agreement shall, subject to the terms hereof, continue in full force and effect from the end of the sixty month period of the Effective Date for so long as the Farmor continue to have the right to conduct Petroleum Operations within any part of the area currently included within OML 14, unless terminated earlier in accordance with Article 19.

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3.3.3 Hand Over

Not later than fourteen days after the Effective Date of the Farm-out in accordance with this Article 3, or at such other time as the Parties shall agree, JV Operator shall give custody to Farmee on an 'as is and where is' basis:

- (a) of the Farm-out Area;
- (b) of all the Farm-out Facilities;

3.4 Environmental Baseline Survey

Farmee shall carry out an Environmental Base Line Survey in line with the requirements set out in Schedule B, signed by Farmee and Farmor the acceptance of which shall be confirmation by the Parties that this Survey fairly and completely describes the status of the environmental condition of the Farm-out Area as at the Effective Date of this Agreement.

Failure of Farmee to conduct the Environmental Base Line Survey in accordance with Article 3.4 above shall be deemed to be acceptance of Farmor's assessment of the environmental state of the Farm-out Area as at the Effective Date and shall be a waiver of any subsequent claims against Farmor arising out of or concerning the environmental condition of the Farm-out Area.

ARTICLE 4 RE-DEFINITION OF FARM-OUT AREA

- 4.1 If new information has become available based upon relevant, objective, scientific and technical factors that indicates that the Marginal Field may extend beyond the Farm-out Area, Farmee shall inform Farmor and may request an amendment to the Marginal Field in accordance with the provisions of this Article.
- 4.2 The factors on which a case for re-definition of the Marginal Field could be made shall include but not limited to, acquisition, processing and interpretation of new seismic data, new development concepts, results from appraisal or development wells drilled within the Marginal Field by Farmee, or outside the Farm-out Area by JV Operator.
- 4.3 Any such request shall be in writing and shall substantiate in detail and with relevant data the reasons behind Farmee's request for a re-definition of the

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Marginal Field. Not later than ninety days upon receiving such request for re-definition of the Marginal Field, the Parties will meet to discuss such request. Farmor shall consider Farmee's request, and may at its absolute discretion agree to a re-definition of the Marginal Field as Farmor may deem fit. If Parties cannot agree on the a re-definition within six (6) months of the request, or if the Parties fail to meet within ninety days of the request as provided in this Article 4.3, then the request shall be deemed to be refused by Farmor, and may be revisited only for the purposes of a unitisation with Farmor at the discretion of the Farmor. The provisions of this Agreement, including consideration, shall apply mutatis mutandis to a re-definition made other than for unitisation.

- 4.4 If, and as long as, with respect to any request for re-definition, no agreement has been reached, the Marginal Field shall remain as set out in this Agreement.
- 4.5 If, as a result of such request Farmor considers it appropriate, or the Marginal Field appears to straddle the boundary or boundaries of Farmor's oil mining lease or a neighbouring oil mining lease not being the property of the Farmor, Farmee shall promptly report same to DPR, and shall use its best endeavours to reach agreement with the holders of such oil mining lease, subject to the Regulations on the development of the Marginal Field as a unit with such straddled fields, including agreement on participation, the allocation of production and the determination of the consideration for such participation. If an agreement is reached, the unitised area shall be deemed to be subject to the terms of DPR's guidelines on unitisation.
- 4.6 If Farm-out Area is reduced by surrender expiration and/or relinquishment, revocation of the OML, then the Farm-out Area shall be re-defined to exclude any area affected by such surrender, expiration and/or relinquishment and in the event of revocation of the OML, it shall revert to Government.

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ARTICLE 5
FINANCIAL OBLIGATIONS

5.1 Overriding Royalty

As consideration for the Farm-out, Farmee shall pay to the Farmor Overriding Royalty ("Override"). The Override shall be determined in accordance with this Article 5.

5.1.1 Farmee shall pay to Farmor as follows:

- (a) With respect to the production of Crude Oil from the Marginal Field, the Farmee shall pay to the Farmor an Override of 2.5% of the daily production up to 2,000 Bopd. Subsequently 3.0% of the value of Farmee's daily production from 2,001 to 5,000 Bopd; and subsequently 5.5% of the value of Farmee's daily production from 5,001 to 10,000 Bopd; and subsequently 7.5% of the value of the Farmee's daily production between 10,001 and 15,000 Bopd. For production in excess of 15,000 Bopd, the Farmee shall pay the Farmor such additional rate of Override as shall be negotiated and agreed between the Parties.
- (b) For the purpose of the Override, the daily production shall mean the entire daily production of Crude Oil from the Marginal Field.
- (c) With respect to the production of Natural Gas from the Marginal Field, the Farmee shall pay to the Farmor an Override of 0 % of the value of Farmee's production between 0 and 20 Million Standard Cubic Feet per Day (MMSCF/D); For production higher than 20 Million Standard Cubic Feet per Day (MMSCF/D), the terms and conditions of such production shall be agreed between Farmor and Farmee.

5.2.1 (a) All payments due under Article 5.1.1(a) from the Farmee shall be made in Crude Oil allocation from Farmee to Farmor in such quantum as will generate an amount sufficient to cover all such payment under this Agreement

(b) In respect of such allocation, Farmor shall have the option at its sole discretion to elect to take delivery thereof:

(i). at the fence between Farmee's facilities and Farmor's facilities; or

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- (ii) at such other outlet of Farmee's Crude Oil as may be agreed by the Parties.
- (c) Farmor shall have the option at its sole discretion to elect to receive the Override from Farmee at all times in US Dollars equivalent at the prevailing market prices for Farmee's Crude Oil on the date of payment net of all applicable handling charges
- 5.2.2 For the purpose of calculation of the Override, Farmee shall keep full and correct accounts for all Petroleum measured as stipulated in Article 7.2.3, and Farmor shall have access at all times to the books of Farmee containing such accounts and may make excerpts therefrom. Farmee shall, within sixty (60) days after the end of each calendar year, deliver to JV Operator an abstract of such accounts for each year, which shall be treated as confidential by JV Operator unless otherwise agreed by Farmee.
- 5.2.3 Farmee shall be required to account for or measure Petroleum unavoidably lost or used in operations hereunder, including Petroleum used in secondary recovery operations, or Natural Gas that may be flared.
- 5.2.4 Without prejudice to Article 6.4 (i), Farmee shall furnish Farmor a copy of any report presented by Farmee to DPR on the number of barrels of Crude Oil and other Petroleum produced in the Farm-out Area within the five (5) days immediately following the end of each calendar month.
- 5.2.5 If Farmee should not supply copy of such report, JV Operator may elect to calculate the payments due to Farmor under this Article 5 proceeding on the basis of the mentioned monthly report most recently presented by the Farmee to the Minister, and Farmee shall pay on such basis, on the understanding that such payment shall be adjusted when Farmee furnishes Farmor the report of reference.
- 5.3 Unless otherwise provided herein, any payment which Farmee is required to make to the Farmor pursuant to this Agreement shall be made within thirty days following the date of lifting by the Farmee of the Petroleum produced from its Operations. Where payments are to be made in cash, they shall be made to a bank account to be nominated in writing from time to time by the Farmor.

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- 5.4 Any overdue payment shall bear interest, calculated and compounded monthly, from the due date until the date on which the payment is received at the annual rate of:
- (a) in the case of payments which have been the subject of a bona fide dispute, LIBOR plus one percent (1%); and
 - (b) in the case of all other late payments, LIBOR plus one per cent (1 %); and
 - (c) in the case of payments in local currency, it shall be the Minimum Rediscount Rate (MRR) advised by the Central Bank of Nigeria (CBN) plus six percent (6%) during the period in which the amount in default remains unpaid..
- 5.5 If any sums due to Farmor from Farmee shall remain unpaid for a continuous period of three months, after it has become due, Farmee shall be considered to be in "Default" and shall be deemed to have granted to the Farmor a lien upon all Crude Oil produced from the Marginal Field, and the proceeds therefrom to secure discharge of the said sums due from Farmee, together with interest thereon at the rate provided in Article 5.4 above.
- 5.6 It is hereby agreed that throughout the period of such Default, Farmee shall not be entitled to its production from the Marginal Field which shall then vest in and be the property of the Farmor while any sums (including interest) due from Farmee remains outstanding.
- 5.7 Farmor shall be authorised to sell such production from the Marginal Field at the best price obtainable under the circumstances and, after deducting all costs, charges, and expenses incurred by it in connection with such sale, shall recover from the remaining proceeds all moneys due to it by Farmee, together with interest accrued. Any surplus remaining thereafter shall be paid to the Farmee.
- 5.8 Notwithstanding the provision of Articles 5.5 and 5.6 above, Farmor may upon not less than 30 days prior notice to Farmee suspend performance of their services or obligations to Farmee under the Associated Agreements, if applicable. The exercise of such right shall not constitute a waiver of any other remedies available to the Farmor under this Agreement.

