

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

gaf
This Fifth Amendment (hereinafter referred to as this "Amendment") made and entered into as of the 25th day of January, 1996, by and between The State of the Republic of Equatorial Guinea (hereinafter referred to as the "State"), represented for the purposes of this Amendment by the Ministry of Mines and Energy of The Republic of Equatorial Guinea (hereinafter referred to as the "Ministry"), and Mobil Equatorial Guinea Inc., a corporation organized and existing under the laws of the State of Delaware, U.S.A. (hereinafter referred to as "Mobil") represented for the purposes of this Amendment by Arthur J. Green, its Vice President, and UMC Equatorial Guinea Corporation, a corporation organized and existing under the laws of the State of Delaware, U.S.A. (hereinafter referred to as "UMC"), represented for the purposes of this Amendment by its authorized representative.

WITNESSETH

- A. WHEREAS, the State and United Meridian International Corporation ("UMIC") entered into that certain Production Sharing Contract dated the 29th day of June, 1992 (hereinafter referred to as the "Contract"), but having an Effective Date of July 8, 1992, covering the area described therein which is referred to as Area B - Offshore NW Bioco; and
- B. WHEREAS, by that certain Assignment made and entered into the 21st day of October, 1992, UMIC assigned DuPont E&P No. 21 B.V. ("DuPont") an undivided seventy-five percent (75%) of all the right, title, interest and obligations under the

Contract, and said Assignment was approved by the Ministry on 29 October 1992; and

- C. WHEREAS, that certain First Amendment To Production Sharing Contract was made and entered into the 15th day of December 1992 by and between the State, represented by the Ministry, UMIC and DuPont; and
- D. WHEREAS, by that certain Assignment (Area B) made and entered into the 14th day of December, 1992, DuPont assigned an undivided twenty-five percent (25%) interest in and under the Contract, as amended, to each of Clyde Charter Company Limited to be renamed BP Exploration (Equatorial Guinea) Limited ("BP") and Den Norske Stats Oljeselskap a.s. ("Statoil") and said Assignment was approved by the Ministry on 23 December 1992; and
- E. WHEREAS, by that certain Assignment dated the 25th day of June, 1993 DuPont assigned to UMIC all of its rights, titles, interests and obligations under the Contract, as amended, and the Ministry consented to such Assignment on September 9, 1993; and
- F. WHEREAS, by letter dated July 6, 1993, UMIC elected to proceed into the Second Subperiod and has paid the bonus to proceed into the Second Subperiod in accordance with Section 9.2 of the Contract, as amended, and has paid the rentals due in accordance with Section 9.5 of the Contract, as amended, and by letter dated July 8, 1993, the Ministry authorized UMIC to proceed into the Second Subperiod; and
- G. WHEREAS, that certain Second Amendment To Production Sharing Contract was entered into on the 17th day of September, 1993 by and between the State, represented by the Ministry, and UMIC; and

- H. WHEREAS, by that certain Assignment made and entered into the 15th day of October, 1993, UMIC assigned one hundred percent (100%) of the right, title and interest under the Contract, as amended, to UMC and said Assignment was approved by the Ministry on the 15th day of October, 1993; and
- I. WHEREAS, that certain Third Amendment To Production Sharing Contract was entered into on the 1st day of March, 1994, by and between the State, represented by the Ministry, and UMC; and
- J. WHEREAS, by that certain Assignment dated the 28th day of March, 1994, Clyde Charter Company Limited (to be renamed BP Exploration [Equatorial Guinea] Limited) assigned to UMIC all of its rights, titles, interests and obligations under the Contract and the Ministry consented to such Assignment; and
- K. WHEREAS, by that certain Assignment dated the 30th day of March, 1994, Den Statoil assigned to UMIC all of its rights, titles, interests and obligations under the Contract and the Ministry consented to such Assignment; and
- L. WHEREAS, by that certain Assignment dated the 7th day of April, 1994, UMIC assigned to UMC all of its rights, titles, interests and obligations under the Contract and the Ministry consented to such Assignment; and
- M. WHEREAS, by that certain Area B Deed of Assignment dated the 26th day of April, 1994, UMC assigned to Mobil an undivided sixty-five percent (65%) of the rights, titles, interests and obligations under the Contract, and the Ministry consented to such Assignment on May 10, 1994; and
- N. WHEREAS, the Government, Mobil and UMC entered into that certain Fourth Amendment To Production Sharing Contract (Area B - Offshore NW Bioco) dated