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ARTICLE 6
RIGHTS AND OBLIGATIONS OF THE PARTIES

6.1 Rights and obligations of the Farmee

6.1.1 Save and except as otherwise provided in this Agreement, the Farmee shall to the extent provided for in this Agreement:

- (a) Have the right to conduct Operations by itself, its agents and/or its contractors. If the Farmee does not conduct any Operations itself, it shall nonetheless remain responsible for such Operations as the Farmee to the extent provided under this Agreement and the Regulations.
- (b) Conduct all its Operations in accordance with the terms of the OML, the Regulations and this Agreement in a manner consistent with good and prudent oil and gas field practice and with that degree of diligence and prudence reasonably and ordinarily exercised by experienced oil and gas companies engaged in similar activities under similar circumstances and conditions to meet Health Safety and Environmental Standards of DPR and the JV Operator.
- (c) Have the right to all reservoirs lying totally within the Farm-out Area and down to the Farm-out Depth.
- (d) Grant to the Farmor access to all seismic, geological, geophysical, drilling, well production, operating and other data and reports as it may compile during the term hereof and at the end of the Agreement surrender all original data and reports to the DPR.
- (e) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of the Operations in the Farm-Out Area, and not start any activity until the appropriate permit, consent or approval has been obtained, have the right to deal directly with Government on all matters relating to the Operations other than those relating directly or indirectly to the OML outside of the Farm-out Area.
- (f) Fully inform and submit to JV Operator all plans of activities and Government interface in respect of the Marginal Field and adhere to any instructions of JV Operator in respect thereof as stipulated in the terms of this agreement.
- (g) Pay and be liable for all taxes, rates and assessments of every description whatsoever that may be imposed on Farmee by any lawful authority in respect of the Farm-out Area or by reason of this Agreement.

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- (h) Make all payments due to the Farmor in accordance with the terms of this Agreement.
 - (i) Obtain the Insurance required under Article 16, without limiting in any way the rights of the Farmor to procure and maintain additional insurance coverage as they determine to be appropriate at the Farmor's expense.
 - (j) Maintain good relations with the host communities, Local and State Governments and inhabitants of the areas in and around the Farm-out Area and do nothing to undermine the relationship of these parties with the Farmor.
 - (k) Not exercise all or any rights or authority over the Farm-Out Area in derogation of the rights of the Farmor as stipulated in the terms of this Agreement.
- 6.1.2 Farmee shall not represent itself in its Operations in any part of the Farm-out Area in any way or manner that might reasonably be interpreted as a claim to agency of or partnership with the Farmor.
- 6.1.3 Farmee shall not conduct any of its operations in a violation of the terms and conditions of the OML and shall do or cause to be done within the scope of its authority and, with due diligence, all such lawful acts and things within its control as may be necessary to keep and maintain the OML in force and effect in so far as the Farm-out Area is concerned and do nothing to endanger the OML.
- 6.1.4 Farmee shall be responsible for acquiring any surface rights and rights-of-way required for the Operations, provided that JV Operator shall to the extent possible, and subject to any required consent first having been granted, grant easements or licence to the Farmee with regard to any such surface rights and rights-of-way that may be in its possession which it is free to and/or is able to grant. Notwithstanding the foregoing however, JV Operator shall not be responsible for any failure by Government or any owner of land or surface right to grant consent to any such easements and/or licence.
- 6.1.5 Farmee, at its sole expense, shall have the right and obligation to perfect title to and/or make any modification necessary to cause any such surface rights and rights-of-way to remain in compliance with all requirements of the laws of Nigeria provided however, that the Farmee shall not have the right to make any such modification that will adversely affect (other than in an immaterial way) the ability of the Farmor to comply with any of its obligations under the OML.

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6.1.6 Except as otherwise provided in this Agreement or as may be authorized by the mutual agreement in writing of the Parties, Farmee shall not permit or suffer any lien or other encumbrance to be filed or to remain against the Farm-out Area and/Farm-out facilities unless there is a bona fide dispute with respect thereto. Farmee may only create a lien or other encumbrance on Farmee's facilities and/or Petroleum produced and saved as a result of its Operations subject always to Farmor's overriding royalty payments and any right reserved to the Farmor in respect thereof under the terms of this Agreement. The lien to be created by the Farmee under this Article 6.1.6 shall not for any reason rank in priority over the right which, the Farmor would otherwise have been entitled to under this Agreement had such charge or lien not been created by the Farmee.

6.2 Rights and obligations of the Farmor

6.2.1 In accordance with this Agreement, the Farmor shall:

- (a) Pay and be liable for all taxes, rates and assessments of every description whatsoever that may be imposed by any lawful authority over the OML except as may be applicable over the Farm-out Area
- (b) Subject to any confidentiality obligations by which it is bound, herein, give the Farmee access, on reasonable prior notice during business hours, to such information and/or data relating to the Marginal Field which is in the possession of the Farmor as Farmee may reasonably require for Operations (excluding analyses prepared by or on behalf of the Farmor for their own internal purposes, or proprietary information of the Farmor or a third party).
- (c) Have the right and access to all original data resulting from the Operations including but not limited to geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data as the Farmee may compile during the term hereof, provided however, that the Farmee shall keep and use such original data during the term of this Agreement
- (d) Have the right, in the event of any environmental or safety problem or any emergency involving the safeguarding of lives or property or for the prevention of pollution, or risk of damage to the OML or the Farmor's Petroleum Operations around the Farm-out Area ("Incident") which, in the opinion of the JV Operator could be mitigated by a suspension of Operations, to issue notice in writing to Farmee, requiring Farmee to suspend Operations or any part thereof and inform and seek clarification from DPR.. Farmee shall not resume Operations until permitted to do so in

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writing by DPR upon consultation with JV Operator. Any expense incurred by Farmee as a result of any such suspension shall not be recoverable from the Farmor provided the Incident was not caused by the Farmor.

6.3 Access Rights

- (a) The Farmor shall, at all reasonable times and at their cost, have the right of access to the Farm-Out Area for their authorised representative(s), and at the Farmor's expense, provided such Farmor give Farmee reasonable notice in writing of the date such access is required and nominates in such notice the authorised representatives to whom such access is to be granted. PROVIDED always that the JV Operator shall be entitled to dispense with such notice in the event of an emergency.
- (b) Each Farmor so requesting such access shall relieve, indemnify and hold harmless the Farmee from and against all claims, liabilities, costs, damages and expenses of every kind and nature in respect of personal injury including fatal injury or disease of any representative of such Farmor save and except where such personal injury was caused or contributed by the negligence or breach of duty of any employee, agents or contractors of the Farmee.

6.4 Reports

- (i) Farmee shall make available to Farmor copies of all statutory reports to DPR including a copy of the report or form presented by Farmee to DPR on the number of barrels of Crude Oil and volumes of other hydrocarbon produced from the Marginal Field, every calendar month which report shall be submitted within fifteen (15) days immediately following the end of each calendar month.
- (ii) Farmee shall submit within forty five days after the end of each calendar quarter, a quarterly progress report to Farmor which shall contain a narrative report of all the activities during such calendar quarter under this Agreement with plans and maps showing the places where the described work was done
- (iii) Within three months after the end of each Calendar Year Farmee shall deliver to Farmor an annual report which shall consolidate the information contained in the quarterly progress reports furnished in respect of such Calendar Year.
- (iv) Farmee shall report all incidences of environmental pollution or communal disturbances occurring in the Farm-out Area or from Operations immediately

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upon their occurrence and in any event not less than twenty-four hours thereafter.

6.5 Books and Accounts

Farmee shall keep complete books of accounts of Operations consistent with modern petroleum industry and accounting practices and procedures. The statutory books and accounts of this Agreement shall be kept in Naira and U. S. Dollars. All other books of accounts for the Operations shall be kept in both Naira and U. S. Dollars.

6.6 Farmers Inspection Rights

6.6.1 Subject as otherwise provided in this Agreement, the Farmor shall have access to and the right to inspect, not more than twice a year, all books, records and inventories maintained by the Farmee and relating to the Operations, provided that JV Operator gives the Farmee not less than fourteen (14) days prior notice of the date upon which it desires to make such inspection and identifies the person or persons to conduct such inspection.

6.6.2 Not more than once in six months and subject to a minimum of 14 days notice the Farmor may audit or cause the audit of the books and accounts relating to Operations and the Marginal Fields throughout the term of this Agreement. However in the event of disagreement of audit report an external auditor shall be appointed by both Parties to audit the books.

6.6.3 Notwithstanding the limitations under this Article 6, Farmor shall upon notice at any other time other than as provided have access to the records, books, inventories and accounts of the Farmee for the purposes of inspection and/or audit upon showing reasonable cause to do so.

6.7 Covenant and Undertaking

Each Party hereby covenants and undertakes with the other Party that it will comply with all applicable provisions and requirements of the Regulations and the OML and will do all such acts and things within its control as may be necessary to keep and maintain the OML in full force and effect.

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ARTICLE 7 OPERATIONS

- 7.1 Operations conducted in the Farm -out Area shall be at the sole cost, risk and expense of Farmee, and Farmee shall ensure that its Operations do not conflict with or cause any hindrance to Farmor's Petroleum Operations. Farmee shall discuss its Annual Work Programme and proposed budget with the Farmor before submission to the DPR. Farmor shall have the right but not the obligation to review and/or comment upon the said work programme. Should Farmor wish to propose a revision as to certain specific features of the said Work Programme and Budget, it shall within four (4) weeks after receipt thereof so notify the Farmee in writing specifying in reasonable detail the review requested and its reasons therefore. Farmee shall use its best endeavours to resolve the request for revisions proposed by Farmor and give reasonable regard to any comments by the Farmor. If Farmor has not made any comments and/or proposed any revisions in writing within four (4) weeks, then it shall be deemed that Farmor has no comments thereon.
- 7.2 **Exploration and Appraisal**
- 7.2.1 Farmee has the right to further drill Appraisal/Development wells in the Marginal Field, and all reservoirs lying totally within the Farm-out Area down to the Farm-out Depth, shall be considered to be part of the Marginal field and subject to the terms of this Agreement.
- 7.2.2 If in the course of Operations Farmee suspects the presence of Additional Reservoir(s) below the Farm-out Depth and desires to drill into such Additional Reservoirs, Farmee shall submit its Work Programme to Farmor for consideration of the safety and technical issues thereof as Farmor so wishes. Farmor shall not unreasonably withhold its consent for such drilling PROVIDED that if Farmor does not give its consent within a period of 30 days from the date of submission of such programme by Farmee, the matter shall be referred to DPR for resolution. The Farmor reserve the right to participate in the development of such Additional Reservoir(s) and the terms and conditions therefore shall be subject to separate agreement between the Parties.
- 7.2.3 Farmee shall measure all Petroleum produced and saved from the Marginal Field and the duly authorised representatives of Farmor shall have the right to examine such measurements and to test the appliances used therefore. If Farmee wishes to alter its measuring appliance, it shall give reasonable

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notice to the Farmor to enable its representative to be present during such alteration, and Farmee shall use standard measuring.

7.3 Meetings and Minutes

Farmee and Farmor shall meet at least once every twelve (12) Months to discuss Operations. Such meetings shall be called by Farmee upon not less than fourteen (14) days advance notice with the agenda for the meeting attached. Any Party may require additional items to be put on the agenda provided notice thereof is received not later than seven (7) days before the meeting in question. Notwithstanding the foregoing, if either Party reasonably believes the circumstances so require, it shall be entitled to call a meeting at such other time and upon shorter notice than that stipulated above.

ARTICLE 8 HEALTH AND ENVIRONMENTAL STANDARDS

- 8.1 With the goal of achieving safe and reliable operations in compliance with all Regulations including avoiding significant and unintended impact on the safety or health of people or property or the environment, the Farmee must in the conduct of Operations conform to the applicable HSE Standards and Regulations, as notified to the Farmee from time to time.
- 8.2 Farmee shall establish and provide to the Parties a programme for regular HSE audits and shall grant the Farmor and/or its agents the right from time to time upon reasonable notice, to observe Operations in the Farm-out Area, conduct HSE audits or join HSE audits conducted by the Farmee at Farmor's own cost. Such visit or audit by the Farmor shall not of itself constitute an endorsement or warranty by the Farmor of the Farmees Operations or environmental standards. If any such HSE Audit reveals any potential environmental issue which may affect Farmor's Petroleum Operations or reputation, the Farmee shall at its own cost abide by any instructions of the Farmor to correct and/or otherwise prevent and/or arrest such situation including the suspension of Operations.

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ARTICLE 9
REPRESENTATIONS, WARRANTIES AND DISCLAIMERS

- 9.1 Farmee hereby represents and warrants to the Farmor that:
- (a) it has all the requisite corporate power to execute this Agreement, and to perform its obligations hereunder and thereunder and that in so doing, such action will not violate any obligations binding on it or its assets or result in any liability to any third party or the creation of any Encumbrance;
 - (b) it accepts the Farm-out Area farmed-out to it under this Agreement on an *"as is where is"* basis upon its successful participation in the Marginal Field Allocation Round of the Government, and without any warranty, express or implied, being made by or on behalf of the Farmor.
 - (c) it has made its own investigations as to title to and the validity of the OML; and it has and hereby acknowledges the contents thereof
 - (d) no payments were made or will be made, or consideration given or will be given to obtain the Marginal Field in violation of Nigerian law, or which would be in violation of the laws of the Federal Republic of Nigeria.
- 9.2 Farmee hereby covenants that all representations and warranties made by it herein are true and correct as of the Effective Date.
- 9.3 No representations or warranties, express or implied, are made by the Farmor and/or their Affiliates concerning the accuracy or completeness of any information and/or data on the Marginal Field supplied to Farmee under Article 6.2.1(b) of this Agreement and/or before the execution of this Agreement, and neither the Farmor nor their Affiliates shall be liable in any way to Farmee for receipt or use by Farmee of such Information and Farmee expressly disclaims any such liability whether in negligence or otherwise.
- 9.4 No warranties, representations, covenants, undertakings, promises, forecasts or other statements whatsoever whether written or oral (and whether implied or otherwise) made by or on behalf of the Farmor or any other person may form the basis of, or be pleaded in connection with, any claim by the Farmee under or in connection with this Agreement and, without limitation to the generality of the foregoing, no shareholder, director, employee, agent, consultant or representative of any of them make any representations, warranties or undertakings as to:

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- (i) the validity of the OML or the Farmor's title to the Marginal Field;
- (ii) the amounts of hydrocarbon reserves attributable to the Marginal Field; or
- (iii) any geological, engineering, economic or other interpretations, forecasts or evaluations.

ARTICLE 10 NATURAL GAS

- 10.1 The Farmee shall be fully and solely responsible for the handling and disposal of all Natural gas produced in an environmentally responsible manner in accordance with all-applicable laws and regulations of the Federal Government subject to agreement on payments and other consideration due to the Farmor from the production of and disposal of Natural Gas.
- 10.2 The Farmee shall be fully responsible for the payment of any flare penalty or any other penalties or duties levied by Government in respect of any Natural Gas that originates from the Marginal Field.
- 10.3 In the event that the Farmor are prevented from Gas flaring in the OML, Farmor shall give notice thereof to the Farmee to stop all Gas flaring and if necessary, stop production of all hydrocarbons upon notification to DPR.
- 10.4 At such time as Farmee decides to develop Natural Gas from the Marginal Field, Farmee and Farmor shall agree upon the procedures (Including but not limited to, payment schedules and notice requirements) for payment of the Override relative to such Natural Gas.