as of the 29th day of June, 1994; and

- O. . . WHEREAS, by that certain Deed of Assignment dated the 20th day of October, 1995, UMC assigned to Mobil an undivided ten percent (10%) of the rights, titles, interests and obligations under the Contract, and the Ministry consented to such Assignment on 24th day of October 1994; and
- P. . . WHEREAS, the State, represented by the Ministry, Mobil and UMC have agreed that certain amendments to the Contract, as amended, hereinafter set forth should be made for the benefit of all Parties.

NOW, THEREFORE, in consideration of the premises and the mutual benefits to the Parties hereto, the State, Mobil and UMC agree as follows:

1. Words or phrases defined in the Contract, as amended, and used in this Amendment shall have the meanings set forth in the Contract, as amended, unless the context otherwise provides.
2. Section 1.2 (am) is deleted and the following language is inserted in place thereof:

“(am) Initial Exploration Period means the period commencing on the Effective Date of the Contract and ending at midnight local time, Malabo, Republic of Equatorial Guinea on 31 December 2000 or such later date as such period may be extended to pursuant to Section 2.1 (C).”

3. The last sentence of Section 2.1 (a) is deleted and the following sentence is inserted in place thereof:

“The third Subperiod shall have a term commencing with the termination of the Second Subperiod and ending on December 31, 2000, and shall be called the ‘Third Subperiod.’”

4. Sections 3.1 and 3.2 are deleted and the following language is inserted in place thereof:

“3.1 Subject to Section 3.3, on or before December 31, 2000, the Contractor shall surrender forty percent (40%) of the original Contract Area.

3.2 Subject to Section 3.3, Contractor shall surrender an additional twenty-five percent (25%) of the original Contract Area at the end of the Initial Exploration Period, as such period may be extended pursuant to Section 2.1(C).

5. Section 4.2 is amended by adding the following sentence at the end of the Section:

“After completion of the minimum Work Program and for each remaining Calendar Year of the Initial Exploration Period, Contractor shall include work in order to continue to evaluate the Contract Area in the annual Work Program and Budget submitted to the Ministry in accordance with Section 4.4.”

6. Section 7.2 shall be amended by adding the following two sentences at the beginning of the Section:

“7.2 Beginning with the commencement of production, the State shall be entitled to



payment of one-half (1/2) of the Royalty and the other one-half (1/2) of the Royalty shall be suspended for use by Contractor to recover Petroleum Operations Costs until such time as the amount of Royalty suspended equals sixteen million United States Dollars (US \$16,000,000). Payments of Royalty in accordance with the preceding sentence shall fully satisfy Contractors obligations for the time period described therein."

The remainder of Section 7.2 is unchanged.

7. Section 9.8 shall be added as follows:

"9.8 On or before the end of the Contract Year in which Ministry gives its written approval to the first Commercial Discovery, the Contractor shall pay the State as a one time payment the sum of ten million United States Dollars (US \$10,000,000) for the purpose of funding social, infrastructure and public works programs. Such payment shall be included as a part of Petroleum Operating Costs."

8. Section 9.9 shall be added as follows:

"9.9 Beginning in the Calender year 1998 and for every Calender year thereafter, during the term of this Contract, Contractor, in consultation with the Ministry, shall prepare a separate work program and budget detailing social, infrastructure or public works programs involving a total annual expenditure of up to four hundred thousand United States Dollars (U.S. \$400,000). Upon approval of such annual work program and budget by the State, Contractor and the State shall jointly administer such fund and cause such work program to be performed. The costs of such work programs shall be included as a part of Petroleum Operating Costs. Contractor shall not be obligated to pay for any social, infrastructure or public works program outside

of the State approved work program or to pay for completion of any approved work program in excess of the annual amount set out in this Section 9.9.”