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ARTICLE 11
EVACUATION OF FARMEE'S PETROLEUM

11.1 Where applicable, pending the execution of a hydrocarbon handling agreement in respect of the Marginal Field, Farmee shall pay to Farmor the cost of treatment, handling, transportation and terminalling of Farmee's Crude oil and Natural Gas which pass through Farmor's Facilities.

11.2 Associated Agreements

11.2.1 Prior to commencement by Farmee of production of Crude Oil from the Marginal Field, the Parties shall in good faith, upon the request of Farmee and subject to availability in the Farmor's evacuation facilities, certification by DPR and not less than three (3) Calendar Months prior to first delivery of Crude Oil, negotiate and conclude the terms of the Associated Agreements.

11.2.2 Farmee recognizes that pursuant to the Associated Agreements the Farmor are required to perform certain acts, undertake certain obligations, assume certain liabilities and are entitled to certain powers, rights and benefits all on Farmee's behalf accruing from such undertaking.

ARTICLE 12
GOVERNMENT PARTICIPATION

12.1 Farmee hereby agrees that if the Government, either acting by itself or through any of its agencies, asserts any right it may have to acquire an interest in the Marginal Field/or any portion thereof, then Farmee shall use its best endeavours to ensure that Government assumes a corresponding part of each of Farmee's obligations and liabilities under this Agreement. Any such Government participation shall not discharge or relieve Farmee of any of its duties and/or obligations under this Agreement.

ARTICLE 13
CONFIDENTIALITY

13.1 Confidentiality Obligation

Unless otherwise specified in this Agreement, the Parties agree that all information and data acquired or obtained by any Party pursuant to this Agreement and/or the implementation of its terms and conditions, shall be considered confidential by the acquiring Party and shall be kept confidential and not be disclosed at any time to any person or entity not a party to this

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Agreement, without the prior written consent of the other Parties (such consent not to be unreasonably withheld). However, such confidential information and data may be disclosed as follows:

- (1) To an Affiliate provided such Affiliate maintains confidentiality as provided in this Article 13;
 - (2) To a government agency or other entity when required by applicable law, the terms and conditions of the OML and/or the terms and conditions of the Joint Operating Agreement;
 - (3) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, the Joint Operating Agreement or pursuant to any legal proceedings or because of any other order of any court binding upon a Party;
 - (4) Subject to Article 13.4 to contractors, consultants and attorneys employed by a Party where disclosure of such data or information is essential to such contractors', consultants' or attorneys' work;
 - (5) Subject to Article 13.4, to a bank or other financial institution to the extent appropriate to assist a Party in arranging for funding for its obligations under this Agreement;
 - (6) To the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over the disclosing Party; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such disclosure shall not be made without the prior consent of the other Parties (such consent not to be unreasonably withheld);
 - (7) To a Party's employees, associates and partners for the purposes of implementing this Agreement, subject to each Party taking customary precautions to ensure such data and information are kept confidential.
- 13.2 In the event that any entity constituting Farmee ceases to hold an interest under this Agreement, such entity will continue to be bound by the provisions of this Article.
- 13.3 In the event that this Agreement is terminated, the Farmor shall be at liberty to disclose such Confidential Information to prospective assignees of the

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Marginal Field and/or such other Parties as it may require in the conduct of their own Petroleum Operations in the OML.

13.4 Confidentiality Undertaking from Certain Recipient Parties

Disclosure pursuant to Articles 13.1(4) and 13.1(5) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

13.5 Survival of Confidentiality Obligations

The obligations of confidentiality contained in this Article 13 shall survive the termination of this Agreement and shall continue to be binding upon the Parties until expiration of the OML.

ARTICLE 14 ABANDONMENT SECURITY

- 14.1 Farmee shall provide security funds to satisfy abandonment obligations from the Marginal Field including without limitation, security to cover the cost of any abandonment in accordance with Schedule C. Such security funds shall be reduced or released as the underlying obligations and liabilities are met, reduced or released.
- 14.2 Upon commencement of Operations and prior to submission of its first work programme to DPR, the Parties shall negotiate and agree the Abandonment Security Agreement, which shall be completed and executed by all Parties prior to any exploration and or development activities by Farmee. The Abandonment Security Agreement shall be in accordance with Schedule C.
- 14.3 If Farmee has, at the effective date of termination, already provided security funds for abandonment costs pursuant to an Abandonment Security Agreement entered into pursuant to this Agreement, the adequacy of such security shall be reviewed by both Farmee and Farmor. Farmee shall take responsibility for any shortfall or surplus arising from the decommissioning or abandonment operations.
- 14.4 The security funds so provided by the Farmee shall be paid into an escrow account, established under this agreement, both Farmee and Farmor shall be joint signatories to the account. The process of decommissioning activities

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shall be carried out by the Farmee on termination of Farmee's Operations under this agreement in accordance with DPR's regulation on decommissioning and abandonment guidelines. In case of a compelling reason for a deferment of decommissioning or abandonment, it shall be referred to DPR for consideration and approval provided that such approval shall not result in any liability to the Farmor for breach of any statute or tort

ARTICLE 15 LIABILITIES AND INDEMNITIES

15.1 General Liability and Indemnity

15.1.1 Farmee shall assume full responsibility and liability for Operations it conducts under this Agreement, including, but not limited to, the cost of all Operations, abandonment, and third party liabilities.

15.1.2 Farmor hereby agree to indemnify and hold harmless the Farmee, its Affiliates and all officers and directors of the Farmee from and against all losses, claims, liabilities, damages, costs arising from or attributable to previous actions in the Farm-out Area prior to the Effective Date save as contributed to or escalated by an act or omission of the Farmee, its servants and/or agents. Farmor also agrees to indemnify and hold harmless Farmee against loss or damage caused to or suffered by Farmee as result of any environmental mishap, safety problem or other emergency arising from or out of the Farmor's operations in the OML outside the Farm-out Area, save as contributed to or escalated by an act or omission of the Farmee, its servants and/or agents.

15.1.3 Farmee hereby agrees to indemnify and hold harmless the Farmor, their respective Affiliates, and all officers and directors from and against all losses, liabilities, damages, costs, or expenses of every nature arising from or attributable to the conduct of Operations by Farmee under this Agreement. save as contributed to or escalated by an act or omission of the Farmor, its servants and/or agents.

15.2 Limit of Farmor liability to Farmee

Farmor shall not be liable for or to any persons in respect of any damages, claims or compensation payable under any applicable law arising in particular from accidental death or injury, to any workman, visitor, invitee, or other persons whether or not in the employment of the Farmee, agents and/or contractors arising out of the Operations or due to any other cause,

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save and except an accident or injury arising from the negligence of Farmor, their agents or servants. The Farmee shall indemnify and hold Farmor harmless from all such damages, claims, expenses, compensation and the like arising under any obligation imposed upon Farmor under statute except where Farmor is found to have acted in Gross Negligence or Wilful Misconduct.

15.3 Third Party Liability

- 15.3.1 Farmee shall indemnify and hold harmless Farmor, their agents and servants from all liability for personal injury, including fatal injury and disease, loss of or damage to property and inconvenience to any Third Party arising out of or in connection with Operations.
- 15.3.2 Farmee shall be responsible for settling all valid claims for loss, damage, injury or death to any third party (including Farmor's personnel) caused by the Farmee or his agents or servants in the Operations. Farmor shall pass any claim presented to Farmor by any injured third party to the Farmee. If the Farmee delays or refuses to settle the claim and the Third Party continues to claim against Farmor, then if in the opinion of Farmor the claim is valid, Farmor may, in consultation with the Farmee, pay the third party the amount of the claim and recover such amount from Farmee.
- 15.3.3 Except as otherwise provided in this Agreement, any loss, claims, damages and or causes of action brought by a third party against the Parties or any of them arising directly or indirectly, out of the conduct of Operations in the Farm-out Area shall be for Farmee's sole account.

15.4 Injury to Farmee's personnel

Farmee shall be liable for, and shall indemnify Farmor against all claims in respect of all diseases and injuries to, death of, any and all employees of Farmee, its agents and servants howsoever arising, except where due to the negligence of Farmor, its agents or servants.

15.5 Injury to Farmor's Personnel

Farmor shall be liable for and shall indemnify the Farmee against all claims in respect of all diseases and injuries to, death of, any and all employees of Farmor their agents and servants arising from the exercise by Farmor of any of their rights and obligations under this Agreement, except where such is due to the negligence of Farmee, its agents or servants.

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15.6 Damage to Farmee's Property

Farmee shall be responsible for all damage to, loss of use of and loss of the Farmee's equipment, vehicles, machines, tools or other property, including the property of its employees, during Operations.

15.7 Damage to Farmor's Property

Farmee shall be responsible for and shall indemnify Farmor for loss or damage to property belonging to Farmor including their employees, agents and servants, which is damaged, by the Farmee or as a result of Operations from Effective date of this Agreement or by any person or persons whom Farmee has allowed onto Farm-out Area or by any person being on the premises who the Farmee ought to have removed or ejected, unless such loss or damage is caused by the Gross Negligence or Wilful Misconduct of the Farmor. Where relevant, the Farmee shall be responsible for the cost of repairs, replacement, transportation and all other incidental expenses which Farmor may incur in replacing or repairing the property.

15.8 Liability for acts of Farmee's contractors

Farmee shall indemnify Farmor against all actions, claims, demands and damages arising from acts or omissions of its employees, contractors and/or agents or from the employment of such contractors, their agents and servants, including claims brought by such contractors against the Farmor or any of them.

15.9 Liens

Without prejudice to Article 6.1.6 herein, Farmee shall indemnify Farmor for and against any liens issued against the Farm-Out Area and/or the Farm-out Facilities, arising from any dispute between Farmee and any third party whether or not in consequence of any default by the Farmee to any third party. It is hereby expressly agreed that the creation of any lien or encumbrance other than in accordance with the terms of this agreement shall be a Material Breach under the terms of this Agreement. Farmee shall notify Farmor of any possible lien, which may affect Farm-Out Area and/or the Farm-out Facilities.

15.10 War and confiscation Risk

Farmee acknowledges that Farmor have no duty or responsibility to Farmee, his contractors, agents and servants in respect of any equipment, materials

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and any other property of the Farmee and such contractors and their agents and servants in the event of:

- (a) war, insurrection, civil commotion, hostilities (whether or not war be declared or civil war recognised) sabotage, violence, seizure, riot, rebellion, blockage, revolution and embargo, by whomsoever carried out and/or in any case,
- (b) nationalisation, expropriation, confiscation, sequestration and any other orders and/or acts of any competent authority or any purported authority which affects the liberty or the rights in property of persons generally or that of the Farmee, its contractors, their agents and servants.

15.10.1 Farmee hereby undertakes to fully indemnify Farmor against all claims, demands, and losses and against all costs of disputing them, in connection with any of the aforesaid circumstances and all other matters related thereto.

15.10.2 Farmee shall indemnify, hold harmless and defend Farmor and their respective Affiliates from and against all losses, liability, claims, fines, costs, (including attorney's fees and expenses) and causes of action arising with respect thereto, including but not limited to PLUGGING AND ABANDONMENT OF EXISTING WELLS, THE RESTORATION OF THE SURFACE OF THE LAND as may be required under the applicable permits or as may be required by any applicable governmental agency having jurisdiction over well abandonment and the removal of or failure to remove any materials, facilities or equipment used or required by Farmee in the conduct of Operations.

15.11 Extent of Indemnities

The indemnities to either Party under this Agreement cover, all sums paid by or on behalf of the indemnified party in satisfaction of the judgement of any court of law, and all sums including costs, legal fees and expenses paid or incurred by the indemnified party in settling or forestalling any claims or demands made against the indemnified party arising out of the risks against which the indemnity was given but shall not cover any indirect or consequential losses.

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15.12 Environmental Compliance

- 15.12.1 Farmee assumes full responsibility for, and agrees to indemnify, hold harmless and defend Farmor and their respective Affiliates from and against all loss, liability, claims, fines, expenses, costs (including attorney's fees and expenses) and causes of action, including, but not limited to those caused by or arising out of:
- (a) the enforcement or threatened enforcement, of any applicable law, governmental rules, orders and regulations regarding any waste material, or
 - (b) any environmental clean-up related directly or indirectly to Operations.
- 15.12.2 The Farmee shall be liable and shall indemnify Farmor from and against any loss or damage to any person or property arising out of pollution or contamination caused by the discharge or escape of oil, other pollutants or contaminants from the Farmee's Operations, the presence, disposal, release or threatened release of any waste material or hazardous substance by itself (including its contractors and subcontractors of any tier) into the atmosphere or into or upon land or any water course or body of water, including ground water, to the extent such are attributable, in whole or in part, to Operations under this Agreement.

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**ARTICLE 16
INSURANCE**

16.1 Farmee shall procure and maintain insurance as is normally carried in respect of Operations including any insurance required by the Regulations, which shall as a minimum be the insurance set out in the table below up to the financial limit specified:

Insurance	Financial Limits	Specific inclusions	Comment
<p>1. Cost of Well Control Insurance which would respond in the event of a well getting out of control in the course of drilling activities, including recompletion, reconditioning, reworking, testing, replacing, cleaning out, until completion or abandonment.</p>	<p>Thirty Million U.S. Dollars</p>		<p>Essential</p>
<p>2. General Third Party Liability Insurance to cover legal liability to third parties including bodily injury/death resulting from the Farmee 's activities</p> <p style="text-align: center;">AND</p> <p>Seepage and Pollution Policy to respond to claims for bodily injury, loss or damage to or loss of use of property caused by seepage & pollution arising from Farmee's Operations including cost of removing/nullifying/cleaning up Seepage or pollution</p>	<p>Thirty Million U.S. Dollars</p>		<p>Essential</p>
<p>3. Employer's Liability Insurance to cover Farmee 's responsibility to its employees for bodily injury/accident/death suffered in the course of employment.</p>	<p>In line with Workmen's Compensation Act</p>		<p>Essential</p>

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4. Onshore Property Policy to cover risk of Fire, Lightning & Allied Perils against Farmee 's movable assets, buildings, and other facilities.	Full replacement value		If onshore assets
5. Offshore Assets Policy to cover risk of damage to Offshore Property including offshore platforms (if any)	Full replacement value		If offshore assets
6. Construction All Risks (CAR) Insurance to cover fabrication, construction and maintenance activities of Farmee	Full construction value		If required
7. Motor Vehicle & Passenger Liability Insurance as may be required by Statute or similar regulation in the country of use for motor vehicles used by Farmee in its Operations.	In line with statutory requirements		
8. Marine (Hull & Machinery/Protection & Indemnity) to cover risk of loss/damage to crafts/vessels owned /employed by Farmee in its Operations, including third-party liability arising therefrom.	In line with statutory requirements		
9. Aircraft (Hull / Liability) Insurance to cover loss/damage to Farmee's aircrafts employed in the business, and legal liabilities for damage to property or injury/death of 3rd party arising therefrom.	In line with statutory requirements		

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16.2 The Farmee shall procure the insurance policies set out in the table above from an insurance company that complies with the following conditions:

- (a) Insurer must meet minimum capitalisation requirement as stipulated under the Insurance Decree for Special Risks (Oil/Gas Business is classified as 'Special Risk').
- (b) In addition, Insurer should possess current NAICOM (Nigerian Insurance Commission) licence to operate as an Insurer in the specified class (classes).
- (c) Experience in Oil/Gas Business - Insurer should possess a specialised Energy Department appropriately staffed by persons with relevant qualifications/experience. Insurer may be required to indicate Oil & Gas Clients currently serviced.
- (d) Desirable for Insurer to possess Federal Ministry of Finance approval for participation in the Insurance of Federal Government Assets.
- (e) Insurer must maintain adequate technical reserves in accordance with S. 24 of the Insurance Decree.
- (f) Insurer must show evidence of adequate and valid Reinsurance arrangement.

16.3 Insurance Policy shall require that Insurer notifies JV Operator in the event of non payment of premium or other default in the Insurance Policy prior to the taking of any adverse action such as termination, by the Insurer

16.4 Farmee shall promptly inform Farmor of such insurance and provide the Farmor with copies of the cover notes and the annual coverage certificates when the same are issued.