9. Exhibit C, the Accounting Procedure, shall be amended by adding to the definition of Non-Capital Costs at the end of Section 2, paragraph 2 the following:

“(h) The payments for social, infrastructure and public works programs payable in accordance with Sections 9.8 and 9.9 of the Production Sharing Contract will be currently deducted from income when calculating the Contractor’s Income Tax liability.”
10. In consideration of the premises and of the mutual covenants and agreements contained in this Amendment, the State, Ministry and Contractor hereby ratify the Contract, as amended, and hereby confirm that it is in full force and effect as of the date set out in Preamble Clause A to this Amendment.
11. Except as amended by this Amendment and the other amendments described above, the Contract, as amended, shall remain in full force and effect as originally written.

A handwritten signature in black ink, appearing to be 'af' followed by a stylized flourish.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment in three (3) originals in the English and Spanish languages, as of the day and year first above written.

THE MINISTRY OF MINES
AND ENERGY OF
THE REPUBLIC OF
EQUATORIAL GUINEA



By: *[Signature]*

MOBIL EQUATORIAL GUINEA INC.

By: *[Signature]*

UMC EQUATORIAL GUINEA
CORPORATION

By: *[Signature]*

Mobil Equatorial Guinea, Inc.

Abayak #4
CARRETERA AEROPUERTO
MALABO, EQUATORIAL GUINEA

/SIGNATURE/

8/22/96

August 21, 1996

H. E. Juan Oló Mbá Nseng
Ministry of Mines and Energy
Malabo, Equatorial Guinea

Training

Dear Excellency:

We hereby acknowledge receipt of your considerate letter number 96-1105-050 dated August 19, 1996 that proposes training six (6) petroleum inspectors. MEGI accepts to assume the following costs under section 6.1(j) of the PSC. The cost of the course is 18,785,000 CFA Francs (this is after receiving an invoice from HYDRAC PARTENAIRE DU GROUPE CAPAVE-DOUALA), the real cost of transportation to and from Douala and 25,000 CFA Francs per person per day. MEGI is honored to support this expense for training, which will be immediately applicable to the operations in the Zafiro field.

We would like to point out that the balance of the training budget, as of July 1996, is negative (-\$176,487.05). We believe that Mobil and the Ministry can be much more effective in managing the training budget and we would like to take this opportunity to propose a cost effective method to manage these costs, to benefit Equatorial Guinea. As you already know, we have a training committee whose members are: Mr. Larry Salz, Production Manager for Mobil; Mr. Paul Sanchez, Finance and Administration Manager for Mobil; the Secretary of State for Mines and Hydrocarbons, Mr. Miguel Abia Biteo Boriko; and the Secretary General for Mines and Energy, Mr. Cristobal Manaña Ela. I propose that this committee be responsible before H. E. and the undersigned to carry out the training needed. The responsibilities of this committee would include identifying the training requirements, preparing the annual training budget and controlling individual expenses in order to remain within the budget. Any cost that is not planned would have to replace another cost in the plan in order to remain within the budget. The committee would be responsible for submitting quarterly reports describing its improvements in their knowledge of technical and business techniques, as well as the status of the budget.

Mobil has significant internal as well as external resources for training throughout the world. These resources can be accessed to provide training in all aspects of all the different methods and procedures used in the oil and gas industry, and we would be very pleased to request cooperation regarding said resources to help the Ministry in its training of Guinean citizens. As you know,

there are some highly qualified Mobil technicians living here in Malabo, as well as others that visit Malabo frequently. Our mutual request to the training committee should also include finding a way for these Mobil experts to share and teach their technical knowledge continuously and jointly with the Ministry's engineers and geoscientists.

In reference to the travel expenses, we recognize that the Ministry needs to travel and manage its business and it must represent Equatorial Guinea's government and oil and gas industry appropriately. We would also like to suggest that these travel charges for Area B PSC, be limited to a budget of \$25,000, which was agreed to in the fourth amendment to the PSC dated June 29, 1994. Any additional travel or training needs that exceed the budgeted amounts or any other requirement that needs funds must be handled as an advance of the royalties. This would require an agreement regarding royalty advances as we proposed in our letter dated August 9, 1996.

We ask you to please note that our capability to provide training, travel or any other type of funds needed from Area B will be limited to the PSC training budget, the PSC travel budget, the social infrastructure PSC budget (according to the fifth amendment to the PSC) and the agreement proposed regarding royalty advances.

With your approval of this proposal and as a sign of our good will and our commitment to provide training as described in this letter, MEGI and UMC propose to accept the current deficit in the training budget for 1996 without carrying it forward to 1997, and to increase the budget from \$200,000 to \$300,000 for 1997. This recognizes the significant training needs of the Ministry as the State Minister expressed. However, we would like to request your cooperation in such a way that there be no additional requests during the rest of the year, since the balance of the training budget is negative.