16.5 Farmee shall arrange for all the Farmor, in proportion to their respective Participating Interests, to be named as co-insureds with waivers of subrogation in favour of all the Parties; and

16.6 Farmee shall duly file all claims and take all necessary steps to collect any proceeds.

16.7 Farmee shall also require all contractors or subcontractors performing work in respect of the Operations to effect and maintain any and all insurance required by the Regulations and this Agreement and shall make its best

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efforts to ensure that all such contractors and subcontractors have their insurers include Farmee as additional insureds and waive rights of recourse against Farmee and its respective employees.

ARTICLE 17 APPLICABLE LAW AND DISPUTE RESOLUTION

17.1 Applicable Law

This Agreement, including the dispute resolution procedure specified in Article 17.3 and 4 below, shall be governed by, construed, interpreted and applied in accordance with laws of the Federal Republic of Nigeria excluding any rules of law which would otherwise refer the matter to the laws of another jurisdiction.

17.2 Dispute Resolution Procedures

17.2.1 In the event of a dispute between or among the Parties regarding this Agreement, its interpretation, performance, or any other matter relating to this Agreement, which the Parties cannot resolve amicably, the matter shall be finally settled by binding arbitration upon written notice from the initiating Party to the other Parties. Farmee shall appoint one (1) arbitrator and, JV Operator as operator of the Joint Venture, shall appoint another arbitrator and each shall inform the other of the name of its arbitrator so appointed within thirty (30) days from the date on which notice was received from the Party initiating the arbitration proceeding. If either fails to inform the other of the appointment of its arbitrator within the time limit prescribed, the other Party may request that such arbitrator be appointed in accordance with the Arbitration and Conciliation Act of Nigeria. The two (2) arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the tribunal. No arbitrator shall be an employee or agent or former employee or agent of any of the Parties. In the case of failure to agree on the appointment of a third arbitrator within thirty (30) days of the appointment of the later of the two (2) above mentioned arbitrators, such third arbitrator shall be appointed by the Chief Justice of Nigeria on the application of any Party involved in the difference or dispute (notice of intention to apply having been given in writing by the applicant Party to the other Party, which for the Farmor, shall be the JV Operator). When appointed, the presiding arbitrator shall convene meetings of the arbitration panel. The award shall be delivered within three months of the appointment of the presiding arbitrator, or within such extended period as may be agreed by the Parties.

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17.2.2 The Parties shall extend to the arbitrators all facilities (including access to the Operations) for obtaining any information required for the proper determination of the dispute.

17.2.3 The arbitration shall take place in Lagos, Nigeria. The language to be used in the arbitral proceedings shall be English.

17.2.4 The absence or default of any Party to the arbitration shall not be permitted to prevent or hinder the arbitration in any or all of its stages. Furthermore, the refusal of the Party to allow the arbitrators to access information required for the resolution of the dispute shall not prevent the arbitrators from rendering an award to resolve the dispute.

17.2.5 The costs of the arbitration proceedings shall be divided equally among the Parties to such proceedings; provided, however, that each Party to the arbitration proceeding shall be responsible for its own attorney's fees, as well as the costs and expenses of any witnesses presented by such Party, regardless of which Party prevails.

17.2.6 Pending the arbitrators' decision or award, the operations or activities, which have given rise to the arbitration, need not be discontinued. It is hereby agreed that any such pending arbitration shall not in any event, have the effect of hindering Petroleum Operations by the Farmor on the OML nor shall Farmee be entitled to apply for any such order. In the event the decision or award recognises that the dispute was justified, provisions may be made therein for the appropriate reparation to be made.

17.2.7 Judgement regarding any arbitral award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

17.2.8 Although each Party shall pay its own attorney's fees and costs related to participation in the arbitral proceedings, no matter which Party prevails, the arbitrators may, at the request of a Party, direct that all or part of such Party's attorney's fees and costs related to participation in the arbitral proceedings are to be paid by the Party initiating the arbitration, if the arbitrators deem the claim of such initiating Party to be frivolous.

17.2.9 The Parties undertake to keep strictly confidential the contents of the arbitral proceedings.

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ARTICLE 18
ASSIGNMENT OF INTEREST (S)

18.1 Rights of Assignment

18.1.1 Subject always to Farmor's approval and the consent of Government and the provisions hereinafter contained, Farmee shall not at any time assign or transfer all or part of its rights and obligations under this Agreement except as follows:

- (a) If Farmee desires to assign its right and obligations under this Agreement, or any part thereof, to a third party, it shall provide the Farmor with the full details of the proposed assignment transaction, as well as financial and other data and information about the proposed third party assignee, as requested by Farmor in order to be able to determine that the proposed assignee or transferee (the "Assignee") is sufficiently qualified to assume the rights and obligations which it proposes to assign. Such assignment shall not be made unless the Farmor shall have consented to such assignment or transfer in writing based on their satisfaction with the competence of the Assignee to discharge the obligations under this Agreement as they relate to the Farm-out Area. Farmor shall not grant such consent if the proposed assignment or transfer may, in the reasonable opinion of any of the Farmor bring the OML operations into disrepute or affect the good-standing of the OML or any of the Farmor (or their respective Affiliates). Farmor shall, within sixty (60) days of receipt of notice of such assignment from the assigning or transferring Party (the "Assignor"), or within such longer period as may reasonably be required to consider any information provided by the Assignor with regard to the financial and technical capability of the Assignee, either consent to such assignment in writing or notify the Assignor in writing that such consent is withheld. A failure by Farmor to so notify within such period shall be deemed to be consent by Farmor to such assignment;
- (b) the Assignor shall have fully performed all of its duties and obligations under the Agreement up to the effective date of the assignment or transfer; and
- (c) the Assignor shall, notwithstanding the assignment, be liable to the other Parties for any obligations, financial or otherwise which have vested, matured or accrued under the provisions of the OML or this Agreement prior to the effective date of such assignment.

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- (c) The Assignee shall have no rights in and under this Agreement arising out of such assignment to it unless and until the Assignee has expressly undertaken in writing to perform the obligations of the Assignor under this Agreement, including Abandonment obligations, to the satisfaction of the Farmor.
- (d) If the Assignor has provided security pursuant to an Abandonment Security Agreement entered into pursuant to Article 14, the Assignor shall not be entitled to a release of such security (or such part thereof as is attributable to the interest to be assigned) until the Assignee has complied with the requirements specified in such Abandonment Security Agreement as they apply to the Party holding the interest to be assigned, notwithstanding that at the time such Assignee is required to provide security in terms of this Article 18 it may not be a Party. Until the Assignor becomes entitled to any such release, the security which it has provided pursuant to such Abandonment Security Agreement (or the relevant part thereof) shall remain in place and shall be held as security for the share of the costs of abandonment of the Party holding the interest in question.

18.2 Assignment to Affiliates

18.2.1 Farmee may, at any time upon notice to the Farmor transfer all or part of its rights and obligations under this Agreement to an Affiliate subject to any necessary consent and approval of the Government. Farmee shall remain liable to the Farmor for all obligations under this Agreement transferred pursuant to this Article 18 and such obligations shall in addition become the obligations of the assignee. This requirement may be waived by the Farmor if such Affiliate is of the same or better financial standing and technical competence as Farmee and assignee has given an unconditional undertaking to assume all obligations of the Farmee under this Agreement.

18.2.2 If at any time an assignee ceases to be an Affiliate, the interest transferred shall be re-transferred to Farmee prior to such cessation and Farmee shall be bound to accept such re-transfer notwithstanding that it may have ceased to be a party to this Agreement, provided always that if:

- (i) an order has been made by a court or an effective resolution has been passed on the dissolution, liquidation, winding up or reorganisation under any bankruptcy laws of Farmee; or
- (ii) Farmee has become insolvent, bankrupt or has made an assignment for the benefit of creditors.

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the Farmor shall be entitled to terminate this Agreement in accordance with the provisions of Article 19 herein.