I hope that this proposal will be agreeable to you. We believe that it will only improve the excellent relationship and cooperation between MEGI and your Ministry. We would greatly appreciate having the opportunity to discuss this matter with you at your earliest convenience.

Sincerely,

/signature/
A. J. Green
Vice President

UMC Equatorial Guinea Corporation

Mark Mazzolini
Manager International Acquisitions

Ph: (713) 653-5077
Fax: (713) 653-5009

March 5, 1996

Mr. T. A. Williams
Manager of Exploration
and Reservoir Performance
Mobil Equatorial Guinea Inc.
P. O. Box 650232
Dallas, Texas 75265-0232

RE: Development Training Budget
Area B Production Sharing Contract
Equatorial Guinea

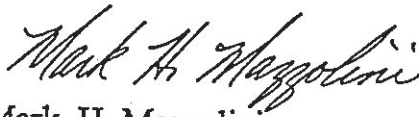
Dear Mr. Williams:

Please find enclosed UMC's approval of your draft letter to the Ministry regarding the \$200,000 annual training budget and establishment of training committee.

If you need anything further, please advise.

Best regards,

UMC Equatorial Guinea Corporation



Mark. H. Mazzolini
Manager International Acquisitions

MHM/clb

M:WPVHMLTRITAWMOBIL.305

Mobil Equatorial Guinea Inc.

P.O. BOX 650232
DALLAS, TEXAS 75265-0232
3033 IRVING BOULEVARD
DALLAS, TEXAS 75247 USA
TELEPHONE: (214) 951-2000
FACSIMILE: (214) 951-4340

February 22, 1996

Mr. J. Smitherman, III
Executive Vice President
Exploration and Production
United Meridian International Corporation
1201 Louisiana, Suite 1400
Houston, TX 77002-5603

Dear Jim,

In accordance with Article 6.1(j) of the Production Sharing Contract for Block B the contractor is required to renegotiate the training budget once commerciality is declared. We have spoken with Miguel Abia who has proposed a training budget of U.S. \$200,000 annually. We support this amount and further propose that a committee be established to approve an annual training plan and that such committee meet at least quarterly to review any changes to the budget. Mobil Equatorial Guinea Inc. will administer the budget and make disbursements as needed.

Attached is a draft of a letter which we propose to send to Miguel approving the \$200,000 annual training budget and proposing the establishment of the this committee. Please review same and provide any comments both on the letter as well as the level of funding.

Should you have any questions, please do not hesitate to call.

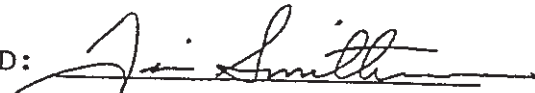
Sincerely,



T. A. Williams
Manager of Exploration
and Reservoir Performance

~~UMC EQUATORIAL GUINEA CORPORATION~~
~~UNITED MERIDIAN INTERNATIONAL CORPORATION~~

APPROVED:



BY:

Jim SMITHERMAN

TITLE:

EXECUTIVE VICE PRESIDENT -
EXPLORATION AND PRODUCTION

Mobil Equatorial Guinea Inc.

THIS LETTER WILL BE TRANSLATED
INTO SPANISH AND THEN SENT.

P.O. BOX 650232
DALLAS, TEXAS 75265-0232
3033 IRVING BOULEVARD
DALLAS, TEXAS 75247 USA
TELEPHONE: (214) 951-2000
FACSIMILE: (214) 951-4340

February 22, 1996

S. E. Miguel Abia Biteo Boriko
Ministerio de Minas y Energia
Malabo, Guinea Ecuatorial

Don Miguel,

Thanks for your letter dated November 17, 1995. Please accept my apologies for not responding sooner. Both Mobil and UMC are in agreement with your proposal to increase the training budget in accordance with Article 6.1(j) of the Production Sharing Contract on Block B.

We would like to propose that a joint committee be set up to administer the disbursement of these funds. Such committee would meet at least once each quarter and would be staffed by at least two members of the Ministry of Mines and Energy and two members of the Mobil Equatorial Guinea Inc. management team. The team would be responsible for establishing an annual training program and to review and propose changes to the annual program. Mobil will be happy to administer the disbursement of the funds once approved by the committee and as they are needed.