ARTICLE 19 TERMINATION

19.1 Early Termination

This Agreement may be terminated immediately under the following circumstances:

- (a) If Farmee or any Party constituting Farmee is declared bankrupt and is forced to make restitution to its creditors, or becomes insolvent, or is found by a court having competent and final jurisdiction to have wilfully violated any Nigerian laws and regulations governing petroleum operations, financial transactions and/or commercial operations during the term of the Agreement.
- (b) If the DPR determines that the Operations conducted by Farmee are not being conducted in compliance with applicable Nigerian Petroleum laws and regulations, or environmental, health and safety standards, and Farmee does not restore its Operations to compliance within ninety (90) days after receiving a written notice from the DPR regarding the aforementioned non-compliance.
- (c) If Farmee assigns its rights and interests under this Agreement without a prior written notice and prior written consent of the Government.
- (d) If it is established that the Farmee intentionally extracts or produces any Petroleum outside the Farm-out Area, unless such extraction or production is expressly authorized or unavoidable as a result of operations carried out in accordance with Nigerian laws and Regulations.
- (e) If the Farmee is unable to remedy or remove the cause of a Material Breach after the full 90-day notice period stipulated in Article 19.2.

19.1.1 The Farmor may terminate this Agreement in accordance with the procedure specified in Article 19.2 herein if the Farmee has committed a Material Breach of its obligations hereunder. For purposes of this Agreement, "Material Breach" shall mean a substantial

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breach of the provisions of this Agreement and/or the Regulations by the Farmee and shall include but not limited to the provisions of Articles 8, 15.9, 14, 16, 19.1.1 (a) – (d) below:

- (a) If the Farmor determines and the DPR approves that Farmee's Operations are substantially interfering with Petroleum Operations conducted by the Farmor.
- (b) if it is established that the Farmee discloses confidential information related to the Petroleum Operations in breach of the provisions of this Agreement and such disclosure causes prejudice to Farmor or the State.
- (c) If JV Operator is notified of any breach by Farmee of the Insurance Policy.
- (d) If Farmee intentionally submits false information to the Government or to Farmor.

19.1.2 If Farmor consider that one of the causes set out in Article 19.1.1 including 19.1.1 (a) – (d) exists to terminate this Agreement, Farmor shall notify Farmee in writing of the particular cause, requiring Farmee to remedy or remove the cause of breach, within a period of ninety (90) days, from the date of notification. If, after the end of the ninety (90) day notice period such cause has not been remedied or removed, or if agreement has not been reached on a plan to remedy or remove the cause, Farmor may terminate this Agreement in accordance with the provisions of Article 19.1 above.

19.2 If Farmee stops Operations for a period of more than ninety (90) days with no cause or justification acceptable under the Regulations, Farmor may terminate this agreement upon issuing thirty (30) days notice in writing to Farmee.

19.3 If any of the entities constituting Farmee, but not all of them, gives Farmor due cause to terminate this Agreement pursuant to the provisions of Article 19.1 above, then such termination shall take effect only with respect to such entity or entities, and the rights and obligations that such entity or entities hold under this Agreement, except as herein provided in the preceding paragraph, shall revert to Farmor without compensation, PROVIDED that the other entities may, acquire, subject to agreement between themselves and the Farmor on terms applicable thereto, such entity's rights and obligations proportionate to their respective participating interests, subject to the approval of the Farmor and the Government of such assignment.

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19.4 The termination of the Agreement envisaged in this Article or by any reason whatsoever shall be without prejudice to any rights, which may have accrued to any Party in accordance with this Agreement, the OML or the Regulations.

19.5 Events following termination

In the event of termination of this Agreement for any of the circumstances specified in Article 19.1 above, the Farm-out shall immediately expire and cease.

19.5.1 Farmee shall remain responsible for the proper decommissioning and/or abandonment of all Operations and restoration of all land in the Farm-out Area, including any associated facilities and, for the avoidance of doubt, the Farm-out Facilities in accordance with the Regulations and the provisions of this Agreement.

19.5.2 Farmee shall, not later than ninety (90 days) thereafter surrender possession of the Farm-out Area to Farmor and cause Farmor to have full and complete rights, titles, interests and estates as owner of the Farm-Out Area and possessory interest (by way of reversion or otherwise) in the Farm-out Area.

19.5.3 At the time of such surrender, all obligations of the OML and Regulations concerning decommissioning and abandonment shall have been fulfilled by Farmee.

19.5.4 Each day following the ninety day period required for surrender of the Farm-out Area that Farmee has not surrendered possession of the Farm-out Area in the condition required by this Agreement and the Regulations, Farmee shall pay to Farmor a rent of Ten Thousand Naira (N10, 000) for each day that Farmee retains possession of Farm-out Area. Farmee irrevocably agrees that this rent is reasonable and a reasonable charge for its continued presence in the Farm-out Area and is not and shall not be construed to be a penalty.

19.5.5 Prior to effective date of termination, Farmee shall satisfy all obligations and liabilities it has incurred or that are attributable to it, including without limitation, any statutory obligation or third party liabilities in respect of Operations even if the obligations concerned are to be implemented thereafter, or any liability for acts, occurrences or circumstances taking place or existing, prior to its effective date of termination.

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19.6 Approvals

Farmee shall promptly join in such actions as may be needed or desirable to obtain any approval required in connection with the termination and abandonment, and any penalties or expenses incurred by the Farmor in connection with such termination shall be borne by Farmee.

ARTICLE 20 NOTICES

20.1 Delivery and Receipt of Notices

20.1.1 Any notice/notification, consent, or other communication to be given under this Agreement, "Notice" shall, unless otherwise specifically provided herein, be in writing and will be sufficiently made if delivered by hand or regular mail, or by electronic communication means including electronic mail or facsimile transmission to be confirmed (unless acknowledged or otherwise agreed by the recipient) by letter, at the addresses hereinafter specified and shall, unless otherwise provided herein, be deemed to have been made on the day of delivery in the case of delivery by hand, five (5) days after dispatch in the case of regular mail, or twenty-four (24) hours after dispatch in the case of telegraphic communication. Unless otherwise specified by not less than fifteen (15) days notice, Notices shall be given at the following addresses:

The Group Managing Director NNPC
Nigerian National Petroleum Corporation
NNPC Towers
Herbert Macaulay Way
Central Business District
Abuja, Nigeria
Facsimile:
Telex:
Telephone:

The Shell Petroleum Development Company of Nigeria Limited
Freeman House
21/22 Marina Lagos
P.M.B. 2418
Lagos Nigeria
Facsimile:
Telephone: 01-2601600

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Telex
To NNPC:

Nigerian Agip Oil Company Limited
Plot PC 23, Engineering Close, Victoria Island, Lagos, Nigeria
P.O. Bo14 1268,
Lagos, Nigeria
Facsimile: 01-262 2241
Telephone: 01 - 260 0100
Telex: 28734 AGIP NG

Elf Petroleum Nigeria Limited
35, Kofo Abayomi Street, Victoria Island, Lagos, Nigeria
P.O. Box 927,
Lagos, Nigeria
Facsimile: 01- 2623744
Telephone: 01 - 261 3720
Telex: 21320 elf ng

To Farmee:
Universal Energy Resources Limited
25 Idoro Road
Uyo, Akwa Ibom State, Nigeria
Telephone: 08023187338; 087 - 776696
E-mail: emmanuelmboho@yahoo.co.uk

- 20.2 The Party receiving a Notice by hand shall cause a receipt for any said Notice to be given to the person delivering same and shall record the delivery of the said Notice in a permanent register and indicate the date and time of delivery of the said receipt in the said register.
- 20.3 Each Party shall have the right to change its address at any time and or/designate that copies of all such notices be directed to another person at another address by giving written notice thereof to the other Parties.

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ARTICLE 21
RELATIONSHIP OF THE PARTIES AND TAX MATTERS

21.1 Relationship of the Parties

Except as otherwise specified in this Agreement, the rights, duties, obligations and liabilities of the Parties under this Agreement shall be several, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture, association or trust, or to authorise any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

21.2 Tax Liability

Each Party shall prepare and file the requisite income and other tax reports and returns required of such Party in accordance with the Regulations.

FURTHERMORE, EACH PARTY HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS THE OTHER PARTIES FROM AND AGAINST ANY AND ALL LIABILITY AND/OR RESPONSIBILITY OF SUCH PARTY FOR THE FILING OF TAX RETURNS, PAYMENT OF TAXES AND/OR THE ASSESSMENT AND PAYMENT OF ANY RELATED FEES OR PENALTIES.

ARTICLE 22
FORCE MAJEURE

22.1 A "Force Majeure" situation includes delays, defaults or inability to perform under this Agreement due to any event beyond the reasonable control of any Party. Such event may be, but is not limited to, any act, event, happening, or occurrence due to natural causes, acts or perils of navigation, fire, hostilities, war (declared or undeclared), blockade, labour disturbances, strikes, riots, insurrection, civil commotion including acts of hostilities by local communities, quarantine restrictions, epidemics, storms, floods, earthquakes, blow-out, lightning, acts of or orders of Government, and other acts of God.

22.2 If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security, then the

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obligations of the Party giving notice of Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period. The Party claiming Force Majeure shall notify the other Party of the Force Majeure situation within twenty-four (24) hours after the occurrence of the facts relied on and shall keep the other Party informed of all significant developments. Such notice shall give reasonably full particulars of said Force Majeure and also estimate the period of time, which said Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable endeavours to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labour dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

ARTICLE 23 GENERAL PROVISIONS

23.1 Press Releases

Farmee shall consult with JV Operator with regard to all press releases and other announcements concerning this Agreement or the Operations, subject to the approval of DPR.

23.2 Conflict of Interest

Each Party for itself and for its directors, partners, employees and agents warrants, covenants and represents to the other that, except as otherwise expressly provided in this Agreement, neither it nor any of its directors, employees, partners or agents has given to or received from the other Party or any such other Parties, directors, partners, employees, or agents any commission, fee, rebate, gift or other thing or service in connection with this Agreement.

23.3 Effect of Invalid Provisions

In the event that any covenant, condition, or provision contained in this Agreement is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition, or provision shall in no way affect any other covenant, condition, or provision contained herein.

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23.4 Titles and Headings

The titles and headings of the various paragraphs hereof are intended solely for means of reference, and are not intended for any purpose whatsoever to modify, explain, or place any construction on any of the provisions of this Agreement.

23.5 Counterparts


This agreement shall be executed in counterparts by all the Parties, each of which shall be deemed an original.

23.6 Entirety of Agreement and Amendments

This Agreement constitutes the entire Agreement and understanding among the Parties hereto and supersedes any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement may be modified or amended only by a duly authorized written instrument executed by all of the Parties hereto.

IN WITNESS WHEREOF, the Parties have executed this Agreement, in triplicate, intending each copy to serve as an original, on the date first written at the beginning of this Agreement.

For: **NIGERIAN NATIONAL PETROLEUM CORPORATION**

By: 

Name: ENGR. F.M. KUPOLOKUN

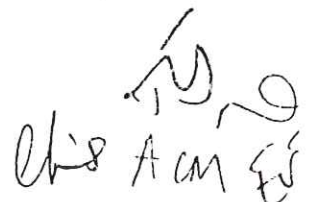
Designation: GROUP MANAGING DIRECTOR

In the presence of:

Signature

Name: Chief SENA ANTHONY MCI Arb.

Designation: GROUP GENERAL MANAGER,
CORPORATE SECRETARIAT AND LEGAL DIVISION


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For: THE SHELL PETROLEUM DEVELOPMENT
COMPANY OF NIGERIA LIMITED

By: [Signature]

Name: STEPHEN HOWARD RATCHLIFE

Designation: NEW BUSINESS, GAS & PLANNING DIRECTOR

In the presence of:

Signature: [Signature]

Name: O. OKLANDO OJO

Designation: General Manager (Value & Profits)

For: ELF PETROLEUM NIGERIA LIMITED

By: [Signature]

Name: ADEKUNLE ALLI

Designation: EXECUTIVE DIRECTOR, BUSINESS & FINANCE

In the presence of:

Signature: [Signature]

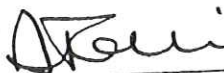
Name: OLATUNJI CANNONDE-JOHNSON

Designation: COMPANY SECRETARY


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For:


NIGERIAN AGIP OIL COMPANY LIMITED

By: 
Name: A. FORZONI
Designation: MD


In the presence of:

Signature: 
Name: N. E. ONYEGBULA
Designation: Company Secretary

For: UNIVERSAL ENERGY RESOURCES LIMITED

By: 
Name: ENGR. EMMANUEL MBOHO
Designation: MANAGING DIRECTOR

In the presence of:

Signature: 
Name: BARRISTER (Mrs.) NKOYO AMANA
Designation: COMPANY SECRETARY


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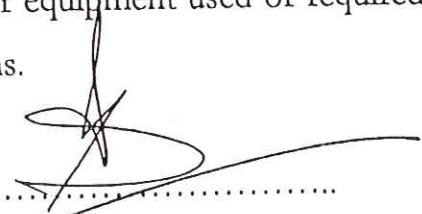
APPROVED BY THE HONOURABLE MINISTER

This 22nd Day of December..... 2003

In approving this Agreement, Government holds harmless the Farmor and their respective Affiliates from and against any statutory fine, penalty or liability on the OML arising out of:

- (i) any failure by Farmee in complying with any Governmental law or Regulation, or pollution or contamination caused by the discharge or escape of oil, other pollutants or contaminants from the Farmee's Operations, the presence, disposal, release or threatened release of any waste material or hazardous substance into the atmosphere or into or upon land or any water course or body of water, including ground water, to the extent such are attributable, in whole or in part, to Farmee's Operations in the Farm-out Area under this Agreement.

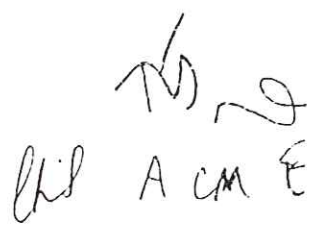
- (ii) any failure by Farmee with respect to, including but not limited to **PLUGGING AND ABANDONMENT OF EXISTING WELLS, THE RESTORATION OF THE SURFACE OF THE LAND** as may be required under the applicable permits or as may be required by any applicable governmental agency having jurisdiction over well abandonment and the removal of or failure to remove any materials, facilities or equipment used or required by Farmee in the conduct of Operations.

Signature: 

Name: **Dr. E.M. DAUKORU**

Designation: **PRESIDENTIAL ADVISER ON PETROLEUM AND ENERGY,**

FOR AND ON BEHALF OF MINISTER OF PETROLEUM RESOURCES.


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In the presence of:

Name: A - I - PEPPLE

Signature: *A. I. Pepple*

Designation: PERMANENT SECRETARY.

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SCHEDULE A
FARM-OUT AREA, FARM-OUT DEPTH AND FARM-OUT FACILITIES:
STUBB CREEK FIELD

Farm-out Area:

The Farm-out Area is captured within the boundaries defined by the following coordinates in meters:

	<u>Eastings</u>	<u>Northings</u>
A:	633825	68025
B:	640895	68025
C:	640895	62037
D:	633825	62037

These coordinates constitute the corners of a polygon encompassing areas of Oil Mining Lease 14 as shown on the map attached hereto.

Farm-out Depth:

The Farm-out Depth is 9829 ft True Vertical Depth Subsea.

Farm-out Facilities:

- (1) Stubb Creek wells -1, 2, 3 and 4 (Wells -1, -3 and -4 are abandoned wells)

If any additional Farm-out properties are identified they will be included in a future side letter attached to this Agreement.

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**SCHEDULE B
DESCRIPTION OF ENVIRONMENTAL CONDITION
FARM-OUT AREA BASED ON ENVIRONMENTAL
EVALUATION STUDIES**

The environmental status of the Stubb Creek Field will be described in an Environmental Evaluation Report to be provided by Farmor to Farmee.

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SCHEDULE C
DECOMMISSIONING AND ABANDONMENT SECURITY

The decommissioning and Abandonment security shall be in accordance with the formula below:

$$Y = [0.1 D/t] * (1+r)^{(t-n)}$$

Where:

Y, = Amount to be paid annually into an escrow account as abandonment security.

D = Development cost of field.

0.1 D = 10% of development cost of field.

t = Expected field life

r = LIBOR rate

n = Particular year of production

The time of first payment shall be not later than seven (7) days after the commencement of production by Farmee from the Marginal Field.

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