Your comments on this proposal would be greatly appreciated. Please do not hesitate to call should you have any questions.

Best Regards,

A. J. Green
Vice President

ea086pds

MEMORANDUM

To: .. Distribution

From: Mark Mazzolini

Date: June 30, 1997

Subject: Amendment 6 and Side Letter to the Production Sharing Contract
Block B, Offshore Bioko Island
Equatorial Guinea

Attached for your information are fully executed copies of the Sixth Amendment to the PSC and Side Letter Agreement pertaining to Area "B".

DISTRIBUTION:

Marilyn Zemlicka (w/original file copy)
John Brock (w/copies of Agreements)
Jim Dunlap (w/copies of Agreements)
Jim Smitherman (w/copies of Agreements)
John Patton (w/copies of Agreements)
Joe Brusio (w/copies of Agreements)
Rick Bott (w/copies of Agreements)
Bill Van Goidtsnoven (w/copies of Agreements)
Chris Cragg (w/copies of Agreements)
Charles Campise (w/copies of Agreements)
Keith Ranly (w/copies of Agreements)
Dan Foley (w/copies of Agreements)

Mobil Equatorial Guinea Inc.

POST OFFICE BOX 650232
DALLAS, TEXAS 75265-0232
(214) 951-2331
FAX (214) 905-7199

June 24, 1997

Jim Smitherman
Vice President
United Meridien Corporation
1201 Louisiana Suite 1400
Houston, TX 77002

Dear Jim:

Enclosed are six copies of Amendment 6 to the PSC and six copies of a side letter (3 English, 3 Spanish).

Please sign all 12 documents and initial each page of the six copies of Amendment 6.

Please retain 1 English and 1 Spanish copy of Amendment 6 and the side letter for your records and return the others to me in Dallas.

Very truly yours,



T. A. Williams

TAW/cc
Encl.

Mobil Equatorial Guinea Inc.

EQUATORIAL GUINEA ADDRESS
COMPLEJO ABAYAK
CARRETERA AEROPUERTO
P.O. BOX 654, MALABO
GUINEA ECUATORIAL
TEL: 1-214-905-4500/FAX: 1-214-905-4520*
LOCAL: 240-9-4666/FAX: 240-9-3596

US MAILING ADDRESS
P.O. BOX 650232
DALLAS, TEXAS 75265-0232

June 14, 1997

H.E. Juan Olo Mba Nseng
Minister of Mines and Energy
Malabo

Excellency:

Reference is made to the Sixth Amendment to the Production Sharing Contract signed today. The Memorandum of Understanding dated April 19, 1997, paragraph N°.6 states that in such Amendment the parties will clarify their understanding of the calculation of the cost recovery to the effect that cost recovery is allowed in the year costs are incurred.

In negotiating the Amendment it was agreed that this clarification would not appear in the Amendment itself but rather in this side letter which is signed by the Representative of the parties.

Mobil Equatorial Guinea Inc.

by 

UMC Equatorial Guinea Corporation

by 

Government of Equatorial Guinea

by 

Mobil Equatorial Guinea Inc.

EQUATORIAL GUINEA ADDRESS
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US MAILING ADDRESS
P.O. BOX 650232
DALLAS, TEXAS 75265-0232

Malabo, 15 de Junio 1997

JK
JSL

Su Excelencia
Ministro de Minas y Energía
Malabo

Su Excelencia,

Nos referimos a la Sexta Enmienda del Contrato de Participación en la Producción que se ha celebrado el día de hoy. El Memorando de Entendimiento de fecha 19 de abril 1997, en su párrafo No. 6, establece que las partes, por medio de dicha Enmienda, clarificarán su entendimiento del cómputo de la recuperación de costos, en el sentido de que tal recuperación de costos se permite en el año ~~en que se incurra~~ dichos costos.

Al negociar la Enmienda, se acordó que dicha clarificación no aparecerá en la misma Enmienda, sino en la presente carta acompañante, firmada por los representantes de las partes.

Mobil Equatorial Guinea Inc.

por 

UMC Equatorial Guinea Corporation

por 

República de Guinea Ecuatorial

por